ANNUAL
FINANCIAL
REPORT

2018

REGISTRATION DOCUMENT

PUBLICIS
GROUPE

CONTENTS

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD 02
MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD 04
OUTLOOK 06
VALUE CREATION 07
STRATEGY 08
ORGANIZATION 09
KEY FIGURES 10
PUBLICIS GROUPE STAKEHOLDERS 12
CORPORATE SOCIAL RESPONSIBILITY 13
TALENTS 14
GOVERNANCE 15
HISTORY 16
GLOSSARY AND DEFINITIONS 17

1 PRESENTATION OF THE GROUP 19
1.1 Key figures 20
1.2 Group history 21
1.3 Organization chart 25
1.4 Activities and strategy 26
1.5 Investments 33
1.6 Major contracts 36
1.7 Research and development 37

2 RISKS AND RISK MANAGEMENT 39
Main risk factors 40
2.1 Industry-related risks 41
2.2 Operational risks 42
2.3 Environmental and human risks 45
2.4 Regulatory and legal risks 46
2.5 Financial risks 49
2.6 Insurance and coverage of risks 50
2.7 Internal control and risk management procedures 51

3 GOVERNANCE AND COMPENSATION 55
3.1 Governance of Publicis Groupe 56
3.2 Compensation of corporate officers 84
3.3 Related-party transactions 116
3.4 Statutory auditors' special report on related-party agreements and commitments 118

4 CORPORATE SOCIAL RESPONSIBILITY – NON-FINANCIAL PERFORMANCE 121
4.1 The teams: talent 123
4.2 Clients and partners 135
4.3 Citizen-consumers and society 140
4.4 Business ethics 144
4.5 Environmental impact 148
4.6 Non-financial performance and assessments 153
4.7 CSR reporting methodology 154
4.8 Sustainable Development Goals 156
4.9 External audit report 158

5 COMMENTARY ON THE FINANCIAL YEAR 161
5.1 Introduction 162
5.2 Organic growth 164
5.3 Analysis of consolidated results 165
5.4 Financial and cash position 168
5.5 Publicis Groupe SA (Group parent company) 171
5.6 Dividend distribution policy 173
5.7 Outlook 174

6 CONSOLIDATED FINANCIAL STATEMENTS 2018 YEAR 175
6.1 Consolidated income statement 176
6.2 Consolidated statement of Comprehensive Income 177
6.3 Consolidated balance sheet 178
6.4 Consolidated statement of cash flows 179
6.5 Consolidated statement of changes in equity 180
6.6 Notes to the consolidated financial statements 182
6.7 Statutory auditors' report on the consolidated financial statements 249

7 2018 ANNUAL FINANCIAL STATEMENTS 257
7.1 Income Statement 258
7.2 Balance sheet at December 31 259
7.3 Statement of Cash Flows 261
7.4 Notes to the financial statements of Publicis Groupe SA 262
7.5 Results of Publicis Groupe S.A. for financial years 2018, 2017, 2016, 2015 and 2014 281
7.6 Statutory auditors' report on the Financial Statements 282

8 COMPANY INFORMATION AND CAPITAL STRUCTURE 287
8.1 Information about the Company 288
8.2 Ownership structure 291
8.3 Information on the share capital 293
8.4 Stock market information 302

9 GENERAL SHAREHOLDERS' MEETING 305

10 ADDITIONAL INFORMATION 307
10.1 Documents on display 308
10.2 Registration Document responsibility and declaration 309
10.3 Statutory auditors 310
10.4 Cross-reference table for the Registration Document 311
10.5 Cross-reference table for the annual financial report 314
10.6 Cross-reference table for the management report 315
10.7 Cross-reference table for the corporate governance report 317

PUBLICIS GROUPE

REGISTRATION DOCUMENT 2018

ANNUAL FINANCIAL REPORT

GROUP PROFILE

Publicis Groupe is a world leader in marketing, communications and digital business transformation.

Involved throughout the consumer experience, thanks to a unique integrated offering combining creativity, content, data analysis, consulting and technology. Publicis Groupe serves its clients through a unified organization that facilitates access to all its expertise worldwide.

100 COUNTRIES

The organization is built around four Solutions hubs, Publicis Communications, Publicis Media, Publicis Sapient and Publicis Health, with a simplified geographical approach by country that makes it possible to offer clients the full range of services available in an unrivaled offering. Publicis Groupe continues its own internal revolution, transitioning from a communications partner to a true partner in their transformation. Satisfying client needs has always been the central focus of the business model.

Founded in Paris in 1926, the Group operates in over 100 countries with over 75,000 employees across five continents.

AUTORITÉ DES MARCHÉS FINANCIERS AMF

This Registration Document was filed with the Autorité des marchés financiers (the French Financial Markets Authority, or AMF) on April 16, 2019, in accordance with article 212-13 of the AMF General Regulation. It may be used in the framework of a financial transaction only if supplemented by a Transaction Note certified by the AMF.

This document has been prepared by the issuer and involves the liability of its signatories.

Copies of the Registration Document are available from Publicis Groupe SA, 133, avenue des Champs-Élysées, 75008 Paris, and on the Publicis Groupe SA website: **www.publicisgroupe.com** and the AMF website: **www.amf-france.org**

MESSAGE FROM THE CHAIR OF THE SUPERVISORY BOARD

Maurice Lévy
Chair of the Supervisory Board

2018 saw Publicis demonstrate its ability to carry out a smooth and successful succession. I see this as a result of the thorough groundwork carried out beforehand with Arthur Sadoun. A succession is always a delicate moment, all the more so in a group like Publicis that has only ever had two CEOs in its ninety-year history. We are delighted to see that this transition played out in perfect harmony for our talent and clients and from the point of view of the Groupe's future.

Arthur Sadoun has surrounded himself with people of very high calibre on the Directoire and Management Committee, bodies that are constantly being enriched by new talent and that he is leading brilliantly to transform the Groupe.

The Supervisory Board cultivates real freedom of speech, and diversity of opinion – that Elisabeth Badinter has always encouraged – is a great asset in the Board's role of overseeing the Directoire's management of the company. The terms of office of Véronique Morali and Marie-Claude Mayer are about to expire, and I would like to thank them, on behalf of the Supervisory Board, for their important contributions to the Board and its Committees throughout their directorships. For many years, they have watchfully supported the work of the Directoire by way of their active participation at meetings of the Supervisory Board and its committees. Should the AGM approve the submitted proposals, 2019 will see the arrival of new members that will make the Board increasingly international and independent : Antonella Mei-Pochtler, Suzi LeVine and Enrico Letta. The Board is eager to become more European and more international while strengthening its independence by attracting high-profile personalities.

2018 also saw Publicis demonstrate its ability to win new businesses in very difficult market conditions. This year, we were so exceptionally successful that we topped various new business rankings, and won major businesses through pitches in which the Power of One and our strategic game changers played a decisive role. The enthusiasm with which our new business model has been received by our clients is impressive. We are now truly acknowledged as key partners in their transformation.

While this momentum remains to be strengthened if we are to achieve organic growth that meet our expectations, we have already reported record headline EPS this year.

In my view, this performance is all the more remarkable given that the global market is both difficult and uncertain, in every respect. I would therefore like to congratulate Arthur Sadoun, the Directoire and all the Groupe's employees who put energy and enthusiasm into their work throughout this year.

Consumer behavior is changing faster than ever before. The impact of new technologies - an increasingly integral part of our daily lives – continues to modify habits and transform lifestyles. Our clients have had to undertake deep, difficult and urgent transformations. We have organized ourselves and invested accordingly, to help and support them through this challenging mission.

“We are delighted to see that this transition played out in perfect harmony for our talent and clients and from the point of view of the Groupe's future.”

“ Arthur Sadoun, along with the whole management team, has taken decisive strategic and operational steps in terms of the way we manage our large accounts but also to adapt our organizations and upgrade our working methods. ”

This year has also been marked by the heightened importance of corporate responsibility in the decisions taken by our consumers, talents and investors. This is more than a trend, it is a deep shift : commitments made under corporate social responsibility (CSR) have come to play a powerful role in a company's reputation, and CSR has become a full-blown performance indicator. At the same time, the emergence of movements of public opinion denouncing social inequalities, fractures and incomprehension that seem to grow wider and wider, are evidence of the need to reinstate dialogue on these issues.

This transformation of society's expectations of companies has led us to rethink our own commitments, our contribution to society, but also the way we support our clients. It is not claims and talk that consumers want, they want clear-cut, consistent commitments and deeds that we then act upon, and this they expect from all parties involved. Public authorities have risen to meet these expectations – particularly in Great Britain, the USA and France – by imagining new corporate statuses, new types of companies that come closer to reconciling economic performance and the public interest. This “reconciliation” obviously requires investment, and it is important for investors to realize that for companies to be sustainable in a harmonious environment, they must take a more balanced approach to the return on investment.

Publicis is wonderfully positioned to meet these new expectations. Firstly, of course, because we have always championed strong moral values that structure the way we operate, but also because we have been long been committed to causes that are crucial to the progress of our society. Additionally, our own transformation has enabled us to help our clients transform their organizations. Thanks to digital transformation and the customer experience, Publicis is the obvious partner of choice for companies embarking on this virtuous approach with end-to-end consistency in their relations with employees, clients and shareholders alike.

These major shifts, but also the transformations that our clients and their industries are undergoing, are all part of the changes of our markets where competition is more diverse, more fragmented and fiercer than ever before. They push us to accelerate the innovation of our offering and open up new opportunities that we must seize quickly.

And that is the rationale behind the strategic plan called Sprint to the Future that we presented in March 2018.

It is essential that we accelerate our transformation if we are to achieve our objectives and so, Arthur Sadoun, along with the whole management team, has taken decisive strategic and operational steps in terms of the way we manage our large accounts but also to adapt our organizations and evolve our working methods. The scale of these changes is so considerable that it requires clear vision, unwavering determination and relentless work, all qualities that the members of Publicis' Supervisory Board, Management Board and our entire management team have in common.

I am convinced this work will continue to deliver results and that our organic growth will soon reflect the changes we have made. I also have every confidence in our people – at every single level of our organization – to implement this strategy day after day.

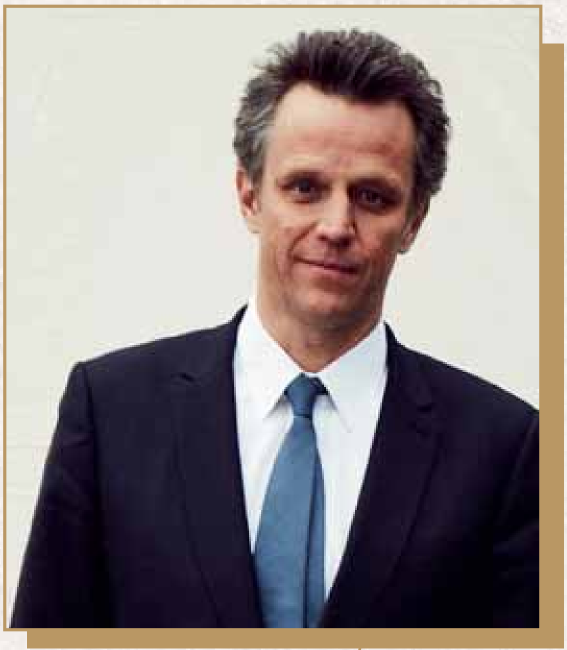
“ I will be watching very closely, and I know that Arthur Sadoun shares this ambition, to ensure that we continue our efforts in favor of gender equality: our achievements to date are encouraging. ”

These transformations and this success would not be possible without the exemplary commitment of Publicis' 75,000 talents behind the Chairman of our Management Board. I am, as is the Management Board, very aware of all the efforts that have been made, of the wonderful results that have been achieved but also of the weakness of our organic growth. I am not alarmed by this as I know the Groupe has the right business model, the talent and the assets to deliver organic growth worthy of our ability. And I am very confident that this will come to pass.

I would like every single one of you to accept our heartfelt thanks for all you have done for Publicis and its clients.

We all agree that our clients are our foremost concern, and this is one of our fundamental values at Publicis, one that guides our work and our transformation. To provide our clients with better service, our people have adapted to new organizations, new forms of competition and even new business skills in some cases. We also owe the success of our new business model to our people, first and foremost. I will be watching very closely, and I know that Arthur Sadoun shares this ambition, to ensure that we continue our efforts in favor of gender equality: our achievements to date are encouraging and we must also continue to develop the talents underpinning Publicis, while continuing to attract new talent whose great variety of skills and experience will contribute to our transformation.

MESSAGE FROM THE CHAIR OF THE MANAGEMENT BOARD



Arthur Sadoun
Chair of the Management Board

2018 will be remembered as an intensive and productive year for our Groupe. Thanks to the outstanding work of our 75,000 talents, we have strengthened our position at the forefront of change in our industry. As pressure intensifies on players in our sector, the model we are building is proving sustainable, geared to the future of our businesses, and already producing results.

How can one not see the countless changes taking place in our industry every day? The growth of digital advertising is showing no signs of slowing down, with spending now exceeding that of traditional advertising on TV and radio combined. Data processing and protection are becoming the lifeblood for advertisers. Brand reputation is becoming an asset that is valued as much as key components of our clients' business. The need for transparency in the media has never been so pressing. Finally, the seamless convergence of marketing transformation and digital transformation mean that some of our clients can no longer tell them apart.

In just 12 months, each of these changes has accelerated at an unprecedented pace. Who would have imagined that Facebook would be summoned before Congress to testify about the privacy of user data? That advertisers would consistently walk away from video sharing websites to protect the integrity of their brands? That each and every media pitch would focus mainly on transparency? That the number of mergers and alliances between creative agencies, consulting firms and data companies would multiply so fast? Or that EU data protection regulation would affect the entire digital value chain so rapidly and would inspire other countries to follow suit?

At Publicis, - as throughout our past, under founder Marcel Bleustein-Blanchet and his successor, Maurice Lévy – we have never waited to see what the outcome of new developments would be. Our own transformation, which we began several years back, has positioned us ideally to build the Publicis Groupe of the future and to secure our long-term performance. 2018 enabled us to illustrate this ambition once again.

We began by consolidating our business model. By positioning ourselves at the crossroads of marketing and digital transformation, we have become our clients' indispensable partner in providing real time consumer engagement, connecting data, content and technology. We are the only partner capable of doing this at scale, thanks to the historical know-how of our creative and media networks, combined with the expertise of Publicis Sapient which enables us to transform companies from the inside while delivering on an end-to-end proposition.

This is a winning model. The Groupe distinguished itself in 2018 by winning an unprecedented number of new accounts such as Mercedes-Benz, Campbell's, Marriott, Carrefour, Cathay Pacific, Smucker's, GSK and Fiat-Chrysler, to name a few. This change of paradigm – from a communications partner to a partner in client transformation – has been a commercial success as evidenced by our No. 1 ranking in new business activities in the industry, all categories combined.

We have also delivered a particularly robust financial performance, despite difficult market conditions. With margin up by 60 basis points, the Groupe declared its best ever Earnings Per Share[1], 10% higher than the year before. We took this opportunity to further reinforce the Groupe's financial structure, leaving us cash positive at December 31, 2018. This is a considerable competitive advantage in that we have the means to invest in the businesses upon which the Groupe's future success will be built.

> **"At Publicis, as throughout our past, we have never waited to see what the outcome of new developments would be."**

(1) Headline diluted EPS, at constant exchange rates and before IFRS 16 is applied.

“ We are several steps ahead thanks to our new model, and our financial performance has confirmed the Groupe’s strength ”

We have also put our talents at the heart of our organization, more so than ever before. In this race to innovate and reinvent through our ideas, talent is our most valuable asset as we will only succeed together. We must therefore listen to our people and ensure they flourish - this must be our obsession.

This was the spirit in which we presented – at Vivatech in May 2018 – the first version of Marcel, the Groupe’s platform at the service of its employees, which will use artificial intelligence to help our employees work closer together and boost their potential. This platform, named as a tribute to Groupe founder Marcel Bleustein-Blanchet, has already achieved a number of successes. With M-Labs, the alpha version of Marcel, a young team of creatives who had never been to the USA, produced the 2018 Oscars campaign for Walmart, the campaign considered by Time Magazine as the best of the event. Marcel is also proof that the Groupe is at the cutting edge of innovation and that it is transforming itself to serve its clients even better than before. It played an important part in GSK’s decision to entrust its global media and digital business to Publicis last October, as mentioned to the press by GSK’s Chief Digital Officer.

Marcel will also host our new training and development program. It was launched in early 2019 following a process which identified the needs of the organization and the best experts who could share and further develop our skills. It places our most innovative activities - that will ensure the Groupe’s future success - at the very heart of the experience. With this program, our ambition is to enable everyone to enhance their skills, drive their own futures and propose the most innovative solutions to our clients.

Hence, 2018 will indeed be remembered as an intense and productive year. We are a few steps ahead thanks to our new model, and our financial performance is proof of the Groupe’s strength. However, there is still a long way to go before we can be satisfied with ourselves. Let’s face it, our organic growth – which has been impacted by the attrition among some of our key clients – does not live up to our ambitions. We have the right business model, we must now deploy it at scale to achieve a higher rate of profitable organic growth. Based on everything we have already achieved, we now have the recipe for success, i.e. to accelerate our transformation. Organic growth is our top priority, and this is where all our efforts are focused. To this end, we have defined four operational projects for the next few months.

The first is the development of our Game Changers, i.e. the businesses of the future in our industry in data, dynamic creativity and digital transformation of companies. Launched during March 2018 at the presentation of our Sprint to the Future strategic plan, we placed them at the heart of the model to ensure that they permeate all of the Groupe’s activities. They may only represent 12% of our revenue, but the impact they have on our operations is much more far-reaching, as evidenced by the critical role they played in gaining new accounts in 2018. This strategy is producing results, our Game Changers not only grew by 28% in 2018, they will be an important source of growth over the next few years. To accelerate the large-scale transition, in early 2018 we implemented global practices in marketing transformation as well as industry verticals in business transformation to facilitate the roll-out to all countries for all our clients. All Groupe assets are aligned to focus on a single goal: organic growth.

The second project is the launch of the country model in all our markets. Now all countries have a single management team overseeing all of Groupe’s expertise and capable of providing clients with seamless access to our diverse range of solutions. We will implement this model in greater depth as this is the best way to meet the needs of our clients by bringing to life, the combination of creativity, data and technology in each of our markets. This is also a very powerful instrument for growth as it fosters cross-fertilization.

Our third undertaking is the organization we have set up to serve our top clients. They benefit from a single point of contact, a Groupe Client Leader (GCL), who will provide them with accessibility to the Groupe’s wide range of resources. The GCLs will be supported by the newly-appointed EVP Global Client who will connect them with the different marketing transformation practices and industry verticals in business transformation. The GCLs will roll out our model with all our top clients – returning to growth by benefitting from the consolidation of their partners and gaining market share.

Lastly, we will accelerate the expansion of our Game Changers through bolt-on acquisitions. This is what we did in 2018 with Payer Sciences in the USA, and with Xebia and Soft Computing in France. We will continue to do so, in order to remain at the forefront of our industry in terms of skills and to have the capacity to meet our clients’ demands around the world.

As illustrated by 2018 and as confirmed by the first few months of 2019, the Groupe is determined to transform itself to ensure long-term success. At a time when consumers, clients and our business have never changed so rapidly, this transformation is becoming increasingly necessary every day. On the back of the strength of our financial performance, our commercial success and the highly positive feedback from our clients, we are very confident about keeping up with this dynamic momentum. The Groupe is reinventing itself which is critical to ensure that our raison d’être of becoming our clients’ trusted partner continues to ring true. Thanks to the commitment of the Groupe’s 75,000 talents, we give them further reasons to choose Publicis as their partner of choice.

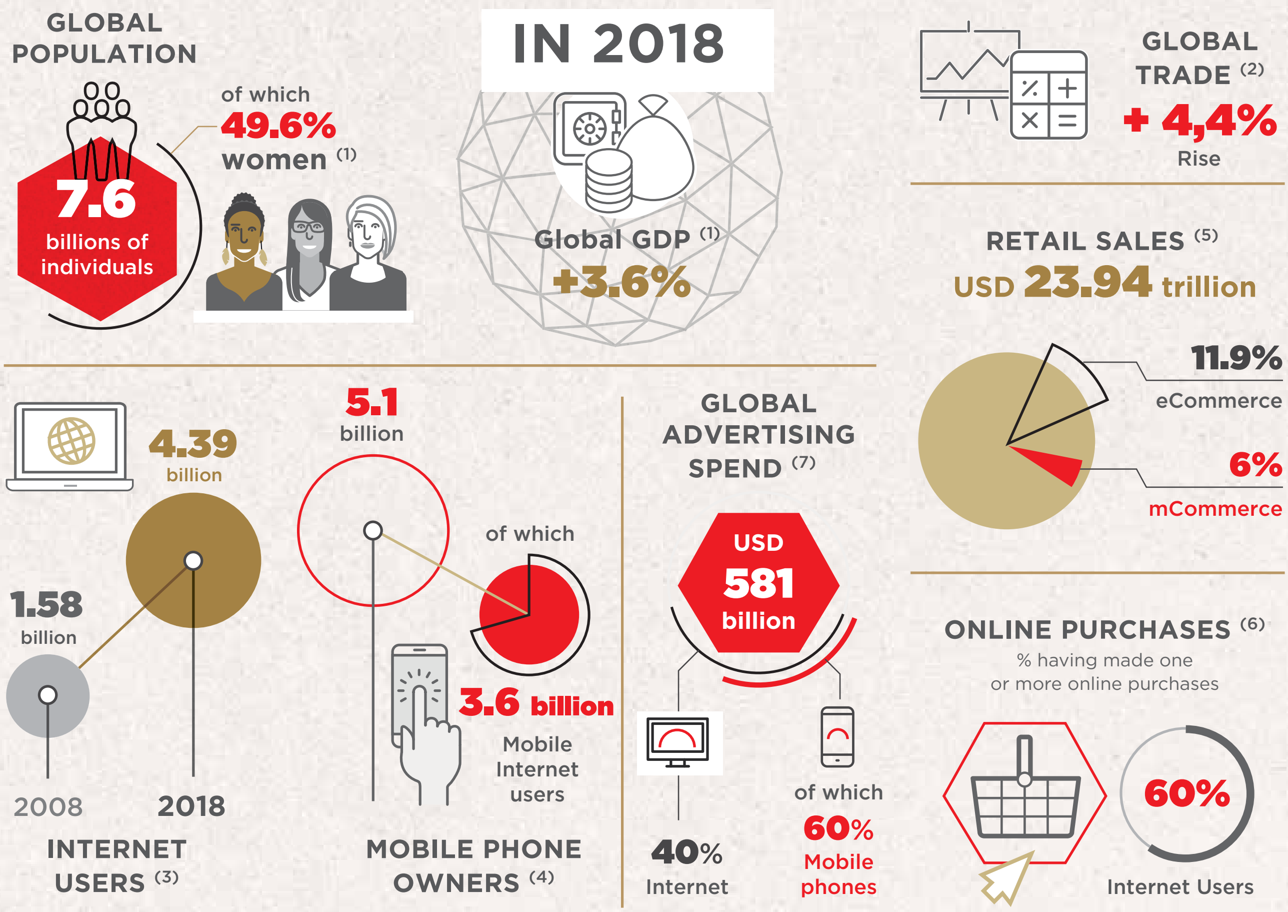
“ Organic growth is our top priority, and this is what all our efforts must seek to achieve. ”

OUTLOOK

The world is currently undergoing substantial change generating a whole series of uncertainties. Among these, global population growth poses two challenges: a large cohort of young people, better educated in more and more countries, with legitimate social and economic aspirations in this connected future they are building, and a population aging at levels never before seen, and offer significant growth opportunities, will require us to come up with new modes of living and caring. Rapid urbanization means that it is necessary to completely rethink our towns and cities that will be home to two-thirds the world's population in 2020, in particular the infrastructure and how this works together and the organization of public and private services, not to mention all aspects of community living. Faced with the absolute need to dramatically reduce the impact of all human and industrial activity in order to limit global warming, basically reinventing the whole world.

The marketing and communications sector has been shaken up. The global digital transformation is impacting this sector in the same way as all the production and service activities of our clients without exception. Technological innovation and the central role being played by mobile phones are driving new behavior on the part of citizen-consumers, changing their expectations, life styles and consumption patterns. For consumers, there is now an almost infinite range of possibilities in a whole series of fields, where each person's experience must be unique. It will become increasingly personalized thanks to data and the proper use thereof.

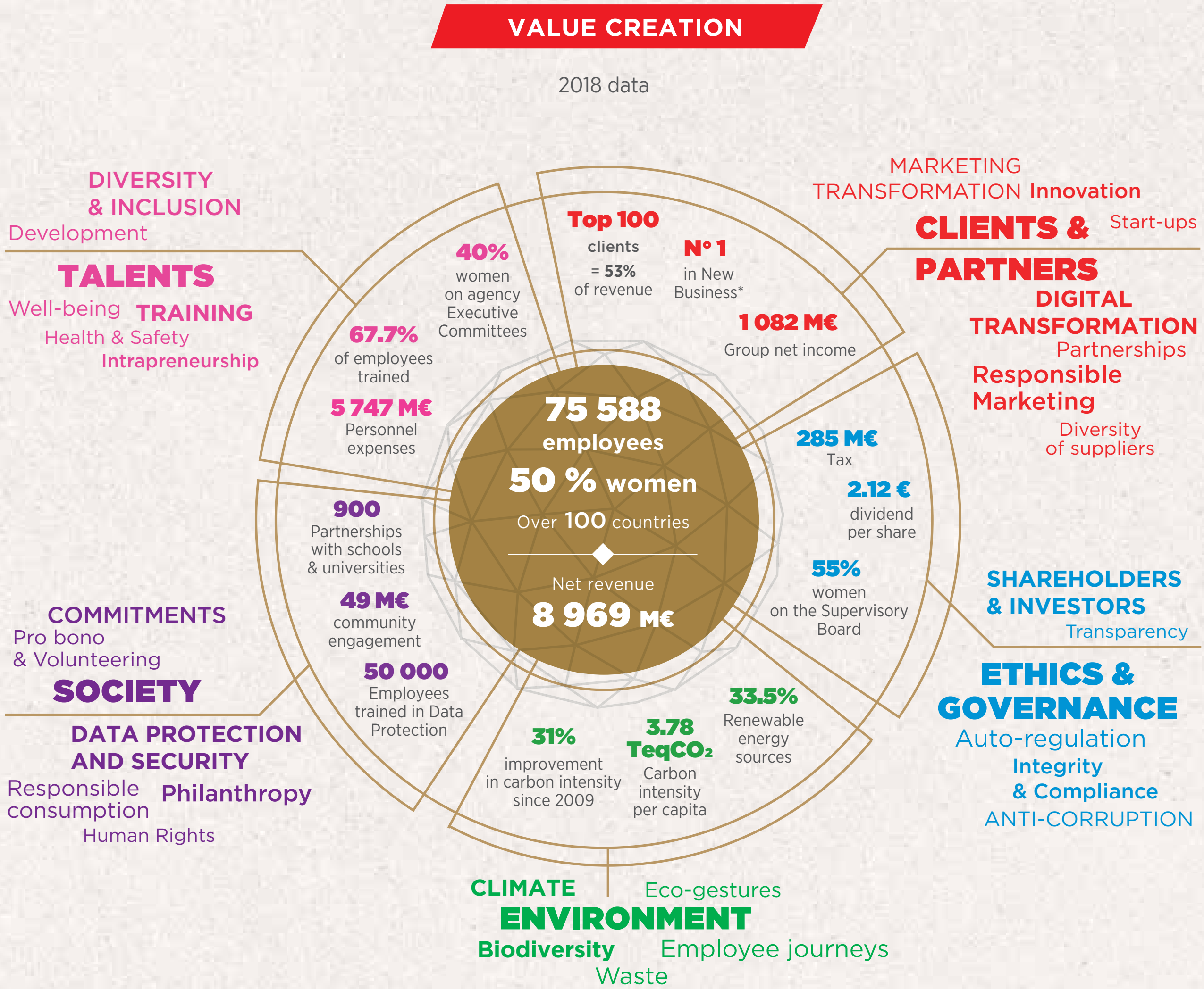
That is where Publicis Groupe has a competitive advantage.



Sources: (1) World Bank 2018,
(2) World Trade Organization 2018,
(3) We Are Social 2019,
(4) GSMA: Groupe Speciale Mobile Association 2019,
(5) eMarketer 2019,
(6) OECD: Organization for Economic Co-operation and Development 2019,
(7) ZenithOptimedia 2018.

VALUE CREATION

Value creation is measured by means of quantitative and qualitative financial and non-financial indicators. This summary outline must be also be interpreted in light of the Group's ecosystem of stakeholders and desired approach. That is why it accounts for the expectations of the Group's key stakeholders and underscores a certain number of externalities. It is, nevertheless, not exhaustive and reflects the work being done by senior management on integrated reporting. Apart from financial capital (equity or borrowings, see Section 6: consolidated financial statements), the Publicis Groupe's main resources are human capital (our employees worldwide, see Section 4: CSR), intellectual capital (R&D) and innovation (see Section 1). The risk factors are presented in Chapter 2.



* Sources: Goldman Sachs, JP Morgan, RECMA, R3.

STRATEGY

Founded in 1926, Publicis Groupe has become the world's third largest communications group (see Section 1 of this document). Throughout its history and many changes, Publicis Groupe has been guided by one absolute priority, one obsession: the needs of its clients!

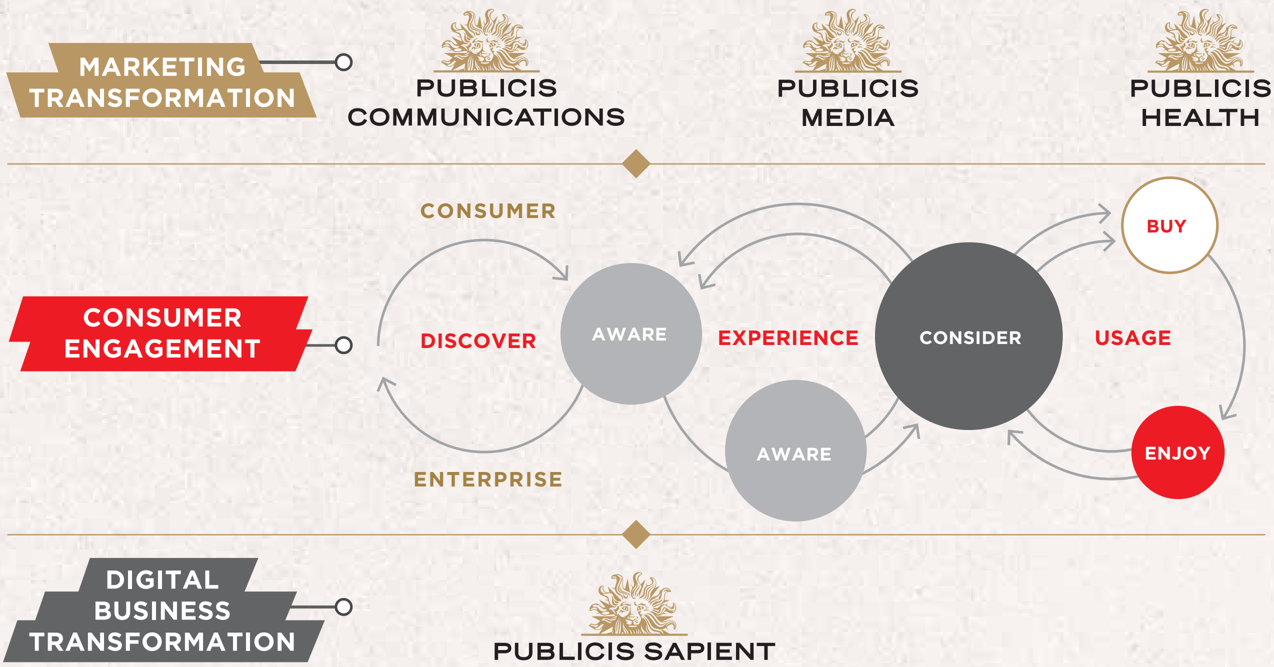
Clients' needs are at the heart of Publicis Groupe's business model. Companies today are faced with enormous challenges and tremendous opportunities: new technologies have transferred power to consumers, redefining ways of communication, disrupting the landscape and the role of the media, and facilitating the emergence of new competitors. Against this backdrop, Publicis Groupe is positioning itself **as a partner in clients' transformation** through their communications and marketing, their media plan and implementation, their strategy and data management, as well as through the redesign of their activities and operations using digital technology.

Publicis Groupe is in a position to offer a whole range of solutions to clients in its key markets: creative solutions with "Publicis Communications", media solutions with "Publicis Media", digital solutions with "Publicis Sapient" and healthcare sector solutions with "Publicis Health". The Group brings together its wide range of expertise under a simplified country approach to create a "seamless" offer that addresses all of its clients' needs.

Thanks to a powerful alchemy of creativity and technology, Publicis Groupe steers the transformation of its clients' businesses across the value chain. The Groupe is present at every stage of the consumer experience to enhance its client's image and appeal: from brand discovery, which is often digital, through to the act of purchasing, online or in physical stores. Digital has changed the way in which consumers and brands interact: it has brought consumers closer to brands by removing the gap between image and experience. The success of brands now resides in the harmony that they are able to create throughout the entire consumer journey: all brand communications must be supported by commercial excellence (product quality, distribution channel, etc.) and each business activity, particularly online, needs to have emotional added value to set it apart from its competitors. The challenge for clients is thus to re-imagine consumer engagement, offering personalized experiences at scale.

Personalized consumer engagement at scale has long been the holy grail for advertisers. By making innovation central to its organization, Publicis Groupe is now able to deliver it for its clients. The Group has developed three game changers: data, dynamic creativity and digital transformation, which provide quantitative, emotional and technological expertise to reinvent our clients' relationships with their consumers by personalizing the experience across all brand touchpoints. These game changers give the Group a key competitive edge in the industry in terms of expertise and service offering - playing a critical role in winning new businesses in 2018 and are a testament to the relevance and attractiveness of the model developed by the Group.

Through personalized consumer engagement at scale, **the transformation of corporate marketing** is therefore –more than ever- tied to **their digital transformation**. Publicis is currently best placed to become the leader of the new market born out of this convergence.



ORGANIZATION

To implement this promise operationally and provide a single offering in each country combining all the Group's areas of expertise, Publicis has defined eight key markets: North America, United Kingdom, France, DACH (Germany, Austria and Switzerland), Asia Pacific & Africa/Middle East, Northern and Central Europe, Southern Europe, Latin America, excluding Brazil(1), to break down walls and provide innovative new solutions, born out of the alchemy between creativity, data and technology. That is why these eight countries or regions are run or supervised by a single person and overseen day-to-day by a unified Executive Committee. They bring together the members of multiple solutions, have shared support functions and are able to provide our clients a broad-based offering that is able to meet all their needs.

Lastly, and perhaps most importantly, the Group puts its clients first. Each of its major clients is assigned a Groupe Client Leader, and has a separate income statement to help relations with different players within Publicis Groupe flow more easily. This innovative organization enables the teams' work and use of the Group's know-how to be adapted to meet a client's specific requirements, with the aim of providing it with great ideas that will revolutionize its brands and its business.

MANAGEMENT BOARD OF PUBLICIS GROUPE

CHAIR: ARTHUR SADOUN

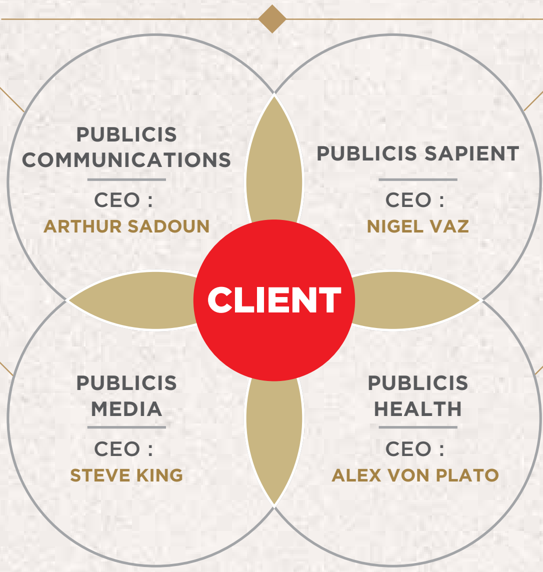
JEAN-MICHEL ETIENNE - ANNE-GABRIELLE HEILBRONNER - STEVE KING

Publicis Communications brings together the Group's **creative offering**

LEO BURNETT
SAATCHI & SAATCHI
PUBLICIS WORLDWIDE
BBH
FALLON
MARCEL
MSL
PRODIGIOUS

Publicis Sapient is the largest **technological, digital and consulting platform** in its sector. Publicis Sapient supplies the tools needed for our clients to stay relevant in the digital age.

Publicis Sapient is organized by Industry Vertical (I.V.)



Solution to **optimize media investment** and raise consumers' awareness through **data**.

STARCOM
ZENITH
SPARK FOUNDRY
BLUE 449
PERFORMICS
DIGITAS

Fully integrated solution dedicated to the **healthcare and pharmaceutical sector**.

DIGITAS HEALTH
PUBLICIS HEALTH
SAATCHI & SAATCHI HEALTH

STRATEGY & GROWTH TEAM

The Groupe Client Leaders are the clients' main point of contact, offering direct access to all Group resources for our major clients.

RE:SOURCES

CEO : **FRANK VORIS**

Partner in excellence, Re:Sources develops targeted initiatives – platforms and services - to help agencies transform and increase productivity (back-office functions, admin staff, enforcement, etc...)

AN INTEGRATED OFFERING IN ALL GROUP MARKETS

AMERICAS

North America, run by the US Executive Committee
Latin America except Brazil (1), headed up by Monica Gadsby

EUROPE

France, headed up by Agathe Bousquet
United Kingdom, headed up by Annette King
DACH (Germany, Switzerland, Austria) headed up by Justin Billingsey
Northern Europe, headed up by Jarek Ziebinski
Southern Europe, headed up by Gerry Boyle

APAC EMEA

Asia Pacific / Middle East and Africa, headed up by Loris Nold

(1) Brazil, which comprises a single Solution, maintains its organizational structure.

KEY FIGURES

All the key figures presented are explained in Section 5 of this document.

NET REVENUE (1) AND ORGANIC GROWTH

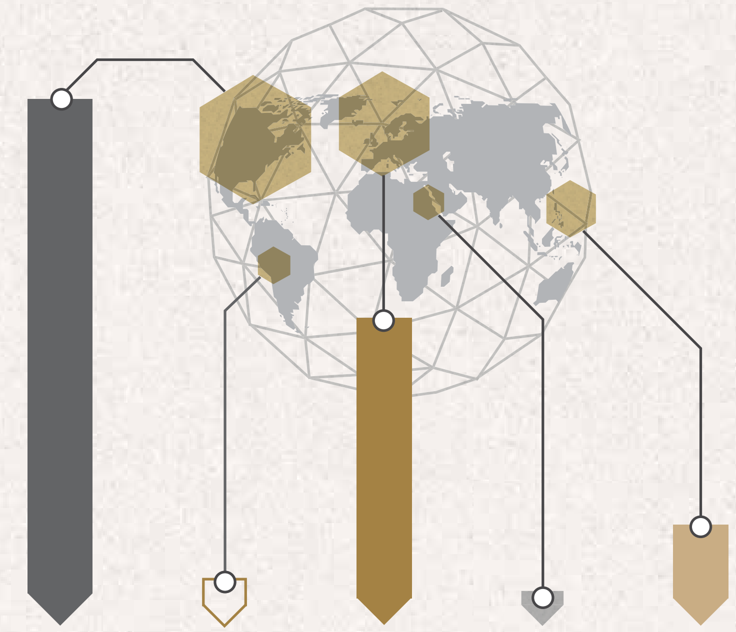
9 733 M€	9 690 M€	8 969 M€
IN 2016	IN 2017	IN 2018
+ 0,7%	+ 0,8%	+ 0,1% / + 0,8% Excluding PHS(2)

(1) 2016 and 2017: Revenue before application of IFRS 15.

(2) On December 31, 2018, an agreement was signed to dispose of PHS.

BREAKDOWN OF 2018 REVENUE

BY GEOGRAPHIC REGION



NORTH AMERICA	LATIN AMERICA	EUROPE/ RUSSIA	MIDDLE EAST/ AFRICA	ASIA PACIFIC
4 795 M€	347 M€	2 622 M€	281 M€	924 M€

BY CLIENT* BUSINESS SECTOR

as a % of net revenue

17% FINANCIAL

13% NON-FOOD CONSUMER PRODUCTS

13% AUTOMOTIVE

13% TMT

13% FOOD AND BEVERAGE

12% HEALTHCARE

7% LEISURE/ ENERGY/ LUXURY

7% RETAIL

5% OTHER

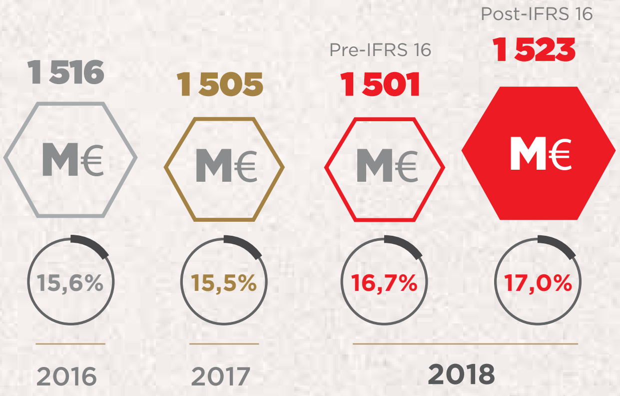
*on the basis of 3,216 clients representing 87% of total net revenue of the Group

KEY FIGURES

All the key figures presented are explained in Section 5 of this document.

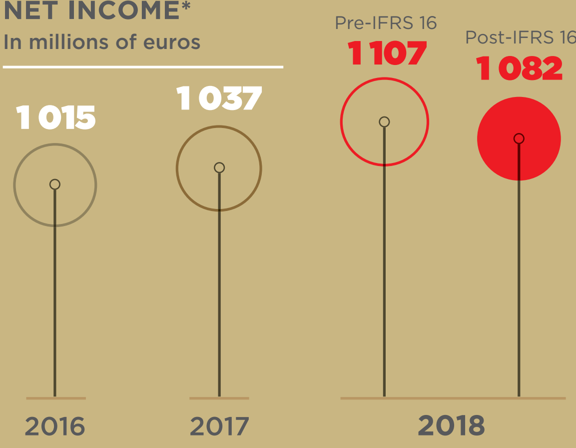
OPERATING MARGIN*

In millions of euros and as a % of net revenue(2)



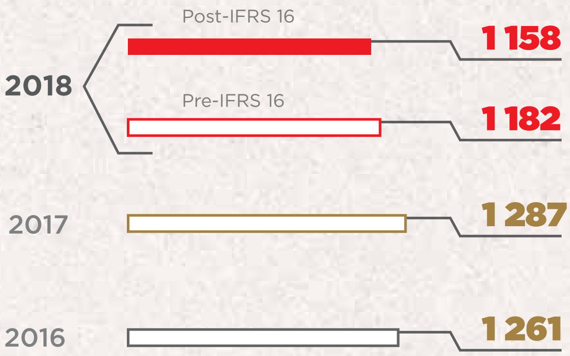
HEADLINE GROUP NET INCOME*

In millions of euros



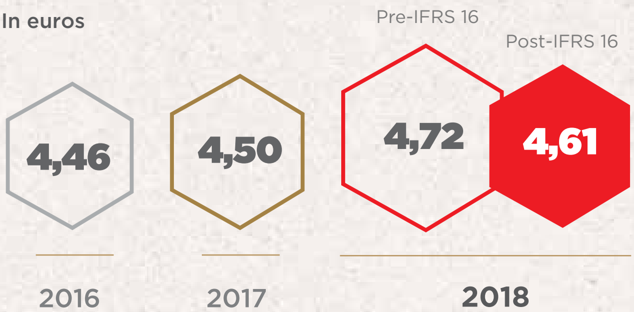
FREE CASH FLOW BEFORE CHANGES IN WORKING CAPITAL REQUIREMENTS*

In millions of euros



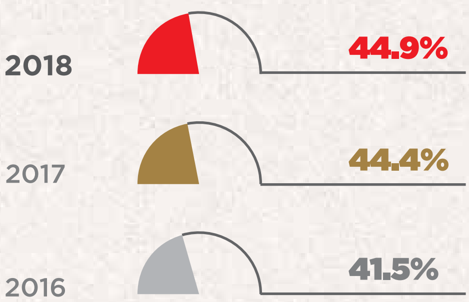
HEADLINE DILUTED EARNINGS PER SHARE*

In euros



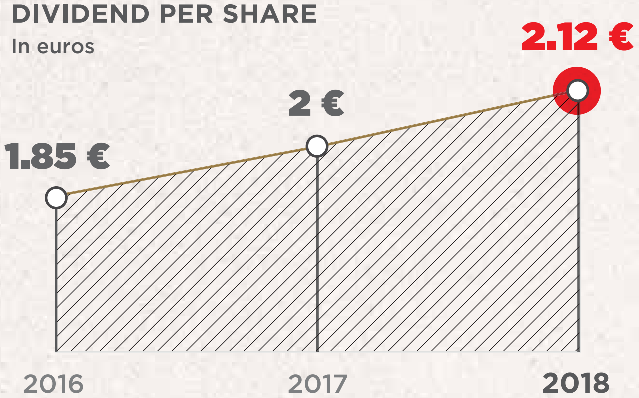
PAYOUT RATIO*

As a %



DIVIDEND PER SHARE

In euros



* See definitions in the Glossary at the end of this section.

PUBLICIS GROUPE STAKEHOLDERS

All the Group's agencies interact on a daily basis within their local ecosystem with these key stakeholders. This table summarizes the key actions undertaken with each and must be read in conjunction with the materiality table shown in Section 4. This dialog is ongoing and organized locally. It is strengthened with the suppliers, the associations or NGOs and the schools and universities.

	OBJECTIVES	MEASURES TAKEN
CUSTOMER	Combine: • Dynamic Creativity • Data • Business transformation to support our clients in their marketing and digital transformation	• Provide our clients with the best possible offering • Be transparent in media activities • Make responsible marketing the standard For example; fight against outdated stereotypes • Organize teams and expertise around customer needs
TALENTS	• Attract and retain • Encourage diversity • Foster professional development • Support work-life balance	• Diversity and Inclusion: local measures to increase diversity of hiring and ensure equal opportunity • Provide all employees with access to training modules; offer varied career paths • Continually improve quality of life at work
SOCIETY: CITIZEN-CONSUMERS	• Deliver clear messages • Safeguard personal data	• Empower citizen-consumers to make their own choices • Make it easy for citizen-consumers to control their personal data
SHAREHOLDERS & INVESTORS	• Ensure the consistent and sustainable performance of the Company	• Accelerate the Group's transformation: move from a holding company to a platform • Continually improve governance • Include CSR in the managerial variable compensation criteria
SUPPLIERS & PARTNERS	• Secure the best services (quality & performance) and honor our commitments	• Expand close CSR monitoring to all strategic global and local suppliers • Promote supplier diversity.
MEDIA	• Respect the neutrality of the media	• Work with all media outlets and platforms
NGOs	• Commit to general interest causes	• Make our expertise available to NGOs and contribute to Sustainable Development Goals • Involve all employees in these projects
REGULATORY BODIES	• Improve best practices	• Take part in regulatory creation process and discussions (Law, soft Law, etc.)
GOVERNMENT & PUBLIC AUTHORITIES	• Share our business challenges • Contribute to the economy and society	• Comply with legal obligations, particularly with respect to tax • Regularly interact with the local authorities
PROFESSIONAL ORGANIZATIONS	• Work together on the impacts of the sector	• Cooperate and contribute to working groups
UNIVERSITIES & SCHOOLS	• Share our career opportunities • Act to promote the education of young people	• Identify avenues that can be used by young people from minorities or marginalized groups to join our business lines

CORPORATE SOCIAL RESPONSIBILITY

CSR is incorporated into the company's strategy and is a performance criterion. It is centered on the company's major stakeholders and their major challenges and two transversal themes: business ethics and environmental impacts; non-financial reporting (see Section 4 of this document) is aligned with financial reporting in terms of process and scope covered.

CLIENTS

In a wholly transformed world, interaction between citizen-consumers and brands are immediate and complex because they are so numerous.To help our clients build market share, we provide the best solutions combining our three game changers: content (dynamic creativity), data and technology. This marketing and digital transformation must be done in a responsible and fully transparent way with both of these underpinning the trust established between our clients - their products and services - and their own clients. This also applies to the way we work with our partners and suppliers.

KEY INDICATORS

8 969 M€ Net revenue
– organic growth of 0.1% (see Section 5)
1 523 M€ Operating margin (after IFRS 16)
1 501 M€ (before IFRS 16)
N°. 1 in New Business in 2018
CSR criteria are used to assess
40% of the volume of purchases with strategic suppliers (see Section 4.2.6)

TALENTS

With over 75,000 employees across one hundred countries, it is the diversity of our talent that embodies the best of the Group's motto "Viva la Différence". Our responsibility as an employer is to give them space to explore their personalities and expertise, and to facilitate complementarities to make a success of client projects. Equal opportunity is a major element to ensuring that every person can continue to progress in careers experiencing constant change, and to have access to ongoing training, something that is offered to everyone through the new tools. Marcel, the internal AI platform, will expand the opportunities for employees.

KEY INDICATORS

75 000 including 50.2% women in the Group (see Section 4.1.2)
40.2% women on agency Executive Committees (see Section 4.1.2)
5 747 M€ in personnel costs (see Section 5)
67.7% of employees were trained (see Section 4.1.3)

SOCIETY

Citizen-consumers are our clients' customers and one of our strongest assets is our permanent and accurate knowledge of their needs and expectations, and respect for their expression. Over the past number of years, their requirements have solidified and have become clear in terms of honesty and transparency vis-à-vis brands that are now under a microscope to ensure that what they say matches what they do. And the commitment to the challenges the world is facing must be sincere and tangible.

KEY INDICATORS

770 pro-bono campaigns and charitable initiatives worth an equivalent of **49 M€** (see Section 4.5)
1 000 partnerships with Schools and Universities (see Section 4.4.5)
Ongoing contributions mapped to 10 of the UN's SDGs (see Section 4.7)

ETHICS

The Group's culture is built on long-standing intangible values such as respect for everyone, the combating of all forms of discrimination, the combating of corruption, fraud and conflicts of interest, the refusal to participate in partisan campaigns, etc.
The Group pays close attention to compliance and acts as a responsible economic player, in particular by paying its taxes.
All the Group's ethical standards apply to each and every employee and manager without exception. Everyone is responsible for ensuring data is managed in a way that complies with laws and regulations, by means of sound practices.

KEY INDICATORS

285 M€ in tax
24% tax rate
55% women on the Supervisory Board (see Section 3)
50 000 employees received anti-corruption and anti-bribery training (see Section 4.4.1)
50 000 employees received of GDPR training (see Section 4.3.1)

ENVIRONMENT

As a signatory to the United Nations pledge in 2007 and one of the companies supporting the 2016 Paris Agreement, the Group wants to play its part in the general effort to reduce greenhouse gas emissions. The "Consume less and better" internal policy in place for some 10 years, aims to reduce the direct environmental impact of the Group and of all agencies worldwide.

KEY INDICATORS

- **3.78 TeqCO_2** carbon intensity per capita (see Section 4.5.3)
- **31%** improvement in carbon intensity per capita since 2009
- **33.5%** renewable energy sources (see Section 4.5.3)

TALENTS

Explanations on all this data can be found in Section 4 of this document. Publicis Groupe is in the business of people and is thus primarily dependent on its employees. Human capital is the Group's most significant asset.

HEADCOUNT

at December 31, 2018

75 588

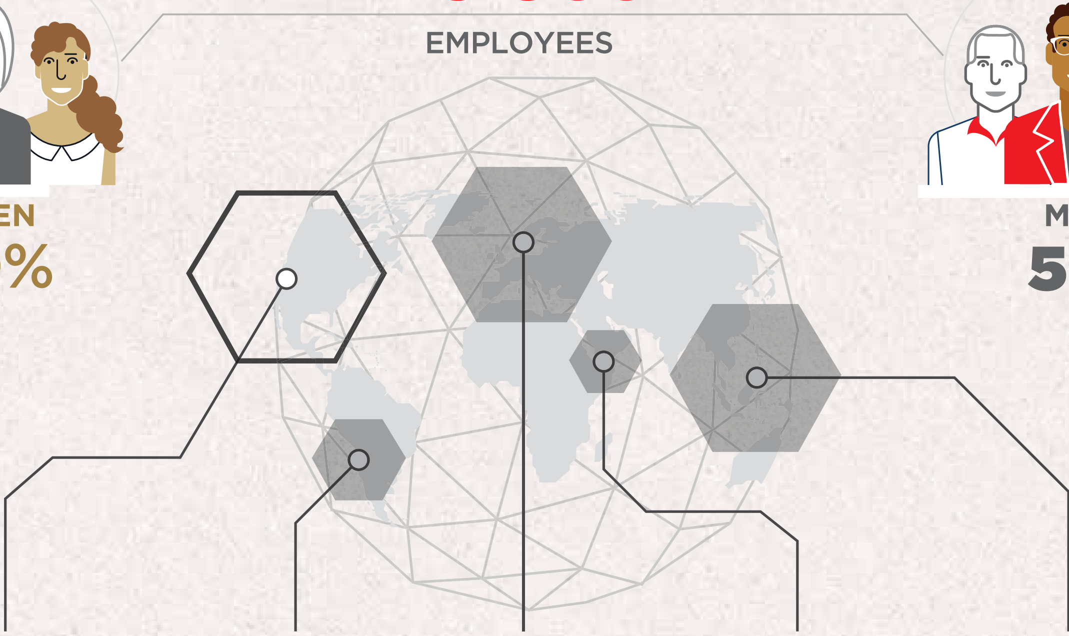
EMPLOYEES

WOMEN

50%

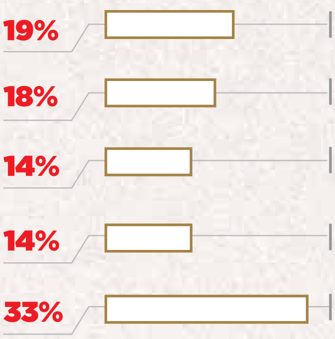
MEN

50%

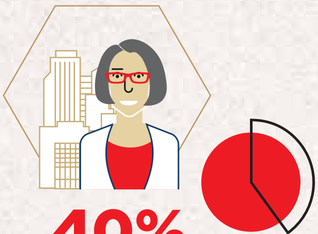


NORTH AMERICA	SOUTH AMERICA	EUROPE/ RUSSIA	MIDDLE EAST/ AFRICA	ASIA PACIFIC
22 494	5 945	22 285	4 114	20 750
54.1% Women / 45.9% Men	51.3% Women / 48.7% Men	53.1% Women / 46.9% Men	48.9% Women / 51.1% Men	42.9% Women / 57.1% Men

BREAKDOWN BY MAIN JOB CATEGORY AND FUNCTION



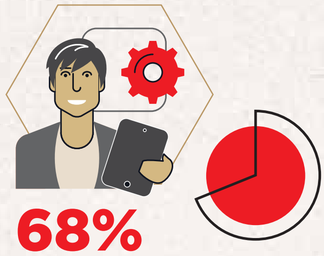
19%	Account planning and management
18%	Media
14%	Creative
14%	Administration and management
33%	Specialized production activities and other



40%

WOMEN

ON THE AGENCY MANAGEMENT COMMITTEES



68%

OF EMPLOYEES HAVE RECEIVED TRAINING

AVERAGE

26 h /per capita

GOVERNANCE

(as of the date of filing of this Registration Document)

The governance of Publicis Groupe, its bodies, their respective roles and functioning are presented in Section 3 of this document.

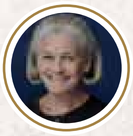
SUPERVISORY BOARD

(1) **55%** WOMEN

6 MEETINGS IN 2018

95% ATTENDANCE RATE

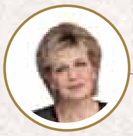
Maurice Lévy
Chair of the Supervisory Board
Member of the Compensation Committee
Member of the Strategy and Risk Committees
Member of the Appointments Committee



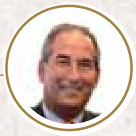
Élisabeth Badinter
Vice-Chair of the Supervisory Board
Chair of the Appointments Committee
Member of the Strategy and Risk Committee

Simon Badinter
Member of the Supervisory Board

Jean Charest
Chair of the Audit Committee
Member of the Appointments Committee



Sophie Dulac
Member of the Supervisory Board



Thomas H.Glocer
Member of the Compensation Committee
Member of the Strategy and Risk Committee

Marie-Josée Kravis
Chair of the Strategy and Risk Committee
Member of the Appointments Committee

André Kudelski
Chair of the Compensation Committee
Member of the Appointments Committee
Member of the Audit Committee

Marie-Claude Mayer
Member of the Strategy and Risk Committee

Véronique Morali
Member of the Compensation Committee
Member of the Audit Committee

Cherie Nursalim
Member of the Compensation Committee

Pierre Pénicaud
Member of the Supervisory Board representing employees
Member of the Strategy and Risk Committee

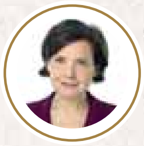
MANAGEMENT BOARD

25% WOMEN

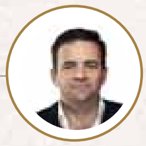
14 MEETINGS IN 2018

Arthur Sadoun
CEO
Chair & CEO

Jean-Michel Etienne
Executive Vice President, Group Chief Financial Officer



Anne-Gabrielle Heilbronner
Secretary General of Publicis Groupe



Steve King
COO Publicis Groupe
CEO Publics Media

(1) In accordance with legal requirements, Board members representing employees are not included in the calculation.

HISTORY

1926 — **Publicis is created**
by Marcel Bleustein-Blanchet

1970 — Publicis is first listed on the Paris stock exchange

1987 — Creation of the Management Board and Supervisory Board and appointment of Maurice Lévy as Chair of the Management Board

2000 — Acquisition of Saatchi & Saatchi (United Kingdom)

2001 — Zenith Optimedia is formed

2002 — Acquisition of Bcom3 (United States)

2006 — Acquisition of Digitas (United States)

2008 — Partnership with Google for the development and launch of VivaKi

2009 — Publicis ranks third in global communication groups

2009 — Acquisition of Razorfish (United States)

2011 — Acquisition of Rosetta (United States)

2013 — Acquisition of Lbi (Netherlands)

2015 — Acquisition of Sapient (United States)

2016 — The Power of One

2017 — Maurice Lévy appointed as Chair of the Supervisory Board and Arthur Sadoun as Chair of the Management Board.

2018 — ***Sprint to the Future*: 2018-2020 strategic plan. Historic level of New Business.**

GLOSSARY AND DEFINITIONS

GLOSSARY

The Power of One: Unique offering under which all Publicis Groupe services are made available to clients (creative, media, digital and healthcare) simply, efficiently and with flexibility.

Solution: Publicis Groupe is the only communication group to organize its structure around four major solutions designed to support clients in their development, through key skills (creative, media, digital and healthcare).

Publicis Communications: Publicis Communications brings together the creative offering, with Publicis Worldwide, Leo Burnett, Saatchi & Saatchi, BBH, as well as Prodigious, world leader in production, Marcel, Fallon et MSL, specialist in strategic communications.

Publicis Media: Publicis Media is a market leader in media investment strategies with a vast range of investment, strategy, analysis, data, technology, performance marketing and content experts from Starcom, Zenith, Spark Foundry, Blue 449, Performics and Digitas.

Publicis Sapient: Publicis Sapient is a unique platform in the communications industry that covers the entire digital communications value chain, from consulting to sales, *via* creation, data and platforms. It groups together SapientRazorfish, and Sapient Consulting.

Publicis Health: Publicis Health is a world leader in communication for the healthcare and pharmaceutical industries.

Industry verticals: organization of certain Group activities on the basis of the customer's industry.

Practices: communication and marketing activities that need to be centralized globally.

Re:Sources: Re:Sources brings together the Publicis Groupe Shared Service Centers that cover most administrative functions necessary for the operation of all Group agencies.

Sprint to the Future: strategic plan implemented by the Group in 2018 for the following three years (2018-2020)[1]

Strategic Game Changers: The three levers proposed by Publicis Groupe to assist its clients with the implementation of a large-scale personalized relationship. They combine the Publicis PeopleCloud platform, dynamic creativity and digital business transformation.

Groupe Client Leaders (GCL): Groupe Client Leaders are responsible for all the services and skills made available to the client, regardless of the discipline. GCLs have a geographical scope which can be global, regional or country-specific.

Viva Technology: Event co-organized by the Publicis Groupe and the Les Échos Group. This was the first international event devoted to innovation, to the growth of start-ups and to collaboration between major groups and start-up companies in France.

Dynamic creativity: Personalized creative content adapted to consumers based on their characteristics (location, interests, progress on their consumer path, etc.).

Data: Data used to assist clients with their marketing and commercial decisions.

Digital business transformation: Business model transformation consulting services for our clients and their adaptation to the digital world.

Publicis PeopleCloud: A platform created by the Publicis Groupe which combines data collected by clients with the individual identifiers created by the Group and data from third parties to enable better marketing and commercial decisions.

JANUS: JANUS is a set of rules governing behavior and ethics. It applies to all Group employees and sets out the rules of conduct to carry out operations: "The Publicis way to behave and to operate".

Directoire: Mangement Board.

(1) https://www.publicisgroupe.com/fr/news-fr/communiques-de-presse/publicis-2020-sprint-to-the-future-fr-1

DEFINITIONS

Net revenue: Revenue less pass-through costs. Those costs are mainly production & media costs and out of pocket expenses. Since 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.

Organic growth: Change in net revenue, excluding the impact of acquisitions, disposals and exchange rate fluctuations.

EBITDA: Operating margin before depreciation and amortization.

Operating Margin: Revenue after deduction of personnel expenses, other operating expenses (excluding other non-current income and expenses) and depreciation and amortization expenses (excluding intangibles from acquisitions).

Percentage operating margin: Operating margin expressed as a percentage of net revenue.

Headline Group net income: Net income attributable to the Group after elimination of impairment losses/real-estate consolidation expenses, amortization of intangibles from acquisitions, main gains (losses) on disposal, changes in the fair value of financial assets, the impact of the US tax reform and revaluation of earn-outs.

CSR: Corporate Social Responsibility.

WCR: Working capital requirements.

EPS (earnings per share): Net income attributable to the Group divided by the average number of shares on a non-diluted basis.

Headline diluted EPS (earnings per share, diluted): Headline net income attributable to the Group divided by the average number of shares on a diluted basis.

Capex: purchases of property, plant and equipment and intangible assets excluding equity investments and other financial assets.

Free cash-flow before changes in working capital requirements: Net cash flow from operating activities, after financial income received and interest paid out, repayment of rental obligations and related interest, and changes in WCR linked to operating activities.

Free cash flow: Net cash flow from operating activities, after financial income received and interest paid out, repayment of rental obligations and related interest.

Net debt (or net financial liabilities): Sum of long- and short-term financial liabilities and associated hedging derivatives, after deduction of cash and cash equivalents.

Average net debt: Average of end-of-month net debt.

Dividend pay-out ratio: Dividend per share divided by the headline diluted earnings per share.

GSM (or GM), OGM, CGM: General Shareholders' Meeting, Ordinary General Shareholders' Meeting, Combined General Shareholders' Meeting.

n/a: not applicable.

N/A: not available.

CHAPTER

PRESENTATION OF THE GROUP

1

1.1	**KEY FIGURES**	**20**
1.2	**GROUP HISTORY**	**21**
1.3	**ORGANIZATION CHART**	**25**
1.3.1	Simplified presentation of the Group	25
1.3.2	Main subsidiaries	25
1.4	**ACTIVITIES AND STRATEGY**	**26**
1.4.1	Introduction	26
1.4.2	Strategy	26
1.4.3	Main activities and Group organization	27
1.4.4	Group assets	29
1.4.5	Main clients	29
1.4.6	Main markets	30
1.4.7	Seasonality	31
1.4.8	Competition	31
1.4.9	Governmental regulations	32
1.5	**INVESTMENTS**	**33**
1.5.1	Main investments and divestments during the past three years	33
1.5.2	Main ongoing investments and divestments	35
1.5.3	Main future investments	36
1.6	**MAJOR CONTRACTS**	**36**
1.7	**RESEARCH AND DEVELOPMENT**	**37**

1.1 KEY FIGURES

In application of European regulation no. 1606/2002 of July 19, 2002 on international norms, the Group's consolidated financial statements for the financial years presented herein have been drawn up according to the IAS/IFRS international accounting standards and the applicable IFRIC interpretations at December 31, 2018, as approved by the European Union.

The tables below present selected consolidated financial data for Publicis Groupe. The selected financial data for the years ended December 31, 2018, 2017 and 2016, are derived from Publicis Groupe's consolidated financial statements included in this document or incorporated by reference and prepared in accordance with IFRS standards. These financial statements were audited by Publicis Groupe's statutory auditors, Mazars and Ernst & Young et Autres.

in millions of euros, except percentages and per-share data (in euros)	2018[1]	Pre-2018 IFRS 16	2017[2]	2016
Data from the Income Statement				
Net revenue[3]	8,969	8,969	9,332	N/A
Revenue	9,951	9,951	10,246	9,733
Operating margin before Depreciation & Amortization	2,049	1,652	1,666	1,682
% of net revenue	22.8%	18.4%	17.9%	N/A
Operating Margin	1,523	1,501	1,505	1,516
% of net revenue	17.0%	16.7%	16.1%	N/A
Operating income	1,303	1,281	1,316	9
Group share of net income (loss)	919	944	862	(527)
Diluted earnings per share[4]	3.92	4.02	3.74	(2.36)
Diluted headline earnings[5] per share[4]	4.61	4.72	4.50	4.46
Dividend awarded to each share[6]	2.12	2.12	2.00	1.85
Free cash flow before changes in working capital requirements	1,158	1,182	1,287	1,261

Data from the Balance sheet	December 31, 2018[1]	December 31, 2018 Pre-IFRS 16	December 31, 2017[2]	December 31, 2016
Total assets	27,080	25,359	23,780	24,896
Group share of Shareholders' equity	6,853	6,866	5,956	6,055
Net debt (net cash)	(288)	(196)	727	1,244

(1) The financial statements as at December 31, 2018 have been prepared by early application of IFRS 16 (use of the modified retrospective approach without restatement of the prior financial period). For the purposes of comparison with the previous year, the 2018 financial statements are also presented before application of IFRS 16.
(2) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.
(3) Net revenue: Revenue minus costs passed on to clients. Those costs are mainly production & media costs and out of pocket expenses. Since 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.
(4) The average number of shares used to calculate diluted earnings per share was 234.6 million shares for the 2018 financial year, 230.7 million for 2017 and 223.5 million for 2016. The figures used to calculate headline diluted EPS were the same as stated previously, except for 2016, for which the average number was 227.7 million shares.
(5) Net income attributable to equity holders of the parent after elimination of impairment losses/real-estate consolidation expenses, amortization of intangibles from acquisitions, main gains (losses) on disposal, changes in the fair value of financial assets, the impact of the US tax reform and revaluation of earn-outs.
(6) 2018 dividend submitted for approval by the shareholders at the General Shareholders' Meeting on May 29, 2019.

1.2 GROUP HISTORY

Founded in 1926 by Marcel Bleustein-Blanchet, the Company's name originates from the combination of Publi, for "Publicité", which means advertising in French, and "six" for 1926. The founder's ambition was to transform advertising into a true profession with social value, applying a rigorous methodology and ethics, and to make Publicis a "pioneer of modern advertising". The Company quickly won widespread recognition. In the early 1930s, Marcel Bleustein-Blanchet was the first to recognize the power of radio broadcasting, a new form of media at the time, to establish brands. Publicis became the exclusive representative for the sale of advertising time on the government-owned public broadcasting system in France. However, in 1934, the French government banned advertising on state radio; Marcel Bleustein-Blanchet thus decided to set up his own station, "Radio Cité", the first private radio station in France. In 1935, he joined forces with Havas to form a company named "Cinéma et Publicité", which was the first French company specialized in the sale of advertising time in movie theaters. Three years later he launched "Régie Presse", an independent subsidiary dedicated to the sale of advertising space in newspapers and magazines.

After suspending operations during the Second World War, Marcel Bleustein-Blanchet reopened Publicis in 1946, and not only renewed his relationships with pre-war clients but went on to win major new accounts: Colgate-Palmolive, Shell and Sopad-Nestlé. Recognizing the value of qualitative research, in 1948 he made Publicis the first French advertising agency to conclude an agreement with the survey specialist IFOP. Later, he created an in-house market research unit. At the end of 1957, Publicis relocated its offices to the former Hotel Astoria at the top of the Champs-Élysées. In 1958, it opened the Drugstore on the first floor, which has since become a Paris landmark. In 1959, Publicis set up its department of "Industrial Information", a forerunner of modern corporate communications.

From 1960 to 1975, Publicis grew rapidly, benefiting in particular from the beginnings of advertising on French television in 1968. The Boursin campaign inaugurated this new media: this was the first TV-based market launch in France, and the slogan soon became familiar to everyone in the country: "*Du pain, du vin, du Boursin*" ("Bread, wine and Boursin"). Several months later, Publicis innovated again by siding with one of its clients in a new kind of battle: the defense of Saint-Gobain for which BSN had launched the first-ever hostile takeover bid in France.

In June 1970, 44 years after its creation, Publicis became a listed company on the Paris stock exchange.

However, on September 27, 1972, Publicis' head offices were entirely destroyed by fire. A new building was built on the same site and the Company set about pursuing a strategy of expansion in Europe through acquisitions the same year, taking over the Intermarco network in the Netherlands (1972), followed by the Farner network in Switzerland in 1973; this resulted in the creation of the Intermarco-Farner network to support the expansion of major French advertisers in other parts of Europe. In 1977, Maurice Lévy was appointed Chief Executive Officer of Publicis Conseil, the Group's main French business, after joining Publicis in 1971.

In 1978, Publicis set up operations in the United Kingdom after acquiring the McCormick advertising agency. In 1984, Publicis had operations in 23 countries across Europe. In 1981 Publicis opened a small agency in New York, which would be called a start-up nowadays.

In 1987, Marcel Bleustein-Blanchet decided to reorganize Publicis as a company with Supervisory and Management Boards. He became Chair of the Supervisory Board, and Maurice Lévy was appointed Chair of the Management Board. Since then, the strategy for Publicis has been defined by the Management Board and submitted to the Supervisory Board for approval; all operational decisions are made at the Management Board level.

In 1988, Publicis concluded a global alliance with the American firm Foote, Cone & Belding Communications (FCB) and the two European networks of the two partners merged. Publicis thus expanded its global presence with the help of its ally's network.

Growth accelerated in the 1990s. France's number four communications network, FCA!, was acquired in 1993, followed by the merger of FCA! with BMZ to form a second European network under the name FCA!/BMZ. In 1995, Publicis terminated its alliance with FCB.

On April 11, 1996, Publicis' founder died. His daughter, Élisabeth Badinter, replaced him as Chair of the Supervisory Board. Maurice Lévy enhanced the Company's drive to build an international network and offer the Group's clients the broadest possible presence in markets around the world. The acquisitions drive intensified and has become global: first Latin America and Canada, then Asia and the Pacific, India, the Middle East and Africa. The United States was the scene of large-scale projects from 1998 onwards: as Publicis looked to significantly expand its presence in the world's largest market. Acquisitions included Hal Riney, the Evans Group, Frankel & Co. (relationship marketing), Fallon McElligott (advertising and new media), and DeWitt Media (media buying).

In 2000, Publicis acquired Saatchi & Saatchi, a business with a global reputation for talent and creativity. This acquisition was a milestone in the development of the Group in Europe and the United States. In September, Publicis Groupe was listed on the New York stock exchange. This same year, Publicis acquired Winner & Associates (public relations) and Nelson Communications (healthcare communication).

In 2001, Publicis Groupe formed ZenithOptimedia, a major international player in media buying and planning, by merging its Optimedia subsidiary with Zenith Media, which had previously been owned 50/50 by Saatchi & Saatchi and the Cordiant Group.

In March 2002, Publicis Groupe announced its acquisition of the US group Bcom3, which controlled Leo Burnett, D'Arcy Masius Benton & Bowles, Manning Selvage & Lee, Starcom MediaVest Group and Medicus, and held a 49% interest in Bartle Bogle Hegarty. At the same time, Publicis Groupe established a strategic partnership with Dentsu, the leading communications group in the Japanese market and a founding shareholder of Bcom3. As a result of this acquisition, Publicis Groupe established its position in the top tier of the advertising and communications industry, becoming the fourth largest advertising group worldwide, with operations in more than 100 countries and five continents.

From 2002 to 2006, Publicis Groupe successfully integrated Bcom3 and Saatchi & Saatchi and reorganized many of its entities. At the same time it made a number of acquisitions to create a coherent range of services that would address advertisers' needs and expectations, particularly offering different types of marketing services and access to the principal emerging markets. In late 2005, Publicis Groupe obtained its first official rating ("investment grade") from the two leading international rating agencies, Standard & Poor's and Moody's. In late December 2006, Publicis Groupe launched a friendly tender offer for Digitas Inc., a leader in the digital and interactive communications sector in the United States and worldwide. This operation, which was completed in January 2007, was the first step in the Group's remarkable advance into digital technology. The Group correctly foresaw at that time the profound changes that the arrival of digital communications would have on the media world and, with the acquisition of Digitas, immediately positioned Publicis as a market leader in that domain. With the launch of The Human Digital Agency project, the Group thus clearly indicated its intention to integrate digital technology into the heart of its business, thereby reaffirming the desire and vision of its founder to make the Group a "pioneer of new technologies".

During 2007 and 2008, Publicis Groupe undertook a profound reorganization of its structures and operational methods in order to adapt to the requirements of the digital era. It has thus added digital services to its well-known holistic service offer, while simultaneously pursuing the consolidation of its positions in fast-growing economies, both of which will be major challenges in the years to come.

2007 was the year of Publicis' integration of Digitas Inc. This rapid and successful integration triggered a series of acquisitions in the digital domain in order to complete the Group's global offer in the fields of interactive and mobile communication.

In 2007, the Group chose to end its listing on the New York Stock Exchange.

2008 and 2009 were devoted to pursuing Publicis Groupe's priority development in the strong growth area of interactive communications and its expansion to emerging markets.

In January 2008, Publicis Groupe and Google publicly announced a collaborative project. This collaboration, which began in 2007, is founded on a shared vision of using new technologies to develop the advertising business. The arrangement is not exclusive and is expected to complement other established partnerships with leaders in interactive media.

Amid brisk growth in the digital arena, the most visible sign of the Group's transformation was undoubtedly the launch of VivaKi, a new initiative aimed at optimizing the performance of advertiser investments and maximizing Publicis Groupe's market share growth. This initiative allows advertisers to reach precisely defined audiences in a single campaign and across multiple networks.

The global economic crisis in 2009, which saw numerous economies enter into recession and global trade shrink by 12%, did not hinder the development of Publicis Groupe's strategy.

The acquisition of Razorfish – the number two interactive agency in the world after Digitas – from Microsoft in October 2009, brought new strengths to the Group's digital activities, notably in e-commerce, interactive marketing, search engines, strategy and planning, social network marketing and the resolution of technological architecture and integration issues.

During 2009, Publicis Groupe and Microsoft entered into a global collaboration agreement defining three core objectives for the development of digital media. Microsoft's and VivaKi's respective teams will be able to provide clients with greater added value and effectiveness in all the domains of the digital sphere: contents, performance, definition, targeting, and audience ratings.

These developments prove Publicis Groupe's capacity to anticipate market changes in order to meet new client needs and provide solutions in line with consumer expectations, thereby ensuring the Group's continued growth.

In 2009, Publicis Groupe became the world's third-largest communications firm, overtaking its competitor IPG. This position as number three has been considerably strengthened since then.

Thus, having confirmed the success of its strategy, in 2010 the Group continued its investments in digital activities and in developing areas of the world such as China, Brazil and India.

Despite the economic disruption in 2011, which was primarily due to sovereign debt in the euro zone and to another financial crisis in August, followed by the United States' debt rating downgrade, Publicis accelerated the development and implementation of its strategy, prioritizing digital businesses and developing countries. Accordingly, the Group purchased Rosetta, one of the largest digital agencies in North America; Big Fuel, based in New York, and the only agency specializing in social networks, thus significantly strengthening the Group's position in digital media, before also acquiring Talent and DPZ in Brazil and Genedigi in China.

During 2012, a difficult and uncertain year for growth, especially in Europe, Publicis Groupe continued to pursue an action plan that involved acquisitions and agreements designed to intensify the implementation of its strategic choices. The Group thus made a number of targeted acquisitions, particularly in the digital sector, in France, Germany, the United Kingdom, Sweden, the United States, Russia, Brazil, China, Singapore, India, and Israel and, for the first time, in Palestine. Additionally, still in the digital arena, Publicis Groupe and IBM formed a global partnership based on their unparalleled influence on the future of e-commerce.

During 2013, Publicis Groupe actively pursued acquisitions, particularly in the digital sphere and across the globe, in order to achieve critical mass in the various businesses, especially digital, and in the countries in which it already had a footprint, thereby leveraging scale. The market changes seen over the past number of years with a genuine explosion in the Internet and the increasingly marked slowdown in the analog business reaffirmed the Group's strategic decisions and have spurred on the rapid development of digital operations. Having acquired LBi, the largest European independent marketing and technology agency, combining strategic, creative, media and technical expertise, the Group proceeded to combine it with the Digitas integrated global network, creating DigitasLBi, the world's most complete digital network. It capitalizes on the seamless geographical integration of both entities: Digitas' sound position in the United States (the largest digital network), LBi's strong presence in Europe and the strong position of both entities in the Asia-Pacific region.

On July 27, 2013, Publicis Groupe and Omnicom Group Inc. signed an agreement for a merger of equals. In May 2014, Publicis Groupe chose not to pursue the merger with Omnicom Group. With its unique position in the digital business, which offers growth prospects in a communications landscape upset by the rapid emergence of new technologies, the Group accelerated its development in innovative disciplines *via* the acquisition of several digital agencies and strategic partnerships.

In September, Publicis Groupe and Adobe formed a strategic partnership to offer Publicis Groupe Always-On PlatformTM the Group's first comprehensive marketing management platform, which automates and centralizes all the components of client marketing. This unique platform, anchored within VivaKi, available to all Publicis Groupe's agencies and networks and standardized on Adobe Marketing Cloud, will enable, for the first time, all Publicis Groupe's agencies to create attractive content, analyze their marketing, identify and create audience segments, deploy campaigns, as well as monitor and measure marketing performance using a common technology and data structure.

Virtually all of the acquisitions involved digital businesses: agencies specializing in social media, online content, real-time data analysis, e-commerce, digital solutions applied to marketing or multi-channel programs.

The most notable transaction of 2014 was the acquisition of Sapient, announced on November 3, 2014. In an increasingly converged world, clients need a partner offering digital solutions to help them keep up with a connected, empowered consumer whose behavior has completely changed. The contribution of Sapient combined with Publicis Groupe's know-how in the digital area, creativity, media and brand communication creates unparalleled expertise in marketing and sales across all distribution channels and consulting services based on outstanding technological prowess. The latent needs of advertisers in light of numerous changes in the economy, consumers and technology, require an overhaul of marketing and communication models, and sometimes even of the companies themselves. Thanks to Sapient, Publicis is in a position to meet all the transformation needs of its clients.

2015 was particularly active on the operational side. The start of the year saw the completion of the Sapient acquisition and the launch of the Publicis Sapient platform. This platform offers clients all of the functionality of the digital communications value chain, from consulting to sales, *via* creation, data and platforms. It is backed up by a team of over 8,000 people based in India.

Publicis Sapient is part of the new organization announced at the end of the year, aimed at structuring the Group in such a way that its clients are at the very heart of its organization. In the Group's top 20 markets, major clients will each be assigned a Groupe Client Leader or a Country Client Leader, depending on the geographical scope of the support they require. In this way, the Group can offer the entire array of solutions to its clients: creative solutions through "Publicis Communications", media solutions through "Publicis Media", digital solutions through "Publicis. Sapient", and healthcare solutions provided by "Publicis Health". For all other countries, a single structure called "Publicis One" combines all these solutions (creative, media, digital, healthcare) in each country.

Publicis Groupe is thus implementing the most integrated organization in the sector, for the benefit of its clients and employees alike. This structure should foster growth for the Group by harnessing the opportunities offered by the integration and the new possibilities in consulting and technology as well as enhance the operating margin rate by simplifying the organization. The new structure was rolled out over the first few months of 2016.

A very large number of media accounts were up for tender. According to RECMA, there have been tenders for over USD 20 billion worth of billings this year. Publicis Groupe was one of the most exposed of the major communication groups. However, the Group consolidated its position with its clients (Coty, Citi) and made prestigious budget gains such as Taco Bell, VF, Visa and Etihad. There were some losses, including the "US Media" budgets for Procter & Gamble and Coca-Cola.

Publicis Groupe continued its tactical acquisitions strategy, with a view to completing its operational networks, both in expertise (content, commerce, behavioral analysis) and geographical scope (South Africa, Israel).

As announced at the end of 2015, the work to implement the new structure was completed by mid-2016. This structure abandons the holding company model, in order to develop a company operational architecture based on the Connecting Company concept. Highly modular in structure, the Connecting Company model of Publicis Groupe is unlike any other platform in its genre, and offers clients plug & play access to state-of-the-art services. It has enabled the Group to completely rethink its approach:

- Client priority – The entire transformation of Publicis Groupe was designed and carried out in order to place our clients at the heart of our operation. Their requirements and objectives help us determine which solutions should be offered to them, to ensure their success and growth.
- A fluid model – Just one person – Global Client Leader or Country Client Leader – a sole point of contact and account manager who can draw upon our pool of almost 75,000 talented employees and who can break free from the silos, the legacies of the past and longstanding habits.
- We work in complete harmony – We have consolidated our income statements and removed all operational hurdles.
- We are modular – The main advantage of our new structure is not just the depth and breadth of our capabilities, but above all our ability to adapt to any situation and to individual client requirements, with an open architecture that offers our global partners plug & play access where required. This modularity is fundamental; it opens up new opportunities for innovation and helps us keep pace with the rhythm of change that currently shows no signs of slowing down.
- We are united – By fusing our creativity, our intelligence and our technological expertise, we are able to present ideas to our clients on how to carry out their own transformations and ensure a consumer experience unlike that offered by any other agency or holding company on the market.

Prestigious clients including USAA, Hewlett Packard Enterprise, Walmart Stores and ASDA all recognize the strength of the The Power of One solution. Reinvigorated by this initial success, work is underway to get all our employees to buy into this new approach and promote the The Power of One solution to all existing clients.

Two events that took place in 2016 have made Publicis history. The goal of the first, Viva Technology Paris, run in association with the Les Échos group was to stage a global event in Paris that would bring together start-ups and major stakeholders in the digital industry. This event, held from June 30 to July 1 and 2, 2016, attracted 5,000 start- ups, dozens of large industrial groups and investors, and included over 300 conferences with the biggest names in the global hi-tech sector. With over 45,000 visitors in three days, Viva Technology proved a great success and underscored the pre-eminent place of the Publicis Groupe in the global digital economy. This annual event returned for its second edition on June 15, 2017, just before the Cannes Lions Festival. On the occasion of its 90th anniversary, Publicis Groupe launched a project named Publicis90. This idea was to provide 90 projects or start-ups with financial aid and the support of the Group's digital experts. After an initial phase of stringent selection over a period of several months, the winners were selected from among the 3,500 contestants from 130 countries, and received their awards at a ceremony held during Viva Technology.

At the beginning of 2017, the Publicis Groupe Supervisory Board appointed Arthur Sadoun as Maurice Lévy's successor as Chair of the Management Board. Since June 1, 2017, Maurice Lévy has been a member of the Supervisory Board which he now chairs. Arthur Sadoun chairs a Management Board strengthened by the addition Steve King, CEO of Publicis Media, who joined forces with Jean-Michel Etienne, Deputy CEO in charge of finance and Anne-Gabrielle Heilbronner, Secretary General.

2017 was marked by two topics: going deeper in integration and faster in the execution of the strategy prepared by Maurice Lévy. Our ambition is to become the leader in the convergence of marketing and operational transformations, through the alchemy of creativity and technology. For this, the Group has created two new decision-making entities, the Executive Committee and the Management Committee. Several talented people joined the Group during the second half of 2017: Véronique Weill, as General Manager, with responsibility for Re:Sources, IT, real estate, insurance and mergers and acquisitions, Agathe Bousquet, as Chair of the Publicis Groupe in France, Emmanuel André in the newly created position of Chief Talent Officer (CTO). Annette King has been appointed during the second quarter of 2018 as CEO of Publicis Groupe in the United Kingdom, where she will supervise the Group's activities in this market. Nick Law will also join the Group as Group Chief Creative Officer and Chair of Publicis Communications.

After breaking the silos and organizing itself into Solutions, the Group has gone a step further by implementing an organizational structure by country, with the aim of providing customers with a fully integrated offer, from advertising to marketing, consulting, and the media, with data at its core. The deployment of this organization has begun in France, the United Kingdom, China and Italy.

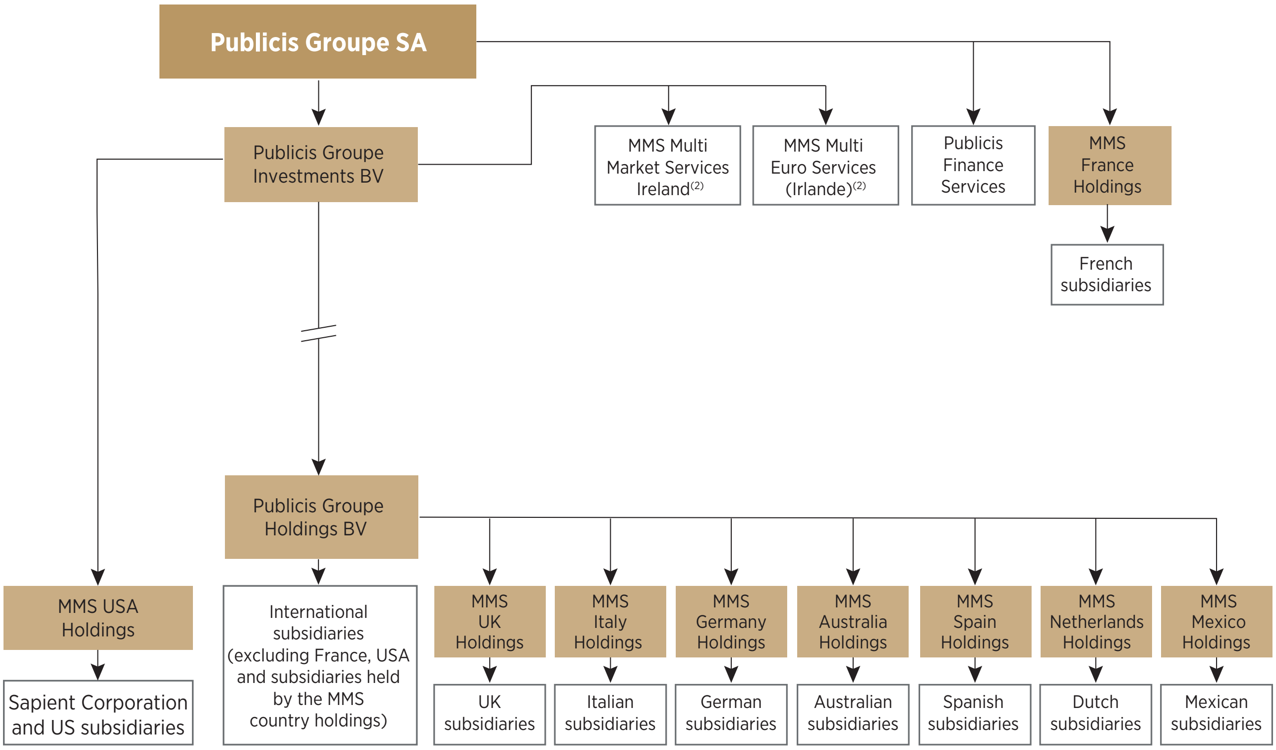
Sprint to the Future, this is the name of the strategic plan unveiled by the Group in March 2018 for the 2018-2020 period. This extremely ambitious plan aims to speed up organic growth, underpinned by a major investment plan, paid for out of significant cost savings. Built around its strategic game changers, namely data, dynamic creativity and digital business transformation, as well as its country organization, Publicis Groupe aims to become an indispensable partner in business transformation. In a market environment that saw a further wave of repitching of media accounts in 2018, in the same way as in 2015, the initial results of this strategy are very promising with significant new account wins, including Daimler, Marriott, Campbell's, Carrefour, Smucker's, GSK and Fiat-Chrysler.

To underpin this new growth, Publicis Groupe looked to equip itself with a system that would serve its talents. The Marcel artificial intelligence platform developed in partnership with Microsoft, and named in honor of the Group's founder, Marcel Bleustein-Blanchet, was launched in May 2018 at the third Viva Technology event. This will make it possible to turn the company from a holding company into a platform, enabling the Group's 75,000 employees worldwide to discuss and collaborate without barriers or borders. Marcel thus marks the start of a new era of creativity and innovation.

1.3 ORGANIZATION CHART

1.3.1 Simplified presentation of the Group

/ Simplified organization chart at December 31, 2018[1]



(1) *All companies mentioned by name are over 99% owned by the Group.*
(2) *Two financial companies established in Dublin have been added to the Group to manage financial transactions and the short-term investing of subsidiaries' liquidity.*

1.3.2 Main subsidiaries

Information concerning Publicis' principal consolidated subsidiaries at December 31, 2018 is provided in paragraph A, Note 35 to its consolidated financial statements in Section 6.6 of this Registration Document.

None of the Group's controlled subsidiaries accounts for more than 10% of the Group's revenue or net current consolidated income.

None of the companies presented in the list of principal consolidated subsidiaries at December 31, 2018 had been sold at the date hereof, with the exception of the companies within PHS (Publicis Health Solutions), the sale of which was completed at January 31, 2019. With respect to Proximedia, the disposal is ongoing and should be finalized in the first half of 2019.

The majority of the Group's subsidiaries are at least 90% held by Publicis Groupe.

In addition, the Group holds interests in certain bodies in which the percentage of interest may be significant, but which are not controlled by the Group. Information concerning the main entities as well as the percentages held by the Group is provided in paragraph B, Note 35 to its consolidated financial statements in Section 6.6 of this document. However, these entities do not hold important assets and are not intended to hold any significant borrowings or financing. The borrowings and financing of the Group are 100% held and controlled by Publicis Groupe.

During 2018, Publicis Groupe SA did not take any significant stakes in any companies headquartered in France.

1.4 ACTIVITIES AND STRATEGY

1.4.1 Introduction

Publicis Groupe has never taken its eyes off the future. In 1926, Marcel Bleustein-Blanchet created what was essentially a start-up, named Publicis. The passion that Marcel felt for communications and the creation of strong relations between clients and consumers, transformed this new business into a prosperous and respected profession. The values he defended – attention to others, respect, the truth of the product, customer satisfaction, quality and creativity – continue to drive the Group today. The pioneer spirit, the unwavering convictions and the ethical values of our founder – his legendary combativity – have forged an exceptional group. Publicis Groupe was built on a succession of innovations and transformations which have solidified the culture and know-how with which the Group continues to be deeply impregnated.

Publicis Groupe is a world leader in marketing and communications[(1)] and digital business transformation[(2)]. Present throughout the value chain, from consulting to creation and execution, Publicis Groupe serves its clients through a unified, fluid organization that facilitates access to all its expertise worldwide. It is structured around four Solution hubs: "Publicis Communications" for the creative networks (Publicis Worldwide, Marcel, Fallon, MSL, Saatchi & Saatchi, Leo Burnett, BBH and Prodigious); "Publicis Media" (Starcom, Zenith, Spark Foundry, Performics, Digitas and Blue 449); "Publicis Sapient", global digital platform, one of a kind (SapientRazorfish and Sapient Consulting) and Publicis Health. The Group is present in more than 100 countries and has close to 75,000 employees.

1.4.2 Strategy

Founded in 1926, today Publicis Groupe is the third largest communications[(2)] group in the world. Thanks to a powerful alchemy of creativity, data and technology, the Group steers company transformations across the entire value chain.

In the era of connectivity, Publicis Groupe has reinvented itself, going from a "Holding Company" status to that of a "Connecting Company". Highly modular in structure, the Connecting Company model of Publicis Groupe is unlike any other platform in its genre, and offers clients plug & play access to our state-of-the-art services. With support from a Group Client Leader, the Group's clients benefit from unlimited, intermediate-free alchemy between creativity, data and technology.

In order to facilitate connectivity and integration, the Group is divided into four Solutions hubs: Publicis Communications, Publicis Sapient, Publicis Media and Publicis Health, which harness the "Power of One", driven by a common goal, a broad open-minded approach, a distinctive personality and a constant desire to serve our customers well. In each of the nine key markets defined by the Group, a single Management team runs the Solutions day-to-day, imbuing them with the power and knowledge of all areas of competence combined, making it possible to provide seamless integrated solutions, capable of helping our clients throughout the value chain.

Customer needs are at the heart of the "Connecting Company" model. Companies today are faced with enormous challenges and tremendous opportunities: mobile technologies have transferred power to consumers, thus disrupting the landscape and facilitating the emergence of new competitors. Designed to support our customers in this new rapidly changing environment, Publicis Groupe's model provides more innovation, ideas and growth, in a shorter time period and at lower cost.

The "Connecting Company" model allows the Group to totally rethink its approach:

- **Customer priority.** The entire transformation of Publicis Groupe was designed and carried out in order to place our clients at the heart of our operation. Their requirements and objectives help the Group determine which solutions should be offered, to ensure their success and growth and control costs.
- **A fluid model.** The key function of Global Client Leader was created. A sole point of contact and account manager who can draw upon our pool of almost 75,000 talented employees, and who can break free from the silos, the legacies of the past and longstanding habits, solely with a view to helping clients and their transformation.
- **Working in complete harmony.** We have consolidated our income statements and removed all operational hurdles for each client and for each country. Publicis thus has a unified view by client, facilitating the sharing of information, discussions and the search for innovative solutions.
- **Modularity.** The main advantage of our new structure is not just the depth and breadth of our capacities, but above all our ability to adapt to any situation and to individual client requirements, with an open architecture that offers our global partners plug & play access when required. This modularity is fundamental; it opens up new opportunities for innovation and helps us keep pace with the rhythm of change that currently shows no signs of slowing down.
- **The Unit.** By merging our creativity, our data expertise, our intelligence and our technological expertise, we are able to present ideas to our clients on how to carry out their own transformations and ensure a consumer experience unlike that offered by any other agency or holding company on the market.

(1) See 1.4.8 Competition.

(2) According to the Adage ranking of the 15 largest digital communication networks (2016 revenue base).

Value creation strategy

The relationship businesses have with their clients, current or potential, has been thrown on its head within the space of a decade. There are countless examples to illustrate the ongoing revolution in the media, communications and marketing sphere: global disruption. From information and the media with the emergence and then the explosion of the Internet; the rise of social networks – Facebook, YouTube, Instagram, Twitter –; the development of digital television dramatically expanding the number of channels; changing consumption patterns and consumer habits, accustomed to having access to all their products in a single click and deliverable within 24 hours; fierce competition from new players employing a "Direct to Consumer" model thanks to digital technology; direct interaction with brands; the possibilities opened up through large-scale data analysis… Publicis did not wait to act, and moved early on to undertake a major transformation to make the most of these changes.

Since 2006, the Group has focused on developing its digital business. The acquisitions carried out over the last 10 years, particularly Digitas, Razorfish, Rosetta and LBi, have enabled us to enrich our offer of services adapted to the digital universe, in the areas of advertising, data, CRM, customer experience and e-commerce. With the Sapient acquisition, we have positioned ourselves as the indispensable partner for our clients in their operational transformations – a new challenge for advertisers in meeting the disruptions induced by digital technologies in their relations with consumers and media players.

On the back of these acquisitions, the Group's strategy is now to combine its expertise in communications, data and technology to become a partner in the transformation of its clients throughout the value chain. The blending of the excellence of the four Solutions hubs into a seamless solution and the roll-out of the Strategic Game Changers (data, dynamic creativity and digital business transformation) to accelerate client transformation are competitive advantages that will help Publicis Groupe achieve it.

More than ever, this strategy is borne out by the changes seen over the past decade. Given the complexity and uncertainty of an environment that is continually changing, Group clients are opting for the range of services offered by Publicis, as reflected in the record number of account wins in 2018.

This dynamic encourages the Group to push ahead with its strategy and speed up a transformation that will see it transition from being seen as a "service provider" to being recognized as a "value creator". Its clients' new concerns, whether relating to increasing value (growing sales or reducing costs), brand power, new competition from emerging markets, or the challenges of sustainable development (CSR), are all opportunities for Publicis to move towards greater recognition of the value created.

To help the Group achieve this, its acquisitions first and foremost target major Strategic Game Changers and must meet criteria of profitability and financial strength. 2018 provided an opportunity to improve the Group's expertise in these areas with the acquisition, among others, of Payer Sciences, Xebia and Soft Computing.

The Group plans to initially target companies that offer significant potential synergies, to roll out its solutions on a large scale or to improve the percentage operating margin and that are, naturally, a good fit culturally and in terms of values.

1.4.3 Main activities and Group organization

Since 2016, Publicis Groupe has built its strategy around its clients. Major clients that use Publicis Groupe services on more than one market are each assigned a Group Client Leader. Major clients that use Publicis Groupe services in only one country are assigned a Country Group Client Leader. In this way, the Group can offer the entire array of solutions to its clients in a horizontally integrated fashion: creative solutions through "Publicis Communications", media solutions through "Publicis Media", digital and technological solutions through "Publicis Sapient", and healthcare solutions through "Publicis Health".

Publicis Communications

Think "global", act "local" may sound like a cliché but it is a reality: we only have to look at our client's brands, which are growing increasingly global every day.

For this reason, besides the creative output of advertising agencies we see every day on billboards, TV, radio or in newspapers and all new media, advertising networks today play an essential role in accompanying their clients in the global development of their brands and foreseeing consumers' rapidly evolving needs.

The primary mission of advertising agencies and networks is to find ideas that are, at the same time, sufficiently universal to bridge borders and yet adaptable to local markets, so consumers can easily and effectively receive the ideas conveyed.

- Publicis Communications brings together the Group's creative offering: Publicis Worldwide, Leo Burnett, Saatchi & Saatchi, BBH, Marcel, Fallon as well as Prodigious, production specialist and MSL, specialist in strategic communications. Publicis Communications' strategy focuses on three main principles:
  - creativity at the heart of our organization;
  - access to comprehensive and unequaled expertise;
  - a single, simpler and faster entity.

Publicis Communications aims to become the essential creative partner for its customers in order to support them in their transformations. All of the Solution entities will operate as an internal accelerator to allow us to transform our ability to offer cutting-edge expertise and make it available to all customers, whilst strictly respecting their confidentiality.

The global brands with the greatest success are the fruit of this partnership and reciprocal confidence, and Publicis Groupe agencies are proud to manage a great number of these brands.

- The services provided cover the entire communications strategy chain:
  - advertising;
  - interactive communications and digital marketing;
  - direct marketing and CRM (Customer Relationship Management);
  - sales promotion and point-of-sale marketing;
  - public relations;
  - corporate and financial communications;
  - events communication.

Alongside advertising networks, Publicis Communications also integrates Prodigious for the design and delivery of branded content for all channels, with the most advanced tools and processes. Publicis Groupe's production business, Prodigious can provide its agencies and clients state-of-the-art production means.

Publicis Media

Publicis' media services include helping clients ensure the most effective media are used for their communications campaigns and buying on their behalf the most suitable advertising space (conventional or digital media). The digital business is growing significantly. These integrated networks of strategy experts, investment experts, creators and digital technology specialists are critical to the building of brands. Publicis Media has six global brands: Starcom, Zenith, Spark Foundry, Blue 449, Performics and Digitas.

The aim was to consolidate the brands' investment capabilities and to pool skills.

The following services are provided:

- media consulting/media planning: using computer software and data analysis of consumer behavior, together with analysis of different media audiences, in order to build the optimum media selection and detailed media plan tailored to the advertiser's advertising and communications strategy, marketing objectives, target audience and budget;
- media buying: purchase of all advertising space (radio, television, billboards, press, Internet and cell phones) on behalf of an advertiser as part of an agreed media plan, using the Group's experience and buying power to obtain the most favorable rates and terms and conditions for our clients.

Publicis Sapient

Publicis Sapient is Publicis Groupe's technological, digital and consulting platform, enabling our clients to accelerate their digital transformation. Publicis Sapient, which brings together the know-how of the digital experts and experienced consultants of SapientRazorfish and Sapient Consulting, supports our clients in an agile, proactive way, to redefine their digital strategy. Publicis Sapient is backed up by a team of close to 20,000 employees, 8,000 of them in India.

In 2017, Publicis Sapient completed the merger of SapientNitro and Razorfish to create SapientRazorfish, which integrates the consumer experience and technological know-how of both entities to better respond to client requirements. The merger of the two companies created an unrivaled leader positioned as a new kind of partner, able to re-think the future by employing a model that makes the client the focus of the business, while taking advantage of considerable experience in managing change. Publicis Sapient is now the preferred brand in the Group's markets, built upon the expertise of SapientRazorfish and of Sapient Consulting. This ensemble leads the Publicis effort to support businesses as they transform and learn about the future.

Since 2018, Publicis Sapient is organized on the basis of "Industry verticals" to bring together the expertise and know-how of a single industry, its challenges and opportunities to grow and transform, within the organization and offer our clients the know-how that will ensure their success. The eight Industry Verticals are automotive, consumer products, energy and raw materials, retail, financial services, healthcare, media-telecoms, and travel & hospitality.

Publicis Health

Publicis Healthcare Communications Group has operations in 11 countries and a major presence in the United States. PHCG includes some flagship brands such as Digitas Health (DH) and Publicis Health Media (PHM), specializing in media for the healthcare and well-being sector, which created a holistic model by combining its expertise with the Group's media networks, and in-sync Consumer Insight which brings in a deep knowledge of patients, healthcare professionals and payer organizations, providing strong differentiation. Publicis Health covers all of its customer needs, from product launch to its change to a generic product, by offering digital and marketing solutions.

Healthcare communications is concerned with the pharmaceutical industry, institutes, hospitals and insurance companies, as well as companies producing consumer goods aimed at health and well-being. It must reach healthcare professionals, public authorities and the general public. Healthcare communications encompass a whole series of actions from design up to product maturity: advice prior to launching a product onto the market, communications tools (publicity, direct marketing, digital, prospection calling, etc.), medical training, scientific communications, public relations and events.

Group country organization

To provide a single offering in each country combining all the Group's areas of expertise, Publicis has defined eight key markets

(North America, United Kingdom, France, DACH [Germany, Austria and Switzerland], Asia Pacific & Africa/Middle East, Northern and Central Europe, Southern Europe, Latin America ex-Brazil[(1)]) thereby making it possible to break down walls and provide our clients with an integrated solution that is seamless and innovative, born out of the alchemy between creativity, data and technology. These eight countries or regions are run or supervised by a single person and overseen day-to-day by a single Executive Committee. They bring together the members of multiple solutions, have shared support functions and are able to offer our clients a broad-based solution that meets their needs.

Game changers and practices

When presenting its Sprint to the Future strategic plan, Publicis unveiled its three Strategic Game Changers – data, dynamic creativity and digital business transformation – which represent a competitive advantage for Publicis enabling its clients to make one-to-one consumer engagement at scale. To accelerate their development, in early 2019 Publicis established global practices within its marketing transformation activities (Data & Analytics, Optimization of dynamic creativity, Production, Commerce, Investment) and Industry Verticals within its Business Transformation activities (automotive, consumer products, energy & raw materials, retail, financial services, healthcare, media-telecoms, and travel & hospitality).

Groupe Client Leaders

In a connected world in which the consumer has seized power and where no sector escapes major upheavals, we must adopt new collective working habits, in order to anticipate clients' constantly changing needs. Publicis Groupe's transformation aims to better support our clients by placing them once again at the heart of our work, and by ensuring fully integrated services, provided by the most talented individuals.

The Groupe Client Leader (GCL) is responsible for making this vision a reality. His/her role is to strengthen and sustain the relations between Publicis Groupe and its clients worldwide and regardless of the expertise they require, to simplify the Group's organization in order to facilitate customer access to exceptional talents and abilities. Greater effectiveness and solutions driving real change are the growth drivers for both our clients and Publicis Groupe.

For the client, the GCL is a full partner whose mission is to succeed in creating alchemy between creativity and technology, guided by the search for growth and an innate sense of collaborative work, to offer the best of Publicis Groupe to our clients.

Re:Sources

The Connecting Company model is revealed through the Group's agencies that collaborate to implement ingenious, rapid and dynamic solutions. Re:Sources is the backbone of this model, and provides logistics support in the Group's main markets. To help Publicis Groupe's agencies to transform themselves, innovate and increase productivity, Re:Sources provides cutting-edge solutions, technological platforms and expertise. United under the banner "Excellence through collaboration", Publicis Groupe's shared services work hand in hand with the agencies, supporting them in finding the best solutions in order to provide their clients in turn with a redefined consumer experience and a good return on investment.

Parent company

Publicis Groupe SA is the Group's holding company. Its main purpose is to provide advisory services to Group companies. The central costs of consulting services rendered by the parent company and its specialized subsidiaries totaled approximately euro 61 million in 2018 (excluding subsidiary acquisition costs), spread out over all of the Group's operational companies according to the cost of services rendered. In addition, the parent company received dividends from subsidiaries amounting to euro 54 million in 2018 (euro 72 million in 2017).

Finally, the parent company carries most of the Group's medium- and long-term borrowings.

1.4.4 Group assets

The Group conducts operations in over 200 cities around the world. Except as stated below, it leases, rather than owns, the offices it occupies in most of the cities where it operates. At December 31, 2018 it owned real estate assets with a net book value of euro 151 million. The Group's main property asset is its corporate headquarters located at 133, avenue des Champs-Élysées, in Paris, France. This seven-story building includes around 12,000 sq.m. of office space occupied by Group companies, and 1,500 sq.m. of commercial space, occupied by Publicis drugstore and two public movie theaters.

The Group owns major IT systems and hardware that are used in the creation and production of advertising, the management of media buying and administrative functions.

Since December 31, 2018 the Company has not planned any significant capital expenditures with respect to property, plant and equipment or intangible assets, other than investments made by the Group in the regular course of its business.

1.4.5 Main clients

Publicis Groupe provides advertising and communications services to a diversified customer portfolio that is representative of the global economy. It has a significant number of clients that are either national or global industry leaders, with more than half of its revenue generated by international clients, i.e. clients with operations in more than five countries. The top 30 clients represent 34% of the Group's consolidated net revenue (see Section 6.6 "Notes to the consolidated financial statements" –

(1) Brazil, which comprises a single Solution, maintains its organizational structure.

Note 29). Payment terms are consistent with general market practices and the regulations in force in each of the countries in which the Group operates. Revenue from, and contracts with, different clients vary from year to year. Nonetheless, a significant share of Publicis Groupe's revenue comes from loyal clients that have been with the Company for years.

The main clients of the Group's major networks in 2018 are listed below:

Publicis Communications

Altria, Citigroup, Deutsche Telekom Group, Daimler, Fiat Chrysler Automobile Group, General Motors, Groupe Carrefour, Heineken, Kellogg, L'Oréal, McDonald's, Nestlé, Philip Morris International, Procter & Gamble, Renault, Samsung, Toyota, Volkswagen, Wal Mart, World Economic Forum.

Publicis Media

Amex, Bank of America, Best Buy, Citigroup, Comcast, Coty, Daimler, Deutsche Telekom Group, Fiat Chrysler Automobile Group, Kellogg, Kohl's, Kraft Heinz, Lowe's, Mars, Novartis Pharma, Procter & Gamble, Reckitt Benckiser, Samsung, Verizon, Whirlpool Group.

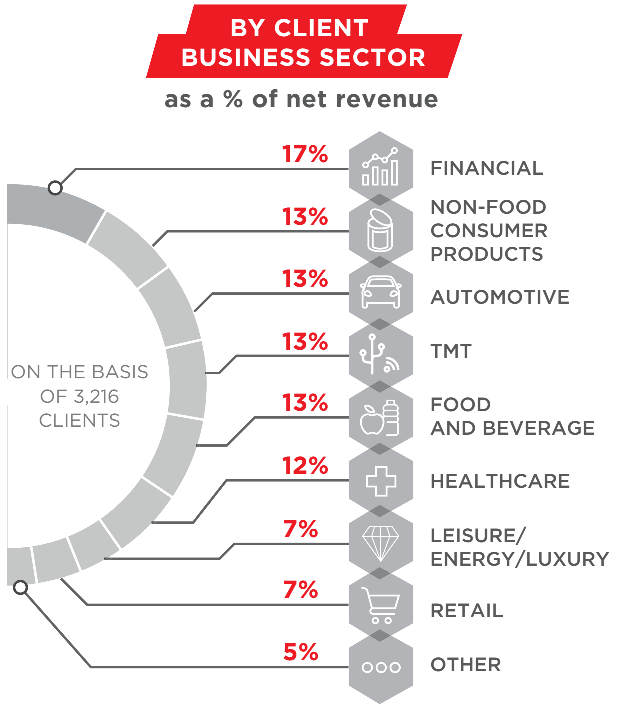
Publicis Sapient

Bed Bath and Beyond, Capital Group, Chevron, Citigroup, Daimler, Federal National Mortgage Association, Fiat Chrysler Automobile Group, Goldman Sachs, Groupe Carrefour, Health Resources and Services Admin., Lloyds Banking Group, Marriott Group, McDonald's, Nationwide Building Society, Nissan, Samsung, Unilever, US Dept. of Health and Human Services, Verizon, Wellington Management.

Publicis Health

AstraZeneca, Boehringer Ingelhein, Duchesnay, Gilead Sciences, J&J, Merck & Co, Nestle, Novartis Pharma, Pfizer, Sanofi, Shire, Sunovion.

In 2018, the breakdown of the business sectors of the Group's clients as a percentage of total net revenue was as follows:



On the basis of 3,216 clients representing 87% of the Group's total net revenue.

The breakdown of net revenue by principal client sector is representative of the major economic players and the structure of the portfolio remains stable.

1.4.6 Main markets

Global advertising expenditures are listed in regular reports by various forecasting agencies, such as Zenith (Publicis Groupe), GroupM (WPP), Magna (Interpublic) and Nielsen. The forecast data published by these agencies reflect advertisers' media buying intentions. These estimates are expressed in billings (advertising purchases) and do not as such represent advertising agencies' potential revenue. A quarterly examination of these reports enables readers to assess the trend of the advertising market, even if the figures do not factor in a whole facet of advertising agencies' business activities (public relations, direct marketing, CRM, e-commerce and e-mobile, etc.) and of Publicis Sapient (digital business transformation, consumer experience and more).

/ The global advertising market by geographic region

Global market ranking 2018	Advertising expenditure 2018 (in USD millions)(1)(2)	% of global advertising expenditure 2018(1)(2)	% of Publicis Groupe's net revenue 2018
North America	213,368	37%	54%
Europe	125,970	22%	29%
Asia Pacific	191,820	34%	10%
Latin America	31,158	5%	4%
Africa & Middle East	9,864	2%	3%
Total	**572,180**	**100%**	**100%**

(1) In current prices and at 2018 average exchange rates.
(2) Zenith forecasts for the Publicis Groupe markets.

/ Geographical breakdown of Publicis Groupe's net revenue

(in millions of euros)	2017	As a %	2018	As a %
North America	5,032	54%	4,795	54%
Europe	2,596	28%	2,622	29%
Asia Pacific	1,037	11%	924	10%
Latin America	387	4%	347	4%
Africa & Middle East	280	3%	281	3%
Total	**9,332**	**100%**	**8,969**	**100%**

1.4.7 Seasonality

Clients' advertising and communications expenditure fluctuates, often in response to actual or expected changes in consumer spending. Because consumer spending in many of the Group's markets is typically lower at the beginning of the year, following holidays, and in July and August, the most popular vacation months in Europe and North America, advertising and communication expenditures are lower during these periods as well. As a result, advertising and communication expenditure is not as high during these periods. Historically, the Group's revenue is often higher in the second and fourth quarters of the year than in the first and third quarters.

1.4.8 Competition

Since 2009, the Group has been ranked in third place in the global ranking of communications groups (by revenue, source: companies' annual reports).

See the table below for the published net revenue and revenue of the top four groups in 2018:

(in millions)(1)	WPP	Omnicom	Publicis	IPG
Net revenue in local currency	GBP 12,827	N/A	EUR 8,969	USD 8,032
Net revenue in dollars	17,095	N/A	10,583	8,032
Revenue in local currency	GBP 15,602	USD 15,290	EUR 9,951	USD 9,714
Revenue in dollars	20,795	15,290	11,742	9,714

(1) Exchange rate: EUR 1 = USD 1.180.

The reader should note that the figures above are those published by the groups concerned, in the currency and according to the accounting standards used by each of them.

Publicis Groupe also competes with a large number of local, independent advertising agencies in markets around the world, *via* its Specialized Agencies and Marketing Services. New competitors have emerged in the IT/consulting sectors, such as Accenture, Deloitte and Capgemini.

Generally speaking, the advertising and communications markets are highly competitive and the Group is in constant competition with national and international agencies. The Group expects that competition will continue to stiffen as multinational advertisers increasingly consolidate their budgets among a restricted number of agencies, and the communications sector sees significant changes, reflected in the appearance of new competitors from the consulting or high-tech industries.

1.4.9 Governmental regulations

The Group's business is subject to government regulation in France, the US and other countries where the Group exercises an activity.

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

Many countries have strict laws governing the advertising and marketing of certain products, in particular tobacco, alcohol, pharmaceuticals and foodstuffs. New regulations or standards imposed on the advertising or marketing of such products could have an adverse impact on the Group's operations.

The Group has adapted its data protection policy to comply with European Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, which came into force on May 25, 2018.

1.5 INVESTMENTS

Our investments focus on digital expertise and creative excellence in order to enrich content, strengthen our teams and promote innovation and new service offerings. The strengthening of our agencies and the development of strategic partnerships and initiatives with major Internet players allows Publicis Groupe to anticipate the changes and evolution of communications industries towards digital technologies. The aim is to offer the most innovative solutions to our clients, in phase with the rapid changes in consumer behavior and technologies.

1.5.1 Main investments and divestments during the past three years

2016 was a rather modest year in terms of acquisitions.

On February 2, 2016, the Group acquired Vertiba, a Salesforce consulting partner and specialist in marketing solutions. Founded in 2010, Vertiba is headquartered in Boulder, Colorado. Vertiba's skills have been integrated into the Publicis Sapient platform.

On February 12, the Group acquired MercerBell, a leading Australian agency in the field of client experience. MercerBell is specialized in CRM and digital strategy, creativity, content and technology, and is integrated into Saatchi & Saatchi. This agency, which was founded in 1999, has a team of 65 professionals and a client base that includes Toyota, Foxtel, Qantas, BT, Allianz and ASX.

On March 1, 2016, the Group acquired Seven Seconds, the London (UK) based e-commerce and digital specialist. Seven Seconds was founded in 2013 and has been integrated into BBH. Its main clients are British Airways, Barclays, Boots, Tesco Retail and Tesco Bank.

On March 10, 2016, the Group acquired Venus Communications, one of the leading public relations agencies in Vietnam. Venus has been integrated into the MSL brand, which in turn is part of Publicis One in Vietnam. Over the last ten years, Venus and MSL have worked together successfully on numerous assignments. The agency, which was founded in 1998, has over 40 employees and a prestigious client portfolio that includes MasterCard, FedEx, Rolls Royce, BAT, Mead Johnson and Sanofi.

On March 17, Publicis Groupe acquired a stake in West Africa's first fully integrated communication services group, Troyka. The Troyka Group is comprised of six agencies: Insight Communications, The Thinkshop, All Seasons Media, Media Perspectives, The Quadrant Company and Hotsauce. Starting out with Insight Communications in 1980, the Troyka group now has 300 employees over six agencies across the entire region. The Troyka agencies work with prestigious international brands such as Heineken, Shell, Samsung, Unilever, Google, P&G, Microsoft, Ford and Axa, as well as with national clients including Oando, Nestoil, Africa Investor, Jagal and Olam. Publicis Groupe has been investing regularly in Africa in recent years, in view of the high growth potential of this market. By way of this equity investment, Publicis Groupe will use Troyka to launch its network in Nigeria, thereby creating a powerful communications entity that will have a competitive edge in all skill sets in West Africa.

Total acquisition costs for entities integrated during 2016 (gross payments, before acquired cash) came to euro 59 million. In addition, euro 198 million was paid out in earn-outs and euro 44 million to buy out non-controlling interests.

The Group did not buy back any of its own shares in 2016, except for those shares bought under the liquidity contract.

2017 was in line with 2016. With the focus on the transformation of Publicis Groupe, the number of acquisitions remained limited.

On January 23, Publicis Communications acquired two digital agencies *via* Leo Burnett: The Abundancy and Ardent. These agencies will add to Leo Burnett's arsenal of data, creative and technological capabilities. Ardent provides proprietary technology that uses search data to understand behavior and predict consumer intent, while The Abundancy applies these learnings to inform customized content. Together, these two agencies count 60 professionals who have now joined Leo Burnett under newly appointed CEO Andrew Swinand in the USA.

On July 1, Publicis Communications announced the acquisition of The Herd Agency, which is one of the largest and most recognized Australian agencies. This acquisition enables Publicis Communications to offer its clients a wider range of public relations services, including strategy, public affairs, earned media, investor relations, integrated campaigns, crisis communications, social media and marketing content. The Herd Agency is attached to MSLGROUP in Australia.

On July 19, Publicis Communications completed the acquisition of Ella Factory, a French corporate communications consulting agency created in January 2012 and chaired by Clément Léonarduzzi. Ella Factory is attached to Publicis Consultants, of which Clément became Executive Chair in October 2017.

On July 27, Prodigious, Publicis Communications' production platform announced the acquisition of Translate Plus, a global supplier of linguistic services and expert in transcreation. Transcreation is the complete adaptation of the brand message for a product or an advert for a target market, and takes part in major global advertising campaigns. Created in 2008, Translate Plus employs over 130 peoples in 10 international offices, in London, the Netherlands, Germany, Denmark, Sweden, Italy, Bulgaria, Washington DC, China and Japan. Its client portfolio includes Mondelez, Porsche Consulting, Reckitt Benckiser, Rentalcars and Ricoh.

On September 14, Publicis Health, Publicis Groupe's Healthcare solution, announced the acquisition of PlowShare Group, the leading communications agency exclusively dedicated to humanitarian organizations and federal agencies for marketing campaigns on social causes and missions. Created over 20 years ago, PlowShare works with the American Red Cross, the Centers for Disease Control and Prevention, Habitat for Humanity, Make-A-Wish Foundation, March of Dimes, World Wildlife Fund. Based in Stamford (Connecticut) with offices in Atlanta, New York and Washington DC, and with a team of 18 people, PlowShare provides all advertising and marketing services: media buying, creation, public relations, social media, etc.

On September 29, Publicis Communications announced the acquisition of Harbor Picture Company, a production company specializing in advertising films for television and Internet. Created seven years ago, Harbor Picture Company is attached to Prodigious, Publicis' production entity.

Total acquisition costs for entities integrated during 2017 (gross payments, before acquired cash) came to euro 76 million. In addition, euro 232 million was paid out in earn-outs and euro 35 million to buy out non-controlling interests.

In 2017, in addition to the shares bought under the liquidity contract, the Group carried out share buybacks for an amount of euro 324 million, as part of the hedging for performance stock plans for Group employees.

2018 saw the implementation of the "Sprint to the Future" plan. This resulted in a number of acquisitions, designed in particular to strengthen the strategic game changers (data, dynamic creativity, digital business transformation), but also the disposal of a number of companies that fell outside the scope of this plan.

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

On July 17, Publicis Health announced the acquisition of Payer Sciences, an ultra-innovative agency employing marketing strategies built around strong expertise in data analytics, and helping pharmaceutical groups in their dealings with the reimbursement systems in the US. Based in Morristown, New Jersey, Payer Sciences has a 40-strong team of data analysts, experts in reimbursement systems and in B2B communications.

On August 1, Publicis Communications announced the acquisition of One Digital, a digital agency based in Sao Paulo, focused on performance and creativity. Founded in 2003, One Digital has 64 employees and works with both Brazilian and international brands such as Agora (investments), American Express, Autoline (financial services), BitBlue (crypto-currency), Bradesco (banking services), Next (online banking services), Norsk Hydro Brasil (aluminum production) and ShopFacil.com (e-commerce). The agency will be part of Publicis Communications, which has 1,700 employees in Brazil across all agencies including Arc, Deepline, DPZ&T, F/Nazca Saatchi & Saatchi, Leo Burnett, Tailor Made, MSL, Publicis Brésil, Prodigious, Sapient AG2, Talent Marcel and Vivid Brand.

On October 4, Publicis Groupe announced the acquisition of Kindred Group, the largest independent digital communications player in the Czech Republic. Founded in 2013 by Michal Nýdrle and a number of partners, Kindred Group is a group of independent specialist agencies including the Nýdrle and Inspiro digital agencies, and the Red Media and Go.Direct media agencies. Within a period of five years, Kindred Group has become the largest independent digital communications agency in the Czech Republic in terms of revenue (source: Association of Communications Agencies Czech Republic). Kindred Group's client base includes a series of local and international brands such as Moneta Money Bank, Unilever, KMV, Vodafone, Zoot, Rémy Cointreau, the Ceskoslovenska obchodní bank, Huawei and Makro Cash and Carry. Following this acquisition, the total number of Publicis Groupe employees in the country has grown to 400. Following the integration of Kindred Group, Publicis Groupe is in a position to offer an integrated solution to its clients in the Czech Republic encompassing data analysis, technology implementation and consultancy, as well as programmatic media buying and data enriched creativity.

On October 22, Publicis Groupe announced that it had entered exclusive negotiations with Xebia France, an agile IT consultancy firm. Founded in 2005 by Luc Legardeur, Xebia France is a renowned agile IT consultancy firm that specializes in Data, Web, Cloud technologies, reactive software programming and mobility. This technological gem, with a 170-strong talented team called the "Xebians", works with large accounts such as Axa, Air France, BNP Paribas, la Française des Jeux, Meetic, Natixis, Sanofi and startup businesses such as BlaBlaCar, Early Birds, ManoMano. This merger would strengthen the Publicis Sapient teams in France (650 people) and bolster its high-end engineering capability, which is a key component of Publicis Sapient's unique combination of strategy & consulting, experience and engineering expertise – all of which are crucial to the delivery of a successful end-to-end transformation for clients.

On December 20, Publicis Groupe announced that it had entered into exclusive negotiations with the founding shareholders of Soft Computing, a leading data marketing firm in France, with a view to the acquisition of a controlling block representing 82.99% of the share capital at a price of euro 25 per share (2018 coupon attached), i.e. at a premium of 66.66% to the closing price on December 19, 2018. This acquisition was completed on February 7, 2019. Created in 1984 by Eric Fischmeister and Gilles Venturi, Soft Computing is specialized in data and how it is applied to enhance digital marketing and transform the customer experience. With over 400 experts, this market leading company provides its services to the majority of large corporates in the retail, services and financial sectors. This merger reinforces Publicis Groupe's data marketing expertise across the entire value chain in France, further consolidating its position as the preferred partner for its clients' transformation.

On December 31, 2018, Publicis Groupe signed an agreement to sell Publicis Health Services (PHS) to Altamont Capital Partners. The disposal was completed on January 31, 2019. This disposal followed the July 2018 announcement of the strategic review of this asset, and the launch of the divestment process communicated to the market the following October. This entity is in the Contract Sales Organization business. This disposal allows Publicis Health, led by Alexandra von Plato, to refocus on its creative, media, insights and consulting activities. Publicis Groupe remains committed to providing the best possible solutions to help clients with their digital transformation and to this end will invest in health-related consulting, in data and technology.

Total acquisition costs for entities integrated during 2018 (gross payments, before acquired cash) came to euro 136 million. In addition, euro 130 million was paid out in earn-outs and euro 21 million to buy out non-controlling interests.

The Group did not buy back any of its own shares in 2018, except for those shares bought under the liquidity contract.

1.5.2 Main ongoing investments and divestments

Following the divestment process commenced in 2018, on February 14, 2019 Publicis Groupe announced that its subsidiaries that own Proximedia had entered into exclusive negotiations with Ycor for the sale of all Proximedia. With operations in France, Belgium, the Netherlands and Spain, Proximedia provides digital services to SMEs, small enterprises, small shops and craftsmen for their online presence and promotion.

This proposed disposal is consistent with Publicis Groupe's "Sprint to the Future" plan and will enable the Group to focus on its core assets at the heart of its strategy. Proximedia has yet to break even since the beginning and requires substantial investment for it to expand and become profitable. As at December 31, 2018, Proximedia had 575 employees, including 231 in France, 311 in the Benelux and 33 in Spain.

Publicis Groupe announced on April 14, 2019 it has entered into an agreement with Alliance Data Systems Corporation to acquire Epsilon.

Headquartered in the US, Epsilon is a unique technology and platform company focusing on maximizing the value of its clients' data. In 2018, Epsilon generated dollars 1.9 billion of net revenue[(1)], 97 % in the United States. Epsilon employs approximately 9,000 employees, including 3,700 data scientists and 2,000 Bangalore-based technology delivery experts.

Epsilon's expertise spans across the entire data lifecycle from client's first-party raw data to personalized marketing campaigns, using technology, data and platforms.

Epsilon's success is evidenced by the endorsement of its blue chip clients: Epsilon has gained the trust of at least 7 out of the 10 largest US companies across various sectors including Auto, Retail, Financial Services, CPG and Media. In addition, its top 50 clients have an average tenure of 14 years and have generated an 8 % yearly growth on average over the last two years.

This acquisition will accelerate the implementation of Publicis' strategy to become the preferred transformation partner for its clients.

Under the terms of the agreed transaction, Publicis Groupe will acquire Epsilon for a cash consideration of dollars 4.40 billion, representing a net purchase price of dollars 3.95 billion after deducting the benefit of acquisition-related tax step-up. This implies an 8.2x multiple, based on a 2018 adjusted EBITDA[(2)] of dollars 485 million.

The transaction will be double digit accretive to Publicis' headline EPS and Free Cash Flow per share[(3)] from 2020. As an illustration, based on 2018 pro forma figures, headline EPS accretion would equal +12.5 %[(4)] and Free Cash Flow accretion +18.3 %[(5)], excluding any transaction-related synergies.

Publicis remains committed to its 45 % dividend payout ratio and will put on hold its share repurchase program in the context of this acquisition.

The transaction will be fully financed with debt and cash on hand, likely to maintain a financial profile in line with current BBB+ / Baa2 ratings. Nonetheless, Standard & Poor's has put the current BBB+ rating on credit watch with negative implication for a period of time that should last at least until the closing of the acquisition.

A full deleveraging on a net debt standpoint is anticipated within four years after completion of the transaction.

The transaction remains subject to customary approvals and is expected to close in Q3 2019.

In parallel, Publicis Groupe and Alliance Data have decided to build a strategic partnership.

(1) As per Publicis Groupe accounting principles.

(2) 2018 reported Epsilon EBITDA adjusted for standalone carve out costs of euro 21 million, share based compensation charge of euro 30 million to align with Publicis' accounting policy, euro 60 million of run rate cost reductions being implemented at Epsilon and before any potential cost synergies derived from this transaction. Conversion from € to $ at the 2018 average exchange rate of 1.18.

(3) Headline EPS and Free Cash Flow per share on a fully diluted basis.

(4) EPS adjusted for stand-alone carve-out costs and the run rate cost reductions being implemented at Epsilon, before any potential cost synergies.

(5) Free Cash Flow per share reflecting above adjustments, as well as yearly tax step-up effect.

1.5.3 Main future investments

Publicis Groupe will continue its investments to provide proposals and solutions to its clients faced with numerous challenges (consumer behavior, multiplication of communication channels, increasing weight of omni-channel commerce, emergence of new players from digital technologies). Thus, all future investments will aim to improve our offering, combining our creative, media and technological expertise.

Moreover, as at December 31, 2018 the Group also had commitments of euro 218 million under earn-out clauses and euro 32 million for non-controlling interest buyouts, a total of euro 250 million, of which euro 98 million is due within less than one year.

1.6 MAJOR CONTRACTS

Publicis Groupe did not conclude any significant agreements or any agreements conferring a significant obligation or commitment on the Group, with the exception of those concluded in the normal course of affairs, during the two years preceding the date of this Registration Document.

1.7 RESEARCH AND DEVELOPMENT

The various entities included in Publicis Groupe have developed different analysis, research methodologies and tools, in particular regarding consumer behavior and sociological developments. Most of these tools concern the media planning businesses of Zenith, Starcom, Blue 449, Spark Foundry, Performics, and their subsidiaries, and the identification of the most effective channels to reach their clients' target groups; others are integrated into the strategic planning of individual agencies, and play a key role in the unique positioning of each advertising brand. Furthermore, others are used for the computerized processing of clients' marketing data, an activity conducted through its MarketForward entity. Several of these tools required significant investment in development or cooperation with outside researchers. The Group's policy on this matter is described in Note 1.3 to the consolidated financial statements in Section 5.6 of this document.

Publicis Communications

- For **Publicis Worldwide**: Ignition, Ignition Day Workshops, Brand 16, Android/iOS Mobile SDK Toolkit, Nurun Design Process, Talkmaster and Publicis Insider, tools that can be enabled as part of the Lead the Change methodology, Brand Optimization and Brand Aesthetic, Caffeine, Outcome, M2, JetStream, KiwiTree, Dark Web, NearMe, Prospect, Altitude, Zodiac, Green List, Constellation, IG Cracker, TribeFinder, CrossHairs, Next Jam, Populum, Spark code libraries, Journey's Strategic Mapping, Personified Data, Proprietary primary research candidate sourcing, Behavior Nudges, Vision Velocity process, One Common Understanding (OCU), Let's Human and Flow.
- For **MSL**: FreeThinking, People's Lab, e-Reputation Scorecard, Story Stream Lab, Corporate Brand e-ambassadors, Social Business Navigator, Fem'Insight, Fem'Connect, Conversation-to-Commerce (C2C), EPI, OneVoice, White Space Mapping, Earned Plan Lab, Zodiac, and Radar.
- For **Leo Burnett**: BrandProspectR Segmentation, Behavioral ArchetypesSM, BrandPersonaSM Archetypes, What If? Mapping, InnerviewSM Motivation Analytics, Risk Reward Model of Advertising Effects, HumanKind Purpose Workshop, Decision DNASM, BAIT, Acts Typology, Acts Lift, ChatCastSM WebMining, ChatCastSM Companion Survey, HumanKind QuotientSM, BrandStockT Equity Metrics, Cultural Fuel, QuickQuant, Red and Blue America, BrandShelterSM Recession, Analytics, The Forgotten Senior, Freaks and Geeks vs. The 'In' Crowd, The Luxury Profiler, PeopleShop, MobileShop, SocialShop, Maximizing Innovation by Leveraging 9 Styles, Modern Masculinity, and The Sharing Economy: Where We Go From Here, Big Food, The Nudgeables, Idea Spot, Human Journey, Persona Development, Foresight Lab, Ultimate Consumer Panels, Focus Group 2.0, Sherlock Holmes Recruiting, BrandTrac, QuickPredict, Return ePanel, Martini Digital Insights, Switchboard, Social Media Intelligence Hub, Marketing Analytics Platform (MAP), The Nudgeables, Big Food, BAI., Take PART, Picture This, Cultural FuelSM, Mintel, and Stylus.
- For **Saatchi & Saatchi**: Contentizer, Strategic Toolkit, Sisomo, Xploring, the Story Brief, Inside Lovemarks (in association with QiQ), Lovemarks Connector Kit (including the Lovemarks practices: Discovery, Exploration, Inspiration, Attraction and Évaluation), Saatchi & Saatchi Ideas SuperStore, as well as Publicis Ideas IQ Protocol (developed by Saatchi & Saatchi for Publicis Groupe), Saatchi & Saatchi X, Shopper Cycle, Saatchi & Saatchi S, Star Mapping, Ten Cycle Star Mapping, Global Affluent Tribe, Lasting Marks, Consumer Context Research (CCR) and The Legacy Lab.
- For **Fallon Worldwide**: Brand-Tube, Fallon Culture Map.
- For **BBH**: BBH Analytical Toolkit, BBH Knowledge & Insight and BBH Performance Dashboard.
- Lastly, within Prodigious, **Market Forward** designs, develops and offers ProdigiousCloud, a suite of BtoB solutions and collaborative platforms enabling production hubs, agencies and brands to collaborate more effectively and achieve productivity gains through Digital Asset Management (SHARE), Workflow (DRIVE), crowdsourcing (TALENT), planning (PLAN) or automation (BUILD) modules.

Publicis Media

- **Publicis Media** has developed, and uses across its capabilities, various tools, methodologies and research analytics including: Boudoir, CX Tool, CX Loop, Digital Score, Frequency Planner, OPEN, Consumer Profiler, Market Priorization Planner, Multi-Copy Planner, Multi-Media Calculator, ROI Modeler, Seasonality Planner, Wizard TV Planner, ZEAL, Global Analytics Center (Glance), Innovations Database, SocialTools, Touchpoints ROI Tracker, Video Allocator, Content Audit, Adforecast.com, Ninah Market Mix Modeling (MMM), Ninah Marketing PlanLan (MPL), Ninah Multi-touch Attribution (MTA), Value Tracker, Tardiis, Tardiis Fusion, Innovest, Media Pathways, Digital Pathways, Pathfinder, Propeller, Contact Destinations, Intent Tracker/Modeler, Connections Stories, Captivation Blueprint, Map, Beyond Demographics, Media in Motion (patent pending), Budget Allocator, Scenario Planner, Pearl, Ace, Brain Conquest, CVT (client targeting), SPACE ID, Truth Maps, Idea Vet and Ideaweb, The Mic, Pulse, Webreader, Surveillance, KPI Engine, BARometer, StarcomEQ, Starcom IQ, Soundwave, Titan, SMBI, EIC, Starprofiler, EAuth, Gadget, MDM, Investment Management, The Street MAD, Balance TV, POEM, MaxxReach, Beacon and ESQ, Connected Intelligence, Community Igniter, Contagion, Echo Listening, Echo Measurement, Echo Activation, Experience Creation Framework, Content@Scale, PACE panel, Yangtze, GEMS, PMOS, Convergence Analytics, Liquid Labs, CulturePulse, The VR Accelerator, Content Design Engine, Blue View, Dreamcatcher, Foodcatcher, Discoverability and Conversability, Benchmarks, Bid Strategy, CPA Optimization, CTR Optimization, Solutions Suite, VivaKi Verified, Quality Index, VivaKi DMP, Audience, Dashboard & Reports, Headroom, Heat Map, Report Builder, Site Category Analysis, Leads (Workflow), RFP (Workflow), IO (Workflow), Platform Cost Calculator, Change Log, Categorization, VivaKi IQ Academy, Partnerships, Always On, *Audience on Demand* (AOD), SkySkraper, RUN Cookie Translator, RUN DSP, RUN DMP, Academy, Partnerships, Always Benchtools, Brand Impact, Consumer Value Targeting, Human eXperience Planner, Match, Open Up, Experience Tool and Radian.

- **Performics** uses, through Publicis Media, the following methodologies, tools and research analytics for its clients: Intent-Based Planning, Intent Lab, Digital Satisfaction, Dynamic Persona Development, Digital Maturity Audit, Tech & Data Audit, Investment Optimization (Darwin), SEM Performance Maximization (Diagnostic), Daily Pacing & Anomaly Detection (DPAD), Learning Agenda, Hypotheses Library, Content Audit, CX Loop Workshop, Experience Matrix, Competitive Search Analysis, Benchtools, Social Influence on Search Audit, Performance Marketing Audit, Discoverability Audit, Conversability Audit, Paid Search Strategic Audit, Paid Search Campaign Architecture Methodology, OneSearch Learning & Measurement Framework, Search Governance Model (SGM), Microtargeting, 4 SEO Pillars, SEO Deliverable Framework, Link Portfolio Audit Tool, Local SEO 3 Pillar Methodology, Mobile Experience Optimization Audit, TV-to-Search Methodology, GLANCE, CAIMAN, Amazics Content Detector (ACD), Dynamic Optimization Technology (DOT), Landing Page Microfactory, Zeus, Helios, Compass, Optitree, Redmine, Aaas, Conversation2Commerce, and Horizon.
- **Digitas** markets to its customers among others, 45 Irving, North Star, Foundational Fitness Test, Test Data Studio, Snacktory, Performance Media Audit, Dynamic Creative, Optimization, Dynamic User Value Scoring, 3|Share ROM, (m)PHASIZE Media Mix Modeling, Search Audience Insights, Global Travel Tracker, Start Up Connect, Digitas, Tech Labs, Adobe Center of Excellence and SPOC.
- **Publicis Spine** uses the following methodologies, tools and research analytics for its clients: Publicis Cosmos, IDIOM, Publicis PeopleCloud, Publicis Spine Data Diagnostic Tool, RUN DMP, and RUN DSP.

Publicis Sapient

- **Sapient Consulting** uses the following tools, products and methodologies for its clients: CMRS, CCS, COBS, SolutionD, Client Connect, Info Mapper, SFRM, FATCA Withholding, REX et Client Clearing Portal, SDLX, Synapse and Qurate.
- **SapientRazorfish** uses the following tools, products and methodologies internally and for its clients: BridgeTrack; CATS; Code Commons; Code Commons Apex; Connected Environments; DOJO; Expicient's ExStore, ExSuite, ExIntegrator, ExMobility, ExTest, ExCelerator platforms and tools; Fluent; ForwardFast; IEA/IDEAL; In-Store Customer Engagement (ICE) Platform; NUI; Personality Segmentation; Premise; Razorshop; ReadyCommerce; Rosetta Connector; Skymanager (UK); the Third Channel; TITAN; WAVE; Yantrashala.

Publicis Health

- For **PH**: Congressentials, Insight on Demand, TrueTargetML, SweetSpotML, LapsePredictML, Layered Listening, BrandFit Toolkit, Realities Framework, Start 90, Point of Practice Database, RevealMR, Customer Acumen Training App, Customer Engagement Platform, Verilogue Media Player, Global Voice, Connections Planning, ExactDoc, PHMp, PHACT, PHOCUS, Pull-Through Optimizer, Insight Manager, Account Management Planner, Downloadcenter, Psadirector, Fertiledata, Campaigndashboard, Silo, ReferralMAP, RepCast, KMAP, Precision Pro, Content Intelligence Engine, Askwonder, DTE LaunchWorks, Fluid CRM, HCPRM, Service Design, Healthy Outcomes, Conversational Intelligence, Brand Health Assessment, Makers Space, PeopleFirst content, Behavior design workshop, Health Hero's Journey Workshop and Connected Patient Service.

CHAPTER

RISKS AND RISK MANAGEMENT

2

MAIN RISK FACTORS 40

2.1 INDUSTRY-RELATED RISKS 41

2.2 OPERATIONAL RISKS 42

2.3 ENVIRONMENTAL AND HUMAN RISKS 45

2.4 REGULATORY AND LEGAL RISKS 46

2.5 FINANCIAL RISKS 49

2.6 INSURANCE AND COVERAGE OF RISKS 50

2.7 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES 51

2.7.1 Objectives and organization 51

2.7.2 Internal control framework 51

2.7.3 Monitoring the effectiveness of the internal control system 52

2.7.4 Risk management framework 53

MAIN RISK FACTORS

The risk factors described below, together with the other information concerning Publicis Groupe and its consolidated financial statements included in this Registration Document, should be carefully considered before making an investment in the shares or other securities of Publicis Groupe. Each one of the risk factors may have a negative impact on the Group's earnings, financial position or share price. Other risks and uncertainties of which Publicis is unaware or which are not currently considered to be significant could also have a negative impact on the Group. Publicis Groupe is currently unaware of any economic, fiscal, monetary or political strategies or factors that have affected or are liable to affect its operations, whether directly or indirectly.

/ Description of the main risk factors

Categories	Risk factors
Industry-related risks	• Risks associated with a highly competitive industry • Risks associated with the economic condition
Operational risks	• Risks associated with the dependence of the Group's business on its managers and employees • Risks associated with client portfolios • Risks associated with mergers and acquisitions • Risks of IT system failures and cybercrime • Risks associated with the reorganization of the Group • Risks associated with the Group's international presence
Environmental and human risks	• Risks associated with human safety • Environmental risks • Risks associated with climate change
Regulatory and legal risks	• Risks of litigation, governmental and arbitration proceedings • Risks of a breach of the Code of Ethics or regulations • Risks associated with the regulations and voluntary codes of conduct that apply to the Group's business
Financial risks	• Liquidity risks • Risks associated with the Group's official credit rating • Market risks

2.1 INDUSTRY-RELATED RISKS

Risk identification	Monitoring and managing risks
Risks associated with a highly competitive industry	
The advertising and communications industry is highly competitive and is expected to remain so. The Group's competitors are of all sizes and types, and range from large multinational companies to smaller agencies that operate in local or regional markets. New players such as systems integrators, database design and management specialists, telemarketing and web-based companies now have access to technical solutions that respond to clients' specific marketing and communications needs. The Group must compete with these companies and agencies in order to maintain existing client relationships and to win new clients and accounts. Increased competition could have a negative impact on the Group's revenue and earnings.	The Group's strategy, focusing on digital technology and meeting the changing needs of our clients, enables us to maintain and improve our competitive position. In conjunction with the Group's senior management, the networks' operating management teams monitor the market and our competitors on an ongoing basis in all countries we operate in.
Risks associated with the economic condition	
The advertising and communications industry may experience periodic slumps caused by downturns in the general economy. As previous years have shown, this industry is sensitive to variations in advertisers' businesses and reductions in their marketing investments. Economic downturns can have a more severe impact on the advertising and communications industry than on other sectors, in part because many companies often respond to a slowdown in economic activity by reducing their communications budgets in order to meet their earnings goals. In addition, it may be difficult or even impossible to collect outstanding fees receivable from bankrupt or insolvent customers. For this reason, the Group's business prospects, financial position and earnings may be materially adversely affected by a downturn in general economic conditions in one or more markets, and a reduction in client budgets for advertising and communications.	The Group's presence in geographically diversified markets makes it less sensitive to adverse economic conditions in a given market. In addition, the Group chose to make its expansion in emerging countries and in the digital advertising market a priority from 2006 onwards. This judicious choice, which has been validated by the transformation of the market and the changing needs of our clients, has enabled us to maintain, and even improve, the relevance of our offering, while resisting competitive pressure. Working together with senior management and the Group's Finance Department, the operating management teams of the Group's networks are continuing to pay particularly close attention to their cost structures and are adopting action plans to maintain their profitability levels.

2.2 OPERATIONAL RISKS

Risk identification	Monitoring and managing risks
Risks associated with the dependence of the Group's business on its managers and employees	
The advertising and communications industry is known for high mobility among its managers and employees. If the Group loses the services of certain members of the management or other employees, its business and earnings could be negatively affected. Publicis' success is highly dependent on the skills of its creative, sales and media personnel, as well as on their relationships with the Group's clients. In an environment in which digital expertise is central to corporate transformation, the Group's businesses are seeing significant staff turnover, something that may represent a risk if not sufficiently anticipated. If the Group were no longer able to attract and retain new key personnel, or if it were unable to retain and motivate its existing key personnel, its prospects, business, earnings and financial position could be adversely affected.	In conjunction with the Group's Human Resources Department, the network of Human Resources Departments identify key staff, offer them performance incentives and include them in the Group's long-term profit-sharing schemes to retain their loyalty. The Group's Human Resources Department regularly transmits to senior management its analyses of the attraction and retention of talent and the risks related to the possible loss of key senior managers. Turnover levels presented to the Supervisory Board are monitored by the Management Board and by the Chief Talent Officers so as to tailor actions designed to allow employees to explore diverse career paths within the Group and acquire new skills. Equal pay and opportunity policies are in place and are monitored. The Group feels that training its teams throughout their careers is essential. With the new training platform and with Marcel, all employees will be able to access thousands of "on-demand" modules and other expert trainings tailored to the Group's businesses. Specific schemes tailored to "millennials" are being introduced to attract and retain the leaders of the future.
Risks associated with client portfolios	
Contracts may be terminated on short notice. Advertisers are free to terminate their contracts with their communications agencies at any time or at the end of the contract, after a relatively short notice period of three to six months, in general. Moreover, the Group's contracts with its clients are under constant threat from rival competitive bids. Advertisers also tend to progressively cut down on the number of communications agencies they work with and to allocate their marketing budgets a few leading agencies. Finally, the recent trend towards consolidation of clients around the world increases the risk that a client will be lost following a merger and/or acquisition.	In order to deal with this risk, significant existing contracts are monitored on a regular basis at the operating management level and Group level, which enables us to make sure that customers are satisfied, and to anticipate the risk of a contract being terminated. In addition, the Strategy & Growth team, together with the Groupe Client Leaders, strengthen our ability to monitor this risk, while enhancing our internal client-centered culture and offering clients access to the full range of Group services.
A significant percentage of the Group's revenue is derived from its major clients. In 2018, the Group's top 5, 10, 30 and 100 clients accounted for 12%, 18%, 34% and 53% of the Group's consolidated revenue, respectively (see also Section 6.6 "Notes to the consolidated financial statements", Note 29 "Risk management"). One or several large clients may, at any time and for any reason, decide either to switch advertising and communications agencies or to curtail its spending on advertising. A substantial decline in the advertising and communications spending of a major client, or the loss of any of these accounts, could have a negative impact on Publicis' business and earnings.	In conjunction with the Group's senior management, the management of the Group's networks continually analyzes the Group's exposure to the risks related to the loss of major contracts. The Group has a diversified client portfolio representative of the global economy, including many clients that are global or national leaders in their industries (see Section 1.4.5 of this Registration Document for a list of the primary clients of the Group's major networks in 2018). Revenue from, and contracts with, different clients vary from year to year. Nonetheless, a significant share of Publicis Groupe's revenue comes from loyal clients that have been with the Company for years. On average, its retention rate of the ten biggest clients is 39 years. As part of its management of client relationships, the Group ensures that it complies with all contracts entered into with its clients and more particularly with exclusivity clauses.

Risk identification	Monitoring and managing risks
The Group's growth may be negatively affected by conflicts of interest between clients competing within the same sector. The ability of the Group or one of its networks to obtain a new client may, at times, be hindered by its partnership with a competitor or by an exclusivity clause in an existing client contract. The Group avoids, as far as possible, these types of commitments, and relies on its numerous networks to limit the situations in which such conflicts of interest may arise. Such conflicts of interest may nonetheless arise with potentially negative consequences for the Group's growth prospects, results and revenue.	In conjunction with the Group's senior management, the management of the networks continually analyzes the risks related to conflicts of interest. Courses are being rolled out by the Legal Department.
Risks associated with mergers and acquisitions	
The Group's strategy of development through acquisitions and minority investments may create risks. Part of the Group's strategy hinges on enriching its range of advertising and communication services and increasing its operations in high-growth markets. The identification of acquisition and investment candidates is difficult, and there is always the possibility of misjudging the risks of any given acquisition or investment. Sellers may also at times fail to divulge certain risks. The changing and unpredictable regulatory frameworks of certain emerging markets (see Section 2.4 below) and certain local practices in these regions are another source of acquisitions risk. In addition, acquisitions may be concluded on terms that are less favorable than anticipated, and/ or the newly acquired companies may either fail to be successfully integrated into Publicis' existing operations or fail to generate the synergies or other benefits that were expected. Such cases could have negative consequences for the Group's earnings. A description of the Group's main acquisitions during 2018 appears in Section 1.5.1 "Main investments and divestments during the past three years". See also Note 4 (Section 6.6) to the consolidated financial statements "Changes in the scope of consolidation".	The Group makes its acquisitions according to a formal and centralized process led by senior management, with the assistance mostly of the Mergers & Acquisitions Department, the Financial Department, the Legal Department, the Human Resources Department and the networks' operational and financial divisions. The network divisions are chiefly responsible for integrating the acquired entities under the oversight of senior management, in particular for major acquisitions. The Finance Department conducts a regular acquisitions performance assessment in conjunction with senior management; this assessment is then presented to the Audit Committee and Supervisory Board.
Goodwill from acquisitions and intangible assets (trademarks, client relationships), recorded on the Group's statement of financial position for acquired companies may be subject to impairment. Publicis has recorded a significant amount of goodwill on its statement of financial position. Given the nature of its business, the Group's most important assets are intangible, and are accounted for as such. Each year, the Group carries out an evaluation of goodwill and intangible assets so as to determine whether these need to be impaired. The hypotheses made in order to estimate the earnings and the forecasted cash flow in the course of these reevaluations cannot be confirmed by subsequent real earnings. If the Group were to carry out any such depreciation, the loss could have an adverse effect on the Group's earnings and financial position.	Analysis of goodwill and intangible assets carried on the Group's Statement of Financial Position is detailed in Notes 12 and 13 to the consolidated financial statements (Section 6.6).

Risk identification	Monitoring and managing risks
Risks of IT system failures and cybercrime	
The digital marketplace is expanding at unprecedented pace, and the reliance on information technology has never been greater. This reliance brings risk to the Group in the form of systems failures and malicious attacks, as well as potential insider threats. Systems failures can result both from natural or terrorist events or the mere failure of components, a partner or a supplier. This could potentially result in long periods of malfunction and hinder our ability to serve our clients. Malicious attacks come in the form of denial-of-service attacks, cyber-attacks, computer hacking, computer viruses, worms or other malicious software. Each of these have the ability to inhibit normal business operations and even suspend them for periods of time, as well as potentially infecting client deliverables and even their own network environments, thereby causing significant damage. Finally, insider threats, although normally not malicious, can also be seriously detrimental to normal business operations. Untrained or ignorant staff can unwittingly share sensitive or personal information on the public Internet, or innocently fall prey to the numerous cyber-attacks (*phishing*, *spear phishing*, CEO fraud, etc.). The malicious or disgruntled insider, while rare, can also inflict serious reputational or financial damage by purposefully releasing confidential and sensitive information to the public Internet. Failure to address these threats is likely to expose the Group to significant financial burden, legal liability, loss of reputation and potential loss of revenue.	The risks are significant, and as such the Group has invested in internal capabilities to directly address and reduce the risks to acceptable levels. A dedicated Group Security Office (GSO) assesses the risks posed by the stated threats and assists the various Group agencies accordingly. The GSO works alongside the internal teams and the dedicated teams at partners, suppliers and clients. A special security monitoring unit was established to safeguard against potential cyberattacks. The assessment and management of cyber risks is an important activity that the Group regularly invests in to ensure that it can adapt technically to the complexity of cyber threats. Additionally, business continuity and cyber incident response plans are in place and are regularly tested to minimize the consequences of any incidents that may affect our productivity and ability to serve our clients. The Strategy and Risk Committee of the Supervisory Board is kept up to date on changes concerning the risks linked to the information security systems and measures taken to reduce such risks.
Risks associated with the reorganization of the Group	
The process to transform the Group's structures and organization is ongoing. Implementation difficulties could be detrimental to the Group's strategy, could create uncertainty among employees and may not correspond to client expectations.	The Group's senior management and operational managers remain heavily involved in the implementation and monitoring of this transformation process. Targeted action plans are in place to support our talent and our clients.
Risks associated with the Group's international presence	
Publicis conducts business in a number of emerging countries around the world. The risks associated with conducting business in developing countries can include nationalization, social, political and economic instability, increased currency risk, restrictions on repatriating foreign currencies and the late payment of invoices. The Group may not be able to insure or hedge against these risks. In addition, commercial laws and regulations in many of these countries may be vague, arbitrary, contradictory, inconsistently administered or retroactively applied. It is therefore always difficult to determine the exact requirements of these laws and regulations, or to fully understand their application. Non-compliance, actual or alleged, with prevailing laws in emerging countries could have a negative impact on Publicis' prospects, business, earnings, and financial position.	In conjunction with the Group's senior management, the operating management teams of the Group's networks continually analyze the Group's exposure to risks related to its business in politically or economically unstable countries. Moreover, the Group has put internal monitoring systems in place to ensure its operations comply with local legislation and minimize the risk of violations, especially where anti-corruption and anti-bribery laws are concerned. See Note 30 to the consolidated financial statements (Section 6.6) for a geographical breakdown of the Group's revenue for 2016, 2017 and 2018.

2.3 ENVIRONMENTAL AND HUMAN RISKS

Risk identification	Monitoring and managing risks
Risks associated with human safety	
The current global political climate and the tragic events that have taken place in countries in which the Group and its clients operate make it even more necessary that this risk is adequately managed. We are present in more than 100 countries and our business entails a high degree of mobility by our employees who may find themselves in a challenging security or medical situation, or caught up in a major natural crisis (flood, tsunami, etc.) or political crisis (riot, coup d'État, terrorist attack, etc.). Our employees are the Group's main assets and difficult working, health and safety conditions represent a risk that may significantly affect our business.	Employee safety has always been the Group's number one priority. The Group has introduced a very strict travel policy, under which countries are classified into three risk categories. Some high-risk countries are simply banned while other countries are only permitted after assessment and verification of travel conditions and, when appropriate, the implementation of additional security measures. All traveling employees are provided with advance information and advice on the situation in the country to which they are traveling. A crisis plan has been put in place by the Group to ensure that in the event of a major crisis, all employees, whether at home or abroad, can be traced (tracking *tool*) and assisted where required. The roll-out of Lion Alert within the Group is designed to make it possible to contact employees and ensure their safety. Policies are put in place and regular measures are taken in each agency to improve employee well-being and working conditions, along with health prevention measures along the lines of those discussed in Chapter 3 on CSR. They are coordinated and monitored by the local human resources managers. Furthermore, the Group ensures that every employee has health care coverage.
Environmental risks	
Given that the Group provides intellectual services, it has minimal exposure to environmental risks. The Group is particularly attentive to two sources of greenhouse gas emissions: transport (particularly air travel) and energy and electricity consumption (particularly by IT servers). Specific attention has been paid over the last few years to waste management.	The Group's environmental policy - "Consume less and better" - is steered using quantitative objectives to reduce impacts by 2030, in line with the European "2030 climate and energy framework" strategy. It focuses on 4 areas (in order of impact): transport, energy, raw materials and waste. The annual report on greenhouse gas emissions is presented in Chapter 4 on CSR. The declaration of non-financial performance has been subject to verification by external auditors. The CSR Department, in tandem with senior management, the Shared Service Center Department (Re:Sources), the Real Estate Department and the Procurement Department, conducts an annual review of carbon trends in order to adjust the measures it needs to take, given that the Group is intent on contributing to the effort that needs to be made to implement the Paris Agreement and thus bring global emissions below the 2° threshold.
Risks associated with climate change	
Due to the nature of the Group's service activity, services rendered to clients could potentially be disrupted or suspended due to major natural disasters or damage linked to climate change, particularly as we are increasingly reliant on digital technologies (functioning of *data centers*).	Audits are carried out throughout the year to analyze the resistance of the IT systems and to confirm the effectiveness of backup security systems to ensure service continuity. These tests are performed by specialized teams under the supervision of the Group Security Officer (GSO). The Group also widely deployed collaborative teleworking tools to facilitate employee work, particularly in the event of severe weather conditions.

2.4 REGULATORY AND LEGAL RISKS

Risk identification	Monitoring and managing risks
Risks of litigation, governmental and arbitration proceedings	
Publicis may be named as defendant or co-defendant in litigation brought against its clients by third parties, its clients' competitors, governmental or regulatory authorities, or a consumer association. These actions could, in particular, relate to the following complaints: • the advertising claims used to promote the products or services of these clients are false, deceptive or misleading; • the products of these clients are defective or could cause harm to others; • marketing, communications, or advertising materials created for its clients infringe the intellectual property rights of third parties, client-agency contracts generally require the agency to indemnify the client against claims for infringement of intellectual or industrial property rights. The potential damages and expenses, as well as the legal fees arising from any of these claims, may harm the Group's prospects, business, results and financial position. The risk could be either indemnified by the client, or in the case that it is an insurable risk, covered by the Company's insurance. Moreover, Publicis' reputation could be negatively affected by such allegations. During the normal course of its business, the Group may also receive requests for information from the justice or administrative authorities as part of inquiries into business practices in its industry.	Monitoring and managing risks in conjunction with senior management, the Legal Department keeps a watchful eye on the changes in risks associated with significant litigation and, where relevant, closely oversees responses to requests for information submitted by legal or government authorities. The Group has no knowledge of any legal or arbitration proceedings, initiated in the last 12 months, which could have a significant effect on the financial position or profitability of the Company and/or the Group. See also Note 22 and Note 1.3 to the consolidated financial statements (Section 6.6), with respect to "Provisions for litigation and claims". The Audit Committee is regularly informed regarding changes with respect to these questions.

Risk identification	Monitoring and managing risks
Risks of a breach of the Code of Ethics or regulations	
The Group is subject to complex and ever-changing laws and regulations. These have an impact on its operations in a number of fields, both domestically and internationally, for example, in terms of fraud, corruption and protection of personal data. In addition to compliance with laws and regulations, and due to the fact that it is present in more than 100 countries and employs large numbers of people, the Group must regularly address ethical issues, for example, harassment and discrimination. Non-compliance with the ethical standards and rules of a country by the Group's employees could not only impact the results of the Group, but its image and reputation as well. On June 7, 2016, the ANA (Association of National Advertisers) published a report bringing into question business practices between communications agencies and advertisers. This report is based on allegations and situations that refer to undisclosed companies and individuals and are then used to make very broad-based and unverifiable accusations. The different practices referred to provide a distorted image of the profession by suggesting that they are widespread. These declarations may give rise to a reputational risk.	The Group has a set of rules called "Janus" which governs its behavior and ethics. This set of rules applies to all Group employees and sets out the rules of conduct under which operations are carried out: "The Publicis way to behave and to operate". It is regularly updated and circulated across all the networks. Janus includes the rules and principles related to ethics, corporate social responsibility, compliance with regulatory and legal frameworks, governance, communication, conducting business and customer relations, human resource management, protecting the Group's brands and intellectual property, financial and accounting management, as well as rules governing mergers and acquisitions, investments, restructuring and purchasing policies. The guidelines include a Code of Ethics applying to all Group employees. The aim of these rules of conduct is to provide the Group with strict procedures for running our business worldwide and in all fields: human management, business ethics, financial management, individual responsibility. This includes, amongst others, encouraging diversity and preventing discriminatory conduct and harassment. These rules are meant to prevent any illegal activity, in particular by ensuring that Group employees comply with laws and regulations in the conduct of the Group's business. Janus also contains a separate chapter with a detailed code of conduct on stock market trading, designed to prevent insider trading. The Group's rules of conduct are also meant to prevent favoritism, misappropriation of funds, breach of trust, corruption, conflicts of interest or other misconduct and subject the Group and its employees to the highest standards in terms of integrity, ethics and compliance. They are designed to protect the Group's data and know-how by establishing strict guidelines regarding confidentiality and good faith. Finally, they establish procedures for control and reporting by management of the Group and of the various networks of any breach of these policy rules. Targeted actions, such as training, are regularly carried out throughout the Group, particularly on the fight against harassment and discrimination. In conjunction with the Group's senior management, the Audit and Internal Control Department oversee the Group's networks' compliance with these rules. Compliance with laws and regulations is a constant concern and programs have been added concerning anticorruption measures and protection of personal data. Following the report of the American Association of National Advertisers (ANA), the 44 audits conducted in 2017 and 2018 by customers of the Group did not show any anomaly.

Risk identification	Monitoring and managing risks
Risks associated with the regulations and voluntary codes of conduct that apply to the Group's business	
The communications sector in which Publicis operates is subject to legislation, regulation and voluntary codes of conduct. Governments, regulators and consumer groups often prohibit or restrict the advertising of certain products and services or regulate certain operations conducted by the Group (such as the Sapin Law in France, which prohibits agencies from buying advertising space for resale to their clients, and regulations that restrict alcohol, pharmaceutical products, certain food products and tobacco advertising in most countries). The imposition of such restrictions may harm the Group's operations and results and exposes it to the risk of judicial proceedings, especially by consumer groups, regulators and public authorities. In light of the rapid pace of technological development, there is a whole series of new opportunities to develop new advertising formats. The risk lies in a failure to respect industry best practice, for example as regarding advertising to vulnerable groups such as children, which may result in legal proceedings.	The Group has implemented, in its main markets, legal clearance procedures to ensure that its advertising campaigns comply with regulations. This control is carried out by the Legal Department (either central or local, depending on the case) whose role is to provide support to the creative teams during the development of these campaigns. The Group is committed to the concept of responsible marketing. Since 2009, it has banned *greenwashing* (the inappropriate use of environmental claims). Since then it has broadened its approach to other aspects, such as a desire to eliminate old gender stereotypes with a view to actively creating a more inclusive world. This work is also performed by involving the teams in inter-professional projects.

2.5 FINANCIAL RISKS

Risk identification	Monitoring and managing risks
Liquidity risks	
The Group is exposed to a liquidity risk when its incoming payments no longer cover its outgoing payments, and at the same time its ability to raise new financial resources has been exhausted or is insufficient.	In order to manage its liquidity risk, Publicis holds a substantial amount of cash (cash and cash equivalents) for a total of euro 3,206 million as of December 31, 2018 and undrawn confirmed credit lines representing a total of euro 2,681 million as of December 31, 2018. The main component of these credit lines is a euro 2,000 million multi-currency syndicated facility, maturing in 2020. These immediately available or almost immediately available amounts allow the Group to pay its financial debt maturing in less than one year. The Group's treasury management arrangements are described in Section 5.4.3 of this document. None of the Group's bonds or other financial liabilities are subject to financial covenants. See also Note 24 to the consolidated financial statements (Section 6.6). On January 20, 2019, after closing, Publicis Groupe SA repaid euro 149 million corresponding to a contractual payment on the bank loan initially for USD 1,600 million subscribed in 2015 for the Sapient acquisition; MMS Ireland Ltd repaid USD 188 million on this same loan. A portion of this loan was repaid early, on November 8, 2016, in the amount of USD 545 million (equivalent to euro 500 million), via the issue of euro 500 million in bonds maturing in 2023.
Risks associated with the Group's official credit rating	
A financial rating downgrade by either of these agencies could adversely affect the Group's ability to raise funds and result in higher interest rates for future borrowings.	Since 2005, Publicis Groupe SA has been publicly rated. Its rating has remained unchanged, at BBB+ from Standard & Poor's and Baa2 from Moody's Investors Service. The Group maintains regular communication with the credit rating agencies to keep them informed of any changes in its performance so as to avoid surprises and anticipate any potential rating changes. See also Section 5.4.3 of this document.
Market risks	
The Group is exposed to:	(See also Note 29 to the consolidated financial statements appearing in Section 6 of this document.)
• exchange rate and interest rate risks;	The Group's Treasury Department systematically hedges any interest rate and exchange rate risks to which it is alerted by the Financial Directors of entities when a specific threshold is exceeded.
• client counterparty risk;	Client counterparty risk arises when the Group acts as a principal on behalf of its clients and is most commonly managed via insurance policies.
• bank counterparty risk.	Bank counterparty risk is managed via the Group's "core bank policy" which restricts authorized bank counterparties to a list of banks approved by the Group's Treasury Department.

2.6 INSURANCE AND COVERAGE OF RISKS

The insurance policy purpose, centrally managed within the Insurance Department, is to provide the best cover for our employees and assets, by achieving a right balance between local and corporate insurance cover.

By implementing a two-level insurance cover (local and centralized), the Group strive to ensure comprehensive cover and risk management in all the countries in which Publicis is present.

On a local level, mainly through the Re:Sources shared service centers, entities must take out general liability, property damage and business interruption, automobile and employer's liability insurance policies, as well as health and life insurance cover for employees. These insurances are taken out in compliance with the local regulations.

The only exception is the European zone: Using the freedom of services framework in Europe, the Group has taken out a Property damage and Business interruption insurance policy and a General liability insurance policy, which could apply to all European subsidiaries.

At Group level, insurance programs have been implemented with leading insurance companies with the aim of automatically covering all subsidiaries against the financial consequences of risks such as, but not limited to:

- professional liability and cyber risks;
- directors and officers liability;
- employment practices liability;
- general liability when terms and conditions or limits differ from the local insurance policies;
- property damage and business interruption when terms and conditions or limits differ from the local insurance policies;
- assistance and repatriation of employees during business travel.

In addition, the Group negotiates and sets up specific covers that subsidiaries may subscribe depending their business needs, such as credit insurance, health and life insurance for expatriates and specific insurances for film and TV shoots.

The insurance policies are regularly reviewed to customize the cover to any changes in our activity and in particular new digital services: the Group focuses particularly on this risk and its cyber risk insurance cover.

The amount of cover is considered to be consistent with the risk assessment and with the market practices.

In light of the significant Mergers and Acquisitions Group 's activity, the Insurance Department also oversees the integration of acquired entities within the Group's schemes.

2.7 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

2.7.1 Objectives and organization

Internal control and risk management is fully integrated as part of the operational and financial management of the Group. Its remit extends across all the Group's activities and structures. The Group internal control and risk management policy, approved by the Management Board and applied at all levels of the Group, is designed to provide reasonable assurance on the realization of the Group's objectives in relation to:

- the reliability of financial information;
- compliance with laws and regulations in effect;
- the management and control of strategic, operational and financial risks;
- the achievement and optimization of operations, in line with the direction set by the Management Board.

The objectives of this framework, as approved by the Management Board and presented to the Audit Committee, are to enable:

- continuing oversight aimed at identifying risks and opportunities having a potential impact on the achievement of the Group's strategic objectives;
- appropriate communication about risks enabling contribution to the decision making process;
- regular monitoring of the effectiveness of the Group's internal control and risk management system.

The Group has a Secretary General office enabling it to monitor internal control in a formal and centralized manner: this function includes the Legal Department (managed by the General Counsel), the Internal Audit, Internal Control and Risk Management Department (managed by the VP Internal Audit & Risk Management), the Procurement Department, the Human Resources Department (compensation and social benefits, human resources management IT system, social affairs and mobility) and CSR. The Secretary General is a member of the Group's Management Board. The Internal Audit & Risk Management VP and the Secretary General attend all Audit Committee meetings and have easy access to its Chair and each of its members. The Audit Committee also has direct access to the Internal Control Department. The tools needed to gain a broader view of potential risks are thus in place, which supports the effort to improve risk management throughout the entire organization. The Secretary General takes part in all meetings of the Strategy and Risk Committee.

The Group's internal control and risk management system is based around the 2013 COSO (Committee Of Sponsoring Organizations of the Treadway Commission) guidelines as well as the reference framework defined by the AMF.

2.7.2 Internal control framework

Publicis Groupe has defined guidelines based on the Group values stated therein, including practical principles and rules on conduct, ethics and social responsibility, as well as any other practices to ensure that the operations of the Group's entities comply with standards, laws and regulations. These guidelines, applicable to all of the Group's hierarchical levels, set out the rules of conduct for this purpose: "The Publicis way to behave and the way to operate. These guidelines are known as "Janus" and are distributed in all networks. They are also accessible online to all Group employees. A new version of "Janus" was published in April 2015.

The procedures relating to the preparation of accounting and financial information, to the continued security of IT systems and to the introduction of significant operational procedures are mentioned there in a detailed manner, promoting consistency of treatment at all levels of the Group and networks.

These guidelines serve as the foundation of the Group's internal control system.

This system is also strengthened through a network of shared service centers (Re:Sources) systematically implemented by the Group since 1996 in order to overcome the challenges faced by a business that relies on a large number of agencies. This network is managed by a General Manager, reporting to the Chair of the Management Board, with the legal and financial functions of the shared service centers under the functional responsibility of the Group's Legal Department and Financial Department and Employment Matters and Benefits, under the responsibility of the Groupe Human Resources Department. The network of Shared Service Centers now covers almost 98% of the Group's revenue.

The Management Board, the Finance Department, the Operations Department (shared service centers, IT, real estate, insurance and mergers and acquisitions), the Internal Audit, Internal Control and Risk Management Department and the operational managers of the networks are all involved in deploying the internal control system. When the Group makes an acquisition, the internal control system is generally applied within 12 months following the acquisition date. Acquisitions also receive special attention when the annual audit plan is being drawn up.

2.7.3 Monitoring the effectiveness of the internal control system

The Group's senior management is responsible for the Group's internal control system. The Secretary General and the Internal Audit & Risk Management VP regularly report to the Audit Committee and to the Management Board on the quality of the Group's internal control system. This system draws on the following:

2.7.3.1 Internal audit assignments

The Internal Audit Department helps the Group achieve its objectives by assessing, with a methodical and systematic approach, the correct implementation and effectiveness of all internal control, risk management and corporate governance procedures and processes.

The auditors' missions, powers and responsibilities as well as the rights and duties of the audited entity are described in the "Internal Audit Charter" which is included in Janus. They recall the independence of the internal audit function and stipulate the missions and commitments of internal audit, and the duties and prerogatives of the auditors and audited entities.

The audit teams are comprised of approximately fifteen qualified auditors and carry out internal control assessments that encompass the various financial and operational processes within the Group's entities, based on an annual audit plan. This audit plan is developed based on risk analysis (including corruption risk), past events and specific requests from senior management. Once mutual agreement has been reached with the networks, it is approved each year by the Chair of the Management Board and by the Audit Committee.

The Internal Audit Department conducts approximately 90 audits per year, mainly audits on the entities, but also special audits focusing on specific, group-wide issues at various levels within the Group, as well as audits on cases of suspected fraud.

To carry out their missions, the internal audit teams use a dedicated IT tool ("TeamMate"). The work programs used are, of course, based on the ERP systems used by the Group, with the use of extracts and dedicated exception reports.

Internal audit findings are communicated in a report to the Chair of the Management Board of the Group including the monitoring of recommendations and action plans. A summary of all audit assignments completed, including special assignments, is presented during each Audit Committee meeting.

The action plans stemming from the audit recommendations are monitored centrally with the help of a dedicated computer application ("TeamCentral"). Additionally, specific "in the field" follow-up assignments are launched for the most critical reports or when action plan indicators are not in line with the commitments made by the audited entities. A report on the status of the implementation of audit recommendations is regularly presented to the Financial Directors of the Group's networks and to the Audit Committee.

External assistance is called in when needed to support internal audits when special skills or techniques are necessary to conduct investigations.

The Internal Audit of Publicis Groupe works in accordance with the international professional standards issued by the IIA ("The Institute of Internal Auditors") and in March 2017, obtained the certification of its quality assurance and certification approach by IFACI (Institut français de l'audit et du contrôle interne). This certification confirms the ability of the Group Publicis Internal Audit Department to carry out its duties. This certification was confirmed in January 2018 and again in January 2019 in the course of the annual follow-up audits.

2.7.3.2 Financial monitoring controls program

Publicis Groupe also established a program entitled "Financial Monitoring Controls" (FMC) consisting of a series of key controls set out by process (including in relation to CSR) and implemented across all Group entities.

Follow-up of the roll-out and implementation of key controls is performed at two levels using a specific IT tool ("RVR"):

- a monthly self-assessment submitted by all Group entities helps to make them accountable for the effectiveness of their controls;
- special teams, called FMC teams, are deployed across the various networks to evaluate the effectiveness of the controls within the entities. These teams are linked to the Finance Department of each Solution as well as the Group's Internal Control and Risk Management Department, which oversees them, coordinates their work, and compiles the results. These teams follow a control plan covering over 75% of the Group's consolidated revenue each year.

Furthermore, a review of the key checks and controls of the corporate processes relating to financial reporting (Consolidation, Tax, M&A, etc.) is conducted on an annual basis by the Internal Audit Department.

2.7.3.3 Monitoring by the Legal Department

The Group's Legal Department regularly monitors litigation-related risks within the Group. A summary of any significant legal disputes, as well as an estimate of their potential impacts, is presented to the Group's senior management every quarter. The main legal disputes and current investigations, where relevant, are also discussed in each Audit Committee meeting.

2.7.4 Risk management framework

Working with the senior management, the operational management of networks is especially involved in monitoring the risks related to major contracts or to business in emerging countries. It continually analyzes the Group's exposure to the loss of significant contracts, to risks of conflicts of interest and to changes in contractual clauses.

The risks relating to accounting information, the external growth policy, management of the liquidity position, exchange rates, changes in the Group's debt or tax position are monitored by the Finance Department, in conjunction with senior management.

The risks associated with accounting and financial information are also subject to a detailed control, overseen by the Internal Control and Risk Management Department, on the basis of which the FMC (Financial Monitoring Controls) are defined.

The procedure for monitoring the Group's risk management system was formalized beginning in 2008 with risk mapping. All of the risks that may have an impact on the Group's finances, operations or image are listed. These impacts are the subject of an evaluation and a probability of occurrence is estimated for each risk identified; a level of intrinsic risk is therefore determined as well as a level of residual risk after taking into account the control system.

Thus, pursuant to article L. 225-37 of the French Commercial Code, it is stated that with regard to the Group's activities, the financial risks associated with the impact of climate change have a negligible impact. However, the Group is mindful of measuring its environmental risks and finding solutions to reduce them (Chapter 3, CSR of the Registration Document).

The risk mapping is updated on a regular basis to strengthen the risk management system on an ongoing basis.

In 2018, the Group risk mapping was updated twice, and was presented to the Strategy and Risk Committee meetings of February and September 2018. The "Risk" Department also carried out a detailed study of the risks associated with the implementation of the HR IT system project and played a major role in the work done within the Group to ensure compliance with the Sapin 2 Act, in particular updating the corruption-related risk mapping.

This mapping also served as a basis, along with other items, for preparing the 2019 audit plan.

CHAPTER

GOVERNANCE AND COMPENSATION

3

3.1 GOVERNANCE OF PUBLICIS GROUPE 56
3.1.1 Supervisory Board and Management Board 56
3.1.2 Management Committees 77
3.1.3 Operation of Supervisory Board and specialized Committees 77
3.1.4 Application of the Afep-Medef Code: implementation of “apply or explain” rule 82
3.1.5 Code of Ethics 83

3.2 COMPENSATION OF CORPORATE OFFICERS 84
3.2.1 Compensation of members of the Supervisory Board 84
3.2.2 Compensation of the Management Board 86
3.2.3 Compensation summary table 101
3.2.4 Related-party agreements and commitments 112
3.2.5 Share ownership 113
3.2.6 Transactions performed on Publicis Groupe securities by corporate officers and persons related to them 115

3.3 RELATED-PARTY TRANSACTIONS 116
3.3.1 Terms and conditions of financial transactions carried out with related parties 116
3.3.2 Related-party transactions 116

3.4 STATUTORY AUDITORS’ SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS 118
Agreements and commitments submitted for approval to the General Shareholders’ Meeting 118
Agreements and commitments previously approved by the General Shareholders’Meeting 120

The report on corporate governance, within the competence of the Supervisory Board, groups information on the composition and functioning of management bodies, on compensation of corporate officers and on matters likely to be significant in the event of a public offer.

The information presented in the developments below are those mentioned in articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code. Other information in the report, notably that mentioned in article L. 225-37-5 of the French Commercial Code, is listed in Section 10.7 of the Registration Document "Cross-reference table of corporate governance report".

Publicis Groupe SA refers to the Afep-Medef Code as updated in June 2018, with the exception of the recommendations set out in Section 3.1.4 of this Registration Document. This Corporate Governance Code is available for consultation on the Afep website at www.afep.com.

3.1 GOVERNANCE OF PUBLICIS GROUPE

Publicis Groupe and its Supervisory Board place great importance on the quality of the Group's governance and on compliance with the rules and principles governing its business activities.

Publicis has always taken an innovative approach to its governance: since 1987, the Group has had a dual governance system with both Management and Supervisory Boards, in the belief that this would ensure a better balance of powers for the benefit of all stakeholders. Going further than any legal requirements, Publicis achieved gender-balanced representation within its Supervisory Board from 2012, making Publicis Groupe SA one of the first groups to apply gender parity within its Board. The quality of the Board's work is guaranteed by the strong commitment of its members and made easier by the work of four committees: a Compensation Committee, a Appointments Committee, a Strategy and Risk Committee and an Audit Committee.

Arthur Sadoun took over from Maurice Lévy as Chair of the Management Board on June 1, 2017 and Steve King joined the Management Board on the same date. Maurice Lévy took over from Élisabeth Badinter as Chair of the Supervisory Board of Publicis Groupe SA on June 1, 2017. Élisabeth Badinter was appointed Vice-Chair of the Supervisory Board on June 1, 2017. The Management Board, chaired by Arthur Sadoun, was renewed on September 12, 2018.

3.1.1 Supervisory Board and Management Board

The Company is a French joint-stock limited liability company (*société anonyme*) with a Management Board (*Directoire*) and a Supervisory Board (*Conseil de surveillance*). The members of the Management Board and Supervisory Board are collectively referred to as "corporate officers" in this document.

3.1.1.1 Composition of the Supervisory Board at December 31, 2018

At December 31, 2018, the Supervisory Board comprised 12 members including one member representing employees appointed by the Group Committee, in accordance with article L. 225-79-2 of the French Commercial Code and five members who are foreign nationals. 55% of its members are women, 45% are men, and 45% are independent, with the Board Member representing employees not included in the calculation of these percentages, in accordance with the law and the Afep-Medef Code.

Parity on the Board(1)	Average age	Diversity(2)	Independent members(1)(3)	Average length of term of office	Employee representation
55% Women/45% Men	62 years	45%	45%	10 years	1 member

(1) In accordance with the law and the Afep-Medef Code, Board members representing employees are not included in the calculation of the minimum/maximum number of Board members, or in gender quotas, or for the number of independent members.
(2) Board members who are foreign nationals (excluding member representing employees).
(3) Members of the Supervisory Board who qualify as independent according to the Afep-Medef Code's independence criteria.

The table below provides a summary of the Supervisory Board's composition as at December 31, 2018:

	Age	Nationality	Independent member[1]	First appointment	Years on the board	End of term of office	Member of the Appointments Committee	Member of the Compensation Committee	Member of the Audit Committee	Member of the Strategy and Risk Committee	Number of offices held in listed companies
Maurice Lévy Chair of the Board	77	French	No	6/1/2017	2	Shareholders' Meeting 2021	•	•		•	1
Élisabeth Badinter Vice-Chair of the Board	74	French	No	11/27/1987	32	Shareholders' Meeting 2022	◆			•	1
Simon Badinter	50	French	No	6/17/1999	20	Shareholders' Meeting 2021					1
Jean Charest	60	Canadian	Yes	5/29/2013	6	Shareholders' Meeting 2021	•		◆		2
Sophie Dulac	61	French	No	6/25/1998	21	Shareholders' Meeting 2020					1
Thomas H. Glocer	59	US	Yes	5/25/2016	3	Shareholders' Meeting 2020		•		•	3
Marie-Josée Kravis	69	US	Yes	6/1/2010	9	Shareholders' Meeting 2020	•			◆	2
André Kudelski	58	Swiss	Yes	5/25/2016	3	Shareholders' Meeting 2020	•	◆	•		2
Marie-Claude Mayer	71	French	No	6/1/2010	9	Shareholders' Meeting 2019				•	1
Véronique Morali	60	French	No	6/1/2010	9	Shareholders' Meeting 2019		•	•		2
Cherie Nursalim	51	Indonesian	Yes	5/30/2018	1	Shareholders' Meeting 2022		•			1
Pierre Pénicaud Member representing employees	55	French	n/a	6/20/2017	2	6/19/2021				•	1

(1) Members of the Supervisory Board qualifying as independent according to the Afep-Medef Code independence criteria.
◆ : Committee Chair.
n/a: not applicable.

Attendance of members of the Supervisory Board at Board meetings and Committee meetings in 2018:

	Supervisory Board		**Compensation Committee**		**Appointments Committee**		**Strategy and Risk Committee**		**Audit Committee**	
	Number of attendances/ number of sessions	**Attendance rate**	**Number of attendances/ number of sessions**	**Attendance rate**	**Number of attendances/ number of sessions**	**Attendance rate**	**Number of attendances/ number of sessions**	**Attendance rate**	**Number of attendances/ number of sessions**	**Attendance rate**
Maurice Lévy Chair of the Board	6/6	100%	6/6	100%	3/3	100%	2/2	100%		
Élisabeth Badinter Vice-Chair of the Board	6/6	100%			3/3	100%	2/2	100%		
Simon Badinter	5/6	83%								
Claudine Bienaimé(1)	2/2	100%	4/4	100%					2/2	100%
Jean Charest	6/6	100%			3/3	100%			5/5	100%
Michel Cicurel(1)	2/2	100%	4/4	100%	1/1	100%				
Sophie Dulac	6/6	100%								
Thomas H. Glocer	6/6	100%	5/6	83%			2/2	100%		
Marie-Josée Kravis	6/6	100%			3/3	100%	2/2	100%		
André Kudelski(3)(4)	6/6	100%	2/2	100%	2/2	100%			5/5	100%
Marie-Claude Mayer	6/6	100%					2/2	100%		
Véronique Morali	4/6	67%	5/6	83%					4/5	80%
Cherie Nursalim(2)(3)	4/4	100%	0/2	0%						
Pierre Pénicaud Member representing employees	5/6	83%					2/2	100%		
Overall attendance rate		**95%**		**87%**		**100%**		**100%**		**94%**

(1) Member leaving during financial year.
(2) Member joining during financial year (see Board member profiles below for any additional information).
(3) Appointment to Compensation Committee during financial year.
(4) Appointment to Appointments Committee during financial year.

Independent members

Balanced representation of women and men on the Board

At December 31, 2018, 55% of the Board were women and 45% were men. In accordance with article L. 225-79-2 of the French Commercial Code, the Board member representing employees is not included in the calculation of the percentages.

There has been balanced gender representation on the Supervisory Board since 2012, making Publicis Groupe SA one of the first groups to apply gender parity to its Board.

The Publicis Groupe Supervisory Board was chaired by Élisabeth Badinter for over 21 years, from April 19, 1996 to May 31, 2017. The Board has also appointed two women to chair two of its committees, Élisabeth Badinter (Appointments Committee since September 14, 2000) and Marie-Josée Kravis (Strategy and Risk Committee since March 8, 2011).

Number of members and representation of women and men on the Supervisory Board (excluding members representing employees) since 2012

12/31	2012	2013	2014	2015	2016	2017	2018
Number of members	14	14	13	11	12	12	11
Member representing employees	n/a	n/a	n/a	n/a	n/a	1	1
Women	50%	50%	55%	55%	50%	50%	55%
Men	50%	50%	45%	45%	50%	50%	45%

n/a: not applicable.

Diversity and complementary nature of members' skills

The Supervisory Board oversees the diversity and complementary nature of members' skills.

For several years now, the Board has sought out more international profiles. At December 31, 2018, five out of eleven members of the Supervisory Board (i.e. 45%) were foreign nationals (excluding the member representing employees). In addition, several other Board members have international exposure due to their activity in groups with a strong presence abroad or because they carry out a professional activity abroad (see presentation of Board members below).

Its members also have varied expertise in areas that are key for Publicis Groupe such as communications, new technologies, management, finance, mergers and acquisitions, corporate social responsibility and emerging markets.

It is also important for the Supervisory Board to have a balance between members who have been on the Board for a number of years and others who have been appointed more recently, so as to benefit from both an in-depth knowledge of the Group's history and from a new perspective.

The quality of the Supervisory Board's composition contributes to the good governance of Publicis Groupe.

Independence

At December 31, 2018, five of the eleven members of the Supervisory Board (excluding member of the Board representing employees in accordance with paragraph 8.3 of the Afep-Medef Code) were independent, i.e. 45%. The criteria for independence of Board members are detailed in Section 3.1.1.5.

As a result of the resignation of a candidate selected by the Appointments Committee, the Supervisory Board was only able to propose one independent candidate, Cherie Nursalim, to the General Shareholders' Meeting of May 30, 2018. Since this meeting, just 45% of Board members have been independent, compared with at least 50% in previous years. The Board is committed to increasing its number of independent members by the end of the 2019 Shareholders' Meeting.

Employee representation

Pierre Pénicaud, appointed Board member representing employees by the Group Committee in accordance with the bylaws of the Company and the law, has a seat on the Supervisory Board under the same conditions (and with voting rights) as other members. Subject to the applicable legislation, the Board member representing employees is subject to all legal and statutory provisions, and has the same rights and is subject to the same obligations, particularly those set by the Board's internal regulations, as those applicable to other Board members.

The Company's bylaws and the internal Board regulations state that each member of the Board must hold, in their own name and for the duration of their term of office, a minimum of five hundred shares, with the exception of the Supervisory Board member representing employees, in accordance with the law.

Presentation of members of the Supervisory Board

The profiles below present members of the Supervisory Board at December 31, 2018, their respective experience and skills, and the main offices and functions they exercise or have exercised over the last five years, to the Company's knowledge.

Born on February 18, 1942, French National
First appointment: June 1, June 2017
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2021
Number of shares held: 4,669,246

Publicis Groupe SA
133, avenue des Champs-Élysées
75008 Paris
France

Maurice Lévy

- Chair of the Supervisory Board
- Member of the Compensation Committee
- Member of the Strategy and Risk Committee
- Member of the Appointments Committee

Biography

Maurice Lévy joined Publicis Groupe in 1971 as IT Director. In 1975, he was appointed Executive Vice President Chair of Publicis Conseil, flagship of the Group, progressing through all levels until his appointment as Chair of the Management Board in 1987. Role held for 30 years, until the General Shareholders' Meeting of May 2017, after which he assumed the functions of Chair of the Supervisory Board of Publicis Groupe SA. He steered the accelerated globalization of the Group starting in 1996. In 2001, Publicis Groupe's globalization picked up more steam with the acquisition of Saatchi & Saatchi, then Bcom3 (as well as Leo Burnett, Starcom, MediaVest) in 2002. The obligatory move into the digital world began with the acquisition of Digitas (2006), followed by Razorfish (2009), and Rosetta (2011). The acquisition of Sapient at the beginning of 2015 opened up Publicis, beyond its core business, to new possibilities in marketing, omni-channel commerce and consulting.
Maurice Lévy co-founded the Institut français du cerveau et de la moelle épinière (ICM) in 2005 and today chairs the Board of Directors of numerous organizations, including the Peres Center For Peace and Innovation, and since October 2015, the Institut Pasteur-Weizmann. He has also received numerous distinctions for his work and his fight for tolerance. He is Commandeur de la Légion d'Honneur and Grand Officier de l'Ordre National du Mérite.

Other offices and positions held within the Group

- Director: MMS USA Holdings, Inc. (United States), MMS USA Investments, Inc. (United States), Jana Mobile, Inc. (United States)

Offices held outside the Group

- Chair of the Supervisory Board: Iris Capital Management SAS (France)
- Class A Director: Mora & F SA (Luxembourg)
- Founder and class A Manager: Ycor Management SARL (Luxembourg)

Main offices and positions held outside the Group

- Member of the Global Advisory Board: Amundi SA, listed company (France)
- Founding member and Director: Institut du cerveau et de la moelle épinière, ICM (Brain and Spine Institute) (France)
- Co-Chair: Friends of the ICM Committee (France)
- Chair of the French Committee of the Weizmann Science Institute (France)
- Chair of the Board of Directors: Board of Pasteur- Weizmann (association) (France)
- Board member: The Weizmann Institute (Israel)
- Chair: Les Amis Français du Peres Center for Peace and Innovation (endowment fund) (France)
- Chair of International Board of Governors: The Peres Center for Peace and Innovation (Israel)
- Trustee of the Appeal of Conscience Foundation (USA)

Offices and positions held outside the Group in the last five years

Positions listed above

Positions held outside the Group in the last five years

Positions listed above

Élisabeth Badinter

- Vice-Chair of the Supervisory Board
- Member of the Appointments Committee
- Member of the Strategy and Risk Committee

Born on March 5, 1944,
French National
First appointment: November 27, 1987
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2022
Number of shares held: 16,700,967

Publicis Groupe SA
133, avenue des Champs-Élysées
75008 Paris
France

Biography

Élisabeth Badinter is the daughter of Marcel Bleustein-Blanchet, Publicis Groupe's founder. She is a qualified philosophy teacher, specializing in the 18th century, and has also lectured at the École Polytechnique. She keeps a close watch on changing mentalities and mores, and has authored numerous essays. She is a member of the sponsorship committee of the Coordination pour l'éducation à la non-violence et à la paix organization (Coordination for education on non-violence and peace). Élisabeth Badinter joined the Supervisory Board in 1987 and chaired it from 1996 to 2017.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Writer
- Chair of the Fondation Marcel Bleustein-Blanchet pour la Vocation (France)

Offices and positions held outside the Group in the last five years

Positions listed above

Simon Badinter

- Member of the Supervisory Board

Born on June 23, 1968,
French National
First appointment: June 17, 1999
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2021
Number of shares held: 1,259

Publicis Groupe SA
133, avenue des Champs-Élysées
75008 Paris
France

Biography

Son of Élisabeth Badinter, Simon Badinter has served as Director of International Development (1996), member of the Management Board (1999-2013) and Chair (2003-2011) of Médias et Régies Europe, as well as Chair of Media Regies America until 2013. Today, Simon Badinter hosts a radio talk show called "The Rendezvous", which airs in 25 major cities in the United States. Since January 1, 2017, he has also hosted a TV show for the FYI channel in the United States. As well, he is a member of the Board of Directors of Médiavision et Jean Mineur.

Other offices and positions held within the Group

- Director: Mediavision et Jean Mineur SA (France)

Main offices and positions held outside the Group

- Director: BDC SAS (France)
- Host of radio show "The Rendez-Vous" and of a TV show (United States)
- Chair and Chief Executive Officer: Simbad Productions LLC (United States)

Offices and positions held outside the Group in the last five years

Positions listed above

Born on June 24, 1958,
Canadian National
First appointment: May 29, 2013
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2021
Number of shares held: 1,400

McCarthy Tétrault
Bureau 2500
1000, rue de la Gauchetière-Ouest
Montreal Quebec H3B 0A2
Canada

Jean Charest

- Member of the Supervisory Board
- Chair of the Audit Committee
- Member of the Appointments Committee

Biography

A trained lawyer, Jean Charest was elected to Canada's House of Commons in 1984. At age 28, he was appointed Minister of State for Young People. He was also Minister for the Environment (leading the Canadian delegation at the Rio Earth Summit in 1992), Minister for Industry, Deputy Prime Minister of Canada then Prime Minister of Quebec from 2003 to 2012. He is currently a partner in McCarthy Tétrault SENCRL, s.r.l and a member of the Queen's Privy Council for Canada.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Partner, Senior Lawyer and Strategic Advisor: McCarthy Tétrault law Firm (Canada)
- Chair of the Board of Directors: Windiga Énergie (Canada)
- President of the Board of Governors: The Federal Ideal (Canada)
- Consultative Board member: Woodrow Wilson Center – Canada Institute (Canada), Canadian Global Affairs Institute (Canada), Forum Africa (Canada)
- Member of the Canadian group of the Trilateral Commission (Canada)
- Advisor: Canada's Ecofiscal Commission (Canada)
- Director: Asia Pacific Foundation (Canada), Ondine Biomedical (Canada)
- Honorary Chair of the Board of Directors: Canada ASEAN Business Council (Singapore)
- Member of the Supervisory Board, member of the Compensation and Appointments Committee and member of the International Advisory Board: Tikehau Capital SCA, listed company (France)
- Member: Canadian Council of the North American Forum (Canada), Leaders pour la Paix (Leaders for Peace) (France)
- Permanent representative member: Chardi, Inc. (Canada)
- Honorary Chair of the Board of Directors: Council of the Great Lakes Region (Canada)
- Joint-Chair of the Board of Directors: Canada UAE Business Council (Canada)

Offices and positions held outside the Group in the last five years

Positions listed above as well as the following offices:

- Member of the panel of experts: Public Policy Forum (Canada) (term expired in 2018)
- National Joint-Chair and Spokesperson: Mouvement Canada 2017 Redonner (Canada) (term expired in January 2016)
- Chair of the Steering Committee: Partnership for Natural Resources Trade (Canada) (term expired in 2015)

Born on December 26, 1957, French National
First appointment: June 25, 1998
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2020
Number of shares held: 1,749,460

Les Écrans de Paris
60, Rue Pierre-Charron
75008 Paris
France

Sophie Dulac

• Member of the Supervisory Board

Biography

Granddaughter of Marcel Bleustein-Blanchet and niece of Élisabeth Badinter. After several years in the public relations sector, Sophie Dulac, a graduate in psychographology, continued her career by founding and managing a recruitment consultancy firm. Since 2001, she has chaired the movie theater company, Les Écrans de Paris. She also manages the film production and distribution companies, Sophie Dulac Productions and Sophie Dulac Distribution. Since 2012, Sophie Dulac is the founder and Chair of the Champs-Élysées Film Festival. Sophie Dulac was Vice-Chair of the Supervisory Board from 1999 to 2017.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Chair: Les Écrans de Paris SAS (France), SD Cinéma SAS (France)
- Manager: Sophie Dulac Productions SARL (France), Sophie Dulac Distributions SARL (France), Marceau Media SARL (France)
- Vice-Chair of the Board of Directors: CIM de Montmartre (Association) (France)
- Chair: Association Champs-Élysées Film Festival (France)

Offices and positions held outside the Group in the last five years

Positions listed above as well as the following offices:

- Chair: SCI Saint Lambert Holding SAS (France) (term expired in 2016)
- Manager: SD Classic SARL (France) (term expired in 2015)

3

Thomas H. Glocer

- Member of the Supervisory Board
- Member of the Compensation Committee
- Member of the Strategy and Risk Committee

Born on October 8, 1959,
US National
First appointment: May 25, 2016
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2020
Number of shares held: 500

Angelic Ventures LP
335 Madison Avenue
New York, NY 10017
United States

Biography

Thomas H. Glocer was a corporate lawyer within the Davis Polk & Wardwell law firm before joining Reuters in 1993. He was appointed Chair and CEO of Reuters Group in 2001 then from April 2008 to December 2011, Chair and CEO of Thomson Reuters Corp. He is currently Executive Chair of BlueVoyant LLC and Capitolis Inc., specializing respectively in cyberdefense and financial technology. He is also a member of the Board of Directors of Morgan Stanley and Merck & Co.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Founder and Managing Partner: Angelic Ventures LP (United States)
- Executive Chair: Capitolis, Inc. (United States), BlueVoyant LLC (United States)
- Director: Merck & Co., Inc., listed company (United States), Morgan Stanley, listed company (United States), K2 Intelligence, Inc. (United States), Reynen Court LLC (United States), Atlantic Council (United States)
- General Partner: Communitas Capital LLC (United States)
- Member of the Board of Trustees: Cleveland Clinic (United States)
- Member: President's Council on International Activities at Yale University (United States), European Business Leaders Council – EBLC – (Finland), Yale Law School Association Executive Committee (United States)
- Member of the Advisory Committee: Columbia Global Center, Paris (United States)
- Member of the International Advisory Group: Linklaters LLP (United Kingdom)

Offices and positions held outside the Group in the last five years

Positions listed above as well as the following offices:

- Director: Adfin Solutions (United States) (term expired in May 2016), Council on Foreign Relations (United States) (term expired in July 2016)

Born on September 11, 1949,
US National
First appointment: June 1, 2010
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2020
Number of shares held: 500
625, Park Avenue
New York, NY 10065
United States

Marie-Josée Kravis

- Member of the Supervisory Board
- Chair of the Strategy and Risk Committee
- Member of the Appointments Committee

Biography

Marie-Josée Kravis is an economist specializing in the analysis of public policy and strategic planning. She began her career as a financial analyst at Power Corporation of Canada and then worked with the Solicitor General of Canada and the Canadian Ministry of Public Services and Procurement.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- President Emeritus: New York Museum of Modern Art – MoMA – (United States)
- Vice-Chair of the Board of Directors and Senior Researcher: Hudson Institute (United States)
- Director: LVMH Moët Hennessy Louis Vuitton SA, listed company (France)
- Vice-Chair of the Board and member of the Executive Committee: Memorial Sloan Kettering Cancer Center (United States)
- Chair of the Board of Directors: Sloan Kettering Institute (United States)
- Member of the International Advisory Committee: The Federal Reserve Bank of New York (United States)
- Journalist
- Chair of the Board: The Economic Club of New York (United States)

Offices and positions held outside the Group in the last five years

Positions listed above as well as the following office:

- Director: Qatar Museum Authority (Qatar) (term expired in 2014)

Born on May 26, 1960, Swiss National
First appointment: May 25, 2016
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2020
Number of shares held: 500

Kudelski SA
22-24, Route de Genève
PO Box 134
1033 Cheseaux-sur-Lausanne
Swiss

André Kudelski

- Member of the Supervisory Board
- Chair of the Compensation Committee
- Member of the Audit Committee
- Member of the Appointments Committee

Biography

André Kudelski is the Chair of the Board and CEO of the Kudelski Group, a world leader in digital security, listed on the Swiss Stock Exchange (SIX: KUD:S). Holding a Masters in applied physics from the École Polytechnique Fédérale de Lausanne (EPFL), he began his career with the Kudelski Group in 1984 as an R&D engineer, before becoming a Director of Nagravision, the digital TV arm, in 1989. In 1991, he succeeded his father, Stefan Kudelski, the company's founder, as Chair and Chief Executive Officer. André Kudelski is also Chair of the Board of Directors of Innosuisse, the Swiss Innovation Agency, as well as Vice-Chair of the Board of Directors of the Swiss-American Chamber of Commerce. He sits on the Strategic Advisory Board of the EPFL and has previously served as first Vice-Chair of the Board of Directors of Geneva International Airport, as well as being a Director of Nestlé, HSBC Private Banking Holdings (Switzerland), Edipresse and Dassault Systèmes. André Kudelski has received numerous distinctions, including the title of "Global Leader for Tomorrow" from the World Economic Forum in 1995 and an Emmy® Award in 1996 from the National Academy of Arts and Sciences, recognizing his work in controlling access to television.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Chair and Deputy Director: Kudelski SA, listed company (Switzerland), Nagra Plus SA (Switzerland)
- Deputy Director: Nagravision SA (Switzerland)
- Chair of the Board of Directors: SmarDTV SA (Switzerland), Innosuisse (public law) (Switzerland), Restaurant de l'Hôtel de Ville de Crissier SA (Switzerland)
- Co-Chair: NagraStar LLC (United States)
- Chair and Chief Executive Officer: Nagra USA, LLC. (United States), Kudelski Corporate, Inc. (United States), Kudelski Security Holdings, Inc. (United States), Open TV, Inc. (United States)
- Executive Chair: Kudelski Security, Inc. (United States)
- Vice-Chair: Swiss-American Chamber of Commerce (association) (Switzerland)
- Member of the Supervisory Board: Skidata AG (Austria)
- Director: RSH Quality Food Concept SA (Switzerland), Automotive Trade Finance SA (Switzerland), Sunset Music SA (Switzerland), Greater Phoenix Economic Council (GPEC) (not-for-profit company) (United States)
- Member of Committee: Économie suisse (association) (Switzerland)
- Member of the Strategy Advisory Board: Foundation of the École Polytechnique Fédérale de Lausanne (Switzerland)
- Member of the Foundation Board: Fondation Cinémathèque Suisse (Switzerland), Venture Foundation (Switzerland)
- Member of the Swiss Higher Education Council (public law) (Switzerland)

Offices and positions held outside the Group in the last five years

Positions listed above as well as the following offices:

- Director: HSBC Private Banking Holdings SA (Switzerland) (term ended on December 31, 2017)
- Chair of the Board of Directors: Conax AS (now Nagravision AS) (Norway) (term ended in September 2018)
- Vice-Chair: Geneva International Airport (public law) (Switzerland) (term ended in November 2018)

Born on October 7, 1947,
French National
First appointment: June 1, 2010
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2019
Number of shares held: 13,170

Publicis Groupe SA
133, avenue des Champs-Élysées
75008 Paris
France

Marie-Claude Mayer

- Member of the Supervisory Board
- Member of the Strategy and Risk Committee

Biography

A graduate of the Paris Institut d'Études Politiques and holder of a Master of Sociology, Marie-Claude Mayer began her career in 1972 at Publicis Conseil. She was appointed Director of Clientele then Executive Vice President of Publicis Conseil. In 1998, she was appointed Worldwide Account Director then Groupe Client Leader to supervise the L'Oréal Group's brands entrusted to Publicis Communications in over 70 countries, a position that she held until December 1, 2017. Since 2009, she has been a member of the Shareholders' Committee for the Women's Forum for the Economy and Society.

Other offices and positions held within the Group

- Representative of Multi Market Services France Holdings on the Shareholders' Committee of Wefcos SAS (France)
- Member of the Executive Committee: Étoile Restauration SAS (France)
- Director: Publicis Media France SA (France)

Main offices and positions held outside the Group

- Chair: MCM Consulting SAS (France)

Offices and positions held outside the Group in the last five years

None

3

Born on September 12, 1958, French National
First appointment: June 1, 2010
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2019
Number of shares held: 500

Webedia
2, avenue Paul-Vaillant-Couturier
92300 Levallois-Perret
France

Véronique Morali

- Member of the Supervisory Board
- Member of the Compensation Committee
- Member of the Audit Committee

Biography

After Sciences Po Paris and the ESCP, Véronique Morali entered ENA and the Finance Inspectorate, which she left in 1990 to join Fimalac as Director and Chief Executive Officer. From 2011 to 2014, Véronique Morali was the Chair of the Women's Forum for the Economy and Society. Since July 2013, she has been the Chair of the Management Board of Webedia Media publisher, the European entertainment leader.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Chair of the Management Board: Webedia SA (France)
- Chair: Clover SAS (France), Fimalac Development (Luxembourg)
- Chair and Chief Executive Officer: Ringmedia SA (France)
- Chief Executive Officer: Webco SAS (France)
- Director: CCEP (ex-Coca-Cola Entreprises Inc.), listed company (United States), Melberries SAS (France), Fondation Nationale des Sciences Politiques (France)
- Director and Chair of the Compensation Committee: Edmond de Rothschild Holding SA (Switzerland)
- Director and Member of the Audit Committee: Edmond de Rothschild SA (France)
- Member of the Supervisory Committee, Member of the Audit Committee and Member of the Compensation Committee: Edmond de Rothschild France SA (France)
- Chair and Director: Viaeuropa SA (France)
- Member of the Supervisory Board: Edit Place SAS (France), Tradematic SA (France)
- Permanent representative of Fimalac Développement at: Groupe Lucien Barrière SAS (France)
- Manager: Webedia International Sàrl (Luxembourg)
- Member of the Strategy Committee: Pour de Bon SAS (France)
- Member of the association: Le Siècle (France)

Offices and positions held outside the Group in the last five years

Positions listed above as well as the following offices:

- Director and Vice-Chair: Fitch Group, Inc. (United States) (term ended in April 2018)
- Director: Fimalac SA, listed company (France) (term ended in 2014), Financière Allociné SA (France) (term ended in 2014), Fitch, Inc. (United States) (term ended in 2015), SNCF Mobilités (EPIC) (France) (term ended in 2017)
- Director and Member of the Compensation Committee: Alcatel-Lucent (France) (term ended in 2015)
- Founding President of the Association: Force Femmes (term ended in 2015), Terrafemina (France) (term ended in 2016)
- Member of the government owned entity: the Réunion des musées nationaux et du Grand Palais des Champs-Élysées (Rmn GP) (term expired in 2015)
- Manager: Fimalac Services Financiers (non-commercial company) (term expired in 2015), Fimalac Tech Info (non-commercial company) (term expired in 2015)

Born on August 1, 1967,
Indonesian National
First appointment: May 30, 2018
Expiry of term of office: Annual Ordinary General Shareholders' Meeting 2022
Number of shares held: 500

GITI Group
9 Oxley Rise
#02-01 The Oxley
Singapore 238697

Cherie Nursalim

- Member of the Supervisory Board
- Member of the Compensation Committee

Biography

Cherie Nursalim is Vice-Chair of the GITI Group and Chair of Three on the Bund. She previously worked as a researcher at the Harvard Business School. She sits on the Asia and International Advisory Committees at Columbia University and at the MIT Sloan School of Management. She chairs the United Nations Global Initiative Sustainable Development Solutions Network for South-East Asia. She is a member of the Board of Directors of the University of Indonesia Climate Change Center and the Singapore Science Center, as well as the International Chamber of Commerce. She is one of the founding members of the Global Philanthropic Circle at the New York Synergos Institute and of the United in Diversity Foundation.

Other offices and positions held within the Group

None

Main offices and positions held outside the Group

- Vice-Chair: GITI Group (Singapore)
- Chair: Three on the Bund (China), United Nations Global Initiative SDSN SEA
- Co-Chair: Tri Hita Karana for Sustainable Development Forum
- Director: ICC Academy Private Ltd (Singapore), Asia Philanthropy Circle Ltd (Singapore), Nuri Management Pte Ltd (Singapore), Viva China Children's Cancer Foundation Limited
- Member of the International and Asia Advisory Committee: Columbia University (United States), MIT Sloan School of Management (United States)
- Member of the South-East Asia Advisory Committee: Women's World Banking (United States)
- Member of the Advisory Committee: MIT Sloan Sustainability Initiative (United States)
- Board Member: International Chamber of Commerce, University of Indonesia Climate Change Center (Indonesia), Singapore Science Center (Singapore)
- Founding member: Global Philanthropic Circle with Synergos Institute in New-York (United States), United in Diversity Forum (United States), Kura Kura Bali (Indonesia)
- Member of the Executive Committee: ICC Research Foundation
- Member of the Management Board: Sustainable Development Solutions Network (Hong Kong)
- Council member: Asia Society Policy Institute (United States), World Future Council (Germany)
- Trustee: China Foundation for Disabled Persons (China), Institute for Philanthropy Tsinghua University (China)
- Member: Business & Sustainable Development Commission Blended Finance Taskforce, Friends of Oceans Global Initiative
- Member of the Advisory Committee: Teach For All

Offices and positions held outside the Group in the last five years

Positions listed above

Born on December 28, 1963,
French National
First appointment: June 20, 2017
Expiry of term of office: June 19, 2021
Number of shares held: -

Publicis Conseil SA
133, avenue des Champs-Élysées
75008 Paris
France

Pierre Pénicaud

- Member of the Supervisory Board representing employees
- Member of the Strategy and Risk Committee

Biography

Pierre Pénicaud obtained a diploma in Applied Arts from l'École Estienne and joined Publicis Conseil in 1989 as an assistant in the Artistic Department. He became Artistic Director in 1994 and started the "L'Esprit Bière" saga for Heineken, which he would go on to develop over 13 years. With his work for Perrier, he became senior Artistic Director in 2000. Since 2011, he has been member and secretary of the Publicis Conseil CHSCT (Health and Safety Committee) as well as full member of the Works Council, and since October 2017, deputy member.

Other offices and positions held within the Group

- Senior Artistic Director: Publicis Conseil SA (France)

Main offices and positions held outside the Group

None

Offices and positions held outside the Group in the last five years

None

3.1.1.2 Composition of the Management Board at December 31, 2018

At December 31, 2018, the Management Board comprised four members: Arthur Sadoun, Jean-Michel Etienne, Steve King and Anne-Gabrielle Heilbronner.

The profiles below present Management Board members on December 31, 2018, their experience and skills, and their main offices and functions over the last five years, to the Company's knowledge.

Born on May 23, 1971,
French National
First appointment: June 1, June 2017
Expiry of term of office:
September 14, 2022
Number of shares held: 53,795

Publicis Groupe SA
133, avenue des Champs-Élysées
75008 Paris
France

Arthur Sadoun

- Chair & CEO

Biography

Arthur Sadoun, who has a diploma from the European Business School and an MBA from INSEAD, the European Institute of Business Administration, started his career at the age of 21, creating his own advertising agency in Chile that he would later sell to BBDO. He joined the TBWA network (Omnicom) in 1997 and was appointed CEO of TBWA/Paris in 2003. In 2006, he joined Publicis Groupe as CEO of Publicis Conseil, the flagship of the Group founded by Marcel Bleustein-Blanchet. He was appointed Chair of Publicis France in 2009 then promoted to CEO of the Publicis Worldwide network in 2013. In 2015 he was appointed CEO of Publicis Communications, the creative solutions arm of Publicis Groupe. He has been Chair of the Management Board of Publicis Groupe SA since June 1, 2017. Arthur Sadoun was named "Director of the Year" by Advertising Age in 2016, and is Chevalier de l'Ordre National du Mérite.

Other offices and positions held within the Group

- Chair and Chief Executive Officer: Publicis Conseil SA (France)
- Director: BBH Holdings Limited (United Kingdom)

Main offices and positions held outside the Group

None

Offices and positions held outside the Group in the last five years

- Independent director and member of the Corporate, Environmental and Social Responsibility Committee: Fnac Darty SA, listed company (France) (term ended in May 2018)

Born on November 2, 1951
French National
First appointment: July 1, 2010
Expiry of term of office: December 31, 2020
Number of shares held: 95,464

Publicis Groupe SA
133, avenue des Champs-Élysées
75008 Paris
France

Jean-Michel Etienne

• Member of the Management Board

Biography

Jean-Michel Etienne began his career as an auditor with Price Waterhouse (1975-1980). He joined the Financial Department of Renault Group where he occupied several functions. From 1988 to 1990, he was Accounting Director at Valeo before becoming planning and internal control Director for the Pinault Group. In 1991, he was appointed Group Vice-President and Group Financial Controller at CarnaudMetalbox, before being made Chief Financial Officer of Crown Cork Europe after CarnaudMetalbox was taken over by Crown Cork. He joined Publicis Groupe in September 2000 as Group Finance Director. In 2006, he was appointed Executive Vice- President – Group Finance. Since 2010, he has been a member of Publicis Groupe SA's Management Board.

Other offices and positions held within the Group

• Group Executive Vice President, Group Finance: Publicis Groupe SA
• Chair and Chair of the Executive Committee: Multi Market Services France Holdings SAS (France)
• Chair: Publicis Finance Services SAS (France), MMS Mexico Holdings S de RL de CV (Mexico), Financière Relaxnews SAS (France), SWELG Holding AB (Sweden), Ella Factory SAS (France), Xebia IT Architects SAS (France)
• Chair and Director: Multi Market Services Canada Holdings, Inc. (Canada), TMG Mac Manus Canada, Inc. (Canada)
• Chair of the Board of Directors: MMS Italy Holdings S.r.l. (Italy)
• Vice-Chair: Lion Re:Sources Iberia SL (Spain)
• Permanent representative of Multi Market Services France Holdings SAS in Publicis Media SA (formerly VivaKi Performance) (France)
• Director: Multi Market Services Australia Holdings Pty Limited (Australia), PG Lion Re:Sources Australia Pty Limited (Australia), Publicis Communication Pty Limited (Australia), Publicis Groupe Holdings BV (Netherlands), MMS Netherlands Holdings BV (Netherlands), Publicis Groupe Investments BV (Netherlands), Publicis Holdings BV (Netherlands), Saatchi & Saatchi Limited (United Kingdom), MMS UK Holdings Limited (United Kingdom), Lion Re:Sources UK Limited (United Kingdom), Zenith International (Media) Ltd (ex ZenithOptimedia International Limited) (United Kingdom), Saatchi & Saatchi Holdings Limited (United Kingdom), MMS USA Holdings, Inc. (United States), MMS USA Investments, Inc. (United States), BBH Holdings Ltd (United Kingdom), MMS Multi Market Services Ireland Limited DAC (Ireland), MMS Multi Euro Services Limited DAC (Ireland), US International Holding Company, Inc. (United States)
• Board member: MMS Communications Norway (formerly West Wacker Holding Norway AS, Norway)
• Managing Director: MMS Germany Holdings GmbH (Germany), Re:Sources Germany GmbH (Germany)
• Co-Manager: Multi-Market Services Spain Holdings SL (Spain)

Main offices and positions held outside the Group

• Member of the Board of Directors of ACTEO (France)

Offices and positions held outside the Group in the last five years

Positions listed above

Anne-Gabrielle Heilbronner

• Member of the Management Board

Born on January 7, 1969
French National
First appointment: September 15, 2014
Expiry of term of office: September 14, 2022
Number of shares held: 6,864

Publicis Groupe SA
133, avenue des Champs-Élysées
75008 Paris
France

Biography

Finance inspector, former student at ENA, Anne-Gabrielle Heilbronner is a graduate of ESCP and Sciences Po Paris, and holds a DEA law degree. She joined the Treasury Directorate in 1999. In 2000, she worked for Euris/Rallye, and then became head of Corporate Finance. From 2004 to 2007, she was Cabinet Director for the Secretary of State for the Reform of the State and then advisor to the Minister for Foreign Affairs. Between 2007 and 2010, she was the Director of Internal Audit & Risk Management at the SNCF. She was Senior Banker at Société Générale Corporate & Investment banking before joining Publicis Groupe in April 2012 where she took over the functions of Secretary General. Member of the Management Board since 2014, she currently supervises Human resources, Legal, Purchasing, Audit, Risk Management and Internal Control functions, as well as Environmental and Social Responsibility. Anne-Gabrielle Heilbronner is a member of the Shareholders' Committee for the Women's Forum for the Economy and Society.

Other offices and positions held within the Group

- Secretary General: Publicis Groupe SA
- Chair: Publicis Groupe Services SAS (France)
- Member of the Management Committee: Multi Market Services France Holdings SAS (France)
- Representative of Multi Market Services France Holdings on the Shareholders' Committee of Wefcos SAS (France)
- Representative of Multi Market Services France Holdings on the Board of Directors of Régie Publicitaire des Transports Parisiens Metrobus Publicité SA (France)
- Director: Somupi SA (France), US International Holding Company, Inc. (United States), Publicis Groupe Investments BV (Netherlands), Publicis Groupe Holdings BV (Netherlands), Publicis Holdings BV (Netherlands), BBH Holdings Limited (United Kingdom), Sapient Corporation (United States), Publicis Limited (United Kingdom)

Main offices and positions held outside the Group

- Director and member of the Audit Committee: Sanef SA (France)

Offices and positions held outside the Group in the last five years

Positions listed above

Born on August 8, 1959,
British National
First appointment: June 1, June 2017
Expiry of term of office:
September 14, 2022
Number of shares held: 16,896

Publicis Groupe SA
133, avenue des Champs-Élysées
75008 Paris
France

Steve King

• Member of the Management Board

Biography

As CEO of Publicis Media, Steve King oversees the Publicis Groupe media hub. He is responsible for the Starcom, Zenith, Digitas, Spark Foundry, Blue 449 and Performics international brands which have 23,500 employees in over 100 countries. He is Chief Operating Officer and member of the Management Board of Publicis Groupe SA, a position that he has held since June 2017. Before heading Publicis Media, Steve King was CEO of ZenithOptimedia Worldwide and was one of the founders, in 1988, of Zenith Media, an agency which revolutionized the sector. His analyzes of industry trends are highly regarded and he is frequently asked for his opinions on media-related global issues. Steve King was named in the Power List of the magazine, Adweek, in 2016-2018.

Other offices and positions held within the Group

- Director: Blue 449, Inc. (United States), Publicis Media, Inc. (United States), Zenith Media Services, Inc. (United States), VNC Communications, Inc. (United States), Digitas, Inc. (United States), Publicis Media Limited (United Kingdom), Walker Media Limited (United Kingdom), Zenith International (Media) Ltd (formerly ZenithOptimedia International Limited) (United Kingdom), Applied Media Logic Ltd (South Africa)
- Management Board member: Apex Exchange, LLC (United States)

Main offices and positions held outside the Group

None

Offices and positions held outside the Group in the last five years

None

3

3.1.1.3 Resignations, renewals and appointments during 2018

The General Shareholders' Meeting of May 30, 2018, decided to renew the Supervisory Board term of office of Élisabeth Badinter for a term of four years. It also decided to appoint Cherie Nursalim as a member of the Supervisory Board. These terms of office will end after the Ordinary General Shareholders' Meeting called to approve the financial statements of the 2021 financial year.

The Supervisory Board Meeting of September 12, 2018 also renewed the term of office of Arthur Sadoun, as Chair of the Management Board, and the terms of office of Anne-Gabrielle Heilbronner and Steve King, as members of the Management Board, for a term of four years from the end of their term of office, and of Jean-Michel Etienne whose term of office will end on December 31, 2020, the date on which he plans to retire.

Changes in the composition of the Supervisory Board in 2018:

Member of the Supervisory Board	Departure	Renewal	Appointment	Nationality
Élisabeth Badinter		May 30, 2018[(1)]		French
Claudine Bienaimé	May 30, 2018			French
Michel Cicurel	May 30, 2018			French
Cherie Nursalim			May 30, 2018*	Indonesian

(1) Term of office of 4 years expiring at the Shareholders' Meeting 2022 called to approve the financial statements for 2021.

Changes in the composition of the Compensation Committee in 2018:

Member of the Compensation Committee	Departure	Appointment	Nationality
Claudine Bienaimé	May 30, 2018		French
Michel Cicurel	May 30, 2018		French
André Kudelski		May 30, 2018	Swiss
Cherie Nursalim		May 30, 2018	Indonesian

Changes in the composition of the Appointments Committee in 2018:

Member of the Appointments Committee	Departure	Appointment	Nationality
Michel Cicurel	May 30, 2018		French
André Kudelski		May 30, 2018	Swiss

Changes in the composition of the Audit Committee in 2018:

Member of the Audit Committee	Departure	Appointment	Nationality
Claudine Bienaimé	May 30, 2018		French

Changes in the composition of the Management Board in 2018:

Member of the Management Board	Departure	Renewal	Appointment	Nationality
Arthur Sadoun, Chair of the Management Board		September 12, 2018(1)		French
Jean-Michel Etienne		September 12, 2018(2)		French
Anne-Gabrielle Heilbronner		September 12, 2018(1)		French
Steve King		September 12, 2018(1)		British

(1) Four-year term of office ending on September 14, 2022.
(2) Term of office ending on December 31, 2020.

3.1.1.4 Future changes in the composition of the Supervisory Board

The Supervisory Board terms of office of Marie-Claude Mayer and Véronique Morali will expire at the end of the next General Shareholders' Meeting of May 29, 2019.

Since the improvement of the composition of Supervisory Board is an ongoing objective of the Publicis Groupe SA, the Board wanted to strengthen its international profile and increase the percentage of independent members in line with the commitment it made at the 2018 General Shareholders' Meeting.

On the recommendation of the Appointments Committee, the Supervisory Board will propose at the next General Shareholders' Meeting to appoint, as independent Board members for a term of four years:

- Antonella Mei-Pochtler, whose experience notably at the helm of BCG in Germany and her role in developing the digital "practice" will be a major asset for the Supervisory Board;
- Suzan (Suzi) LeVine, who has a background in engineering and has held positions in strategy and education at Microsoft and also in marketing and communications at Expedia. More recently, she was the United States Ambassador to Switzerland and Liechtenstein. She is currently the Commissioner for the Washington State Employment Security Department. Her technology and digital background, combined with her interest in artificial intelligence, will be a valuable asset for the Board;
- Enrico Letta, after a career in politics, during which he was a member of parliament, minister and then President of the Italian Council of Ministers, is currently the Dean of the Paris School of International Affairs at Sciences Po. His expertise in international affairs will be of great benefit to the Board.

3.1.1.5 Independence criteria, conflicts of interest

The Supervisory Board used the criteria proposed by the Afep-Medef Code to assess the independence of its members:

- not to be or not to have been during the last five years:
  - an employee or an executive corporate officer of the Company,
  - an employee, executive corporate officer or director of a consolidated company,
  - employee, executive corporate officer or director of the Company's parent company or a company consolidated by said parent company;
- not be an executive corporate officer of a company in which the Group holds, directly or indirectly, a management position, or in which an employee designated as such or an executive corporate officer of the Company (currently or in the past five years) holds a management position;
- not be a client, supplier, business banker, investment banker or senior banker (or be directly or indirectly linked to such persons):
  - that is significant to the Company or the Group, or
  - for which the Company or Group represents a significant part of its business;
- not have a close relative who is a corporate officer;
- not have been an auditor of the Company during the last five years;
- not have been a Supervisory Board member for more than 12 years. The status of independent member is lost after 12 years.

The Supervisory Board is not responsible for the management of the Company, which falls to the Management Board alone, but for its direction and constant oversight. Because of this role, the Supervisory Board decided that the concept of the length of the term of office has no effect on the independence, by its very nature, of the supervisory duties that the Supervisory Board and its members perform. Furthermore, the Supervisory Board decided that the specific characteristics of the communications sector and its global expansion and technological development mean that experience is crucial for Supervisory Board members to carry out their responsibilities. The last office held for more than 12 years by a Board member with independent status came to an end on May 30, 2018.

To the best of the Company's knowledge, there are no existing family ties between the Supervisory/Management Board members, except between Élisabeth Badinter, daughter of the founder of Publicis Groupe Marcel Bleustein-Blanchet, her son Simon Badinter, and her niece Sophie Dulac.

The Supervisory Board verified that its members had no significant qualitative or quantitative business relations with the Company and Publicis Groupe.

Applying these criteria, the following are independent members: Marie-Josée Kravis, Cherie Nursalim, Jean Charest, André Kudelski and Thomas H. Glocer. 45% of the Board are, therefore, independent members. Pierre Pénicaud, Supervisory

Board member representing employees, is not included in the calculation of this percentage. In light of the resignation, in 2018, of a candidate selected by the Appointments Committee, the Board made a commitment, at the General Shareholders' Meeting of May 30, 2018, to increase its number of independent members to 50% or more by the end of the General Shareholders' Meeting of May 29, 2019.

The Board will put to a vote by the General Shareholders' Meeting of May 29, 2019 the candidacies for three new independent members: Antonella Mei-Pochtler, Suzan LeVine and Enrico Letta. Provided they are appointed by said Meeting, 66% of the Board's members will be independent (excluding Board members representing employees).

Supervisory Board members' status according to the Afep-Medef Code's independence criteria:
(the criterion is considered to have been met when marked with a ✓)

	Criterion 1(1)	Criterion 2(2)	Criterion 3(3)	Criterion 4(4)	Criterion 5(5)	Criterion 6(6)	Criterion 7(7)	Criterion 8(8)	Qualification applied by the Board
Maurice Lévy Chair		✓	✓	✓	✓	✓	✓	✓	Not independent
Élisabeth Badinter Vice-Chair	✓	✓	✓		✓		✓		Not independent
Sophie Dulac	✓	✓	✓		✓		n/a	✓	Not independent
Simon Badinter	✓	✓	✓		✓		n/a	✓	Not independent
Jean Charest	✓	✓	✓	✓	✓	✓	n/a	✓	Independent
Thomas H. Glocer	✓	✓	✓	✓	✓	✓	n/a	✓	Independent
Marie-Josée Kravis	✓	✓	✓	✓	✓	✓	n/a	✓	Independent
André Kudelski	✓	✓	✓	✓	✓	✓	n/a	✓	Independent
Marie-Claude Mayer		✓	✓	✓	✓	✓	n/a	✓	Not independent
Véronique Morali		✓	✓	✓	✓	✓	n/a	✓	Not independent
Cherie Nursalim	✓	✓	✓	✓	✓	✓	n/a	✓	Independent

(1) Criterion 1: not to be or not to have been during the last five years: 1) an employee or an executive corporate officer of the Company; 2) an employee, executive corporate officer or director of a consolidated company.
(2) Criterion 2: not have cross-directorships.
(3) Criterion 3: not have significant business relations
(4) Criterion 4: not have a close relative who is a corporate officer.
(5) Criterion 5: have not been a statutory auditor of the Company during the last five years.
(6) Criterion 6: not have been a Supervisory Board member for more than 12 years.
(7) Criterion 7: not have received variable compensation in cash or securities or any compensation linked to Company or Group performance.
(8) Criterion 8: not hold more than 10% of share capital or voting rights.
n/a: not applicable.

To the best of the Company's knowledge, over the past five years:

- no member of the Management Board or the Supervisory Board of Publicis Groupe SA has been convicted of fraud;
- no member of the Management Board or the Supervisory Board has been associated with a bankruptcy, or been subject to a sequestration or liquidation;
- no indictment and/or official public sanction has been pronounced against these people by statutory or regulatory authorities or professional organizations;
- no member of the Management Board or the Supervisory Board of Publicis Groupe SA has been banned by a court of law from acting as member of a corporate body, Management or Supervisory Board of a company issuing securities, nor from taking part in the management or business operations of an issuer.

The Supervisory Board has strict internal rules in the area of conflicts of interest: the principle is that members of the Supervisory Board must be able to exercise their role in a completely independent manner, vis-à-vis each other and vis-à-vis the Management Board, and that each member undertakes, as soon as he or she learns of it, to inform the Supervisory Board of any conflict of interest, whether actual or potential. In the event of any such conflict of interest, the interested member refrains from discussing, or voting on, the decision on the subject in question. In accordance with the Supervisory Board's internal rules, Maurice Lévy informed the Supervisory Board on December 19, 2018, of the existence of a conflict of interest arising from the firm offer made by Ycor SCA, in which Maurice Lévy has interests, to Publicis Groupe SA subsidiaries, with a view to the possible acquisition of all the activities of Proximedia, and the agreement reached with these subsidiaries to hold exclusive negotiations (see below 3.3.1 Terms and conditions of financial transactions carried out with related parties). Therefore, he recused himself and did not take part in the Board meetings when these questions were discussed.

Apart from the information indicated, to the Company's knowledge there are no family links or potential conflicts between the interest of members of the Supervisory Board or of the Management Board of the Company and their duties towards the Company. There is no undertaking or agreement concluded by the Company or its subsidiaries with members of its Supervisory Board or the Management Board of the Company providing for benefits to be paid upon termination of their functions, nor any other agreement concluded between the Company, its subsidiaries and these persons, other than those described in Sections 3.2 and 3.3. Except as may be described otherwise in Section 3.3, no appointment as member of the Supervisory Board or the Management Board has been made pursuant to an undertaking made to a major shareholder, client or a supplier of the Company.

3.1.2 Management Committees

Following the appointment of new Chairs of the Supervisory Board and Management Board in June 2017, two new management bodies were set up: the Executive Committee and the Management Committee. Publicis Groupe is seeking a balanced representation of men and women on these committees (see 4.1.2 Diversity and Inclusion).

The Executive Committee is responsible for managing the Group's transformation and meets every month. It is comprised of members of the Management Board and:

- Nick Law, Chief Creative Officer Publicis Groupe, Chair Publicis Communications;
- Carla Serrano, Chief Strategy Officer, Publicis Groupe;
- Nigel Vaz, Digital Business Transformation Lead Publicis Groupe, Chief Executive Officer Publicis Sapient;
- Véronique Weill, General Manager, Publicis Groupe;
- Alan Wexler, Chair Publicis Sapient.

The Management Committee meets every quarter and oversees the Group's operations and execution of its strategy. It is comprised of the Executive Committee members plus the following:

- Emmanuel André, Chief Talent Officer Publicis Groupe;
- Valérie Beauchamp, EVP Business Development, Publicis Groupe;
- Justin Billingsley, Chief Executive Officer Publicis Emil, Chair Publicis Groupe DACH;
- Agathe Bousquet, Chair France, Publicis Groupe;
- Gerry Boyle, Chief Executive Officer APAC & EMEA Publicis Media;
- Andrew Bruce, Chief Executive Officer North America Publicis Communications;
- Nick Colucci, Executive Chair Publicis Health, Chief Operating Officer Publicis Communications North America;
- Lisa Donohue, Chief Executive Officer Publicis Spine;
- Tim Jones, Chief Executive Officer North America Publicis Media;
- Annette King, Chief Executive Officer Publicis Groupe UK;
- Loris Nold, Chief Executive Officer Publicis Groupe APAC, Chief Operating Officer Publicis Communications APAC;
- Rishad Tobaccowala, Chief Growth Officer, Publicis Groupe;
- Alexandra Von Plato, Chief Executive Officer Publicis Health;
- Jarek Ziebinski, Chief Executive Officer Publicis Groupe Northern & Central Europe.

3.1.3 Operation of Supervisory Board and specialized Committees

3

Since November 27, 1987, Publicis Groupe SA has adopted a two-tier management system which comprises a Management Board and a Supervisory Board. This method separates the powers of management and oversight to establish a real balance of power.

The Management Board is the Company's decision-making body for the Company's business operations.

The Supervisory Board has the responsibility of exercising ongoing supervisory authority over the Management Board. In application of the last paragraph of article 16 II of the Company's bylaws, the Supervisory Board wanted to establish four committees, including an Appointments Committee, a Compensation Committee, and a Strategy and Risk Committee separate from the Audit Committee, thereby going beyond the recommendations of the Afep-Medef Code.

The General Shareholders' Meeting of June 4, 2007 amended the Company's bylaws, empowering the Supervisory Board to determine each year which transactions referred to in article 12 of the bylaws would require prior approval. At its meeting of February 6, 2019, renewing its discussion of February 7, 2018, the Supervisory Board decided that the purchase or disposal of any real estate, the purchase or disposal of any company whose value exceeded 5% of the Company's equity, and any loan, bond or share issuance exceeding 5% of the Company's equity would be subject to the prior approval of the Supervisory Board.

These provisions are also specified in the internal rules of the Supervisory Board, as well as basic rules such as those concerning the independence of the Supervisory Board's members, conflicts of interest and confidentiality or privileged information. The internal rules also establish the terms on which the Supervisory Board and its specialized Committees operate and the Board's relationship with the Management Board. In 2018, the Supervisory Board decided to delete the reference to a maximum number of members for each of its Committees from its internal rules. In early 2019, the internal rules were updated to include the latest recommendations of the Afep-Medef Code which was revised in June 2018. The internal rules of the Supervisory Board are available on the Group website: www.publicisgroupe.com.

Functioning

The Supervisory Board meets as often as is necessary and its meetings are called by the Chair or, in their absence, the Vice-Chair, with a minimum of four meetings per year, one of which is to approve the annual financial statements. The meetings are held in French. A simultaneous translation is available. In order to facilitate participation by members, particularly those who live overseas, the Supervisory Board has included provisions in its internal rules to allow members to participate in Supervisory Board meetings by video-conference or other mode of telecommunication in accordance with the law and regulations in force. Prior to meetings, the Management Board provides the Supervisory Board members with the documents and information needed for the performance of their duties. The documents required to examine the items on the agenda are normally sent to Supervisory Board members a few days in advance. The Management Board is always available to provide clarifications or additional information to any Supervisory Board member. The Supervisory Board may decide to meet without the presence of the Management Board, particularly with regard to deliberations on compensation for Management Board members. Meetings may be held with Group directors particularly to present strategic action plans.

To prevent insider trading, the Management Board established rules regulating the conduct of the Group's insiders, defining the periods in which trading in Company shares is permitted, which also applies to Supervisory Board members.

Duties of the Chair of the Supervisory Board

Maurice Lévy, Chair of the Supervisory Board, is responsible for the management transition with the Management Board. He provides active, but not operational, support to the Management Board as needed, answers questions from the Management Board about any significant events for the Company, continues the trusted relationship with major clients of the Group that began several decades ago, coordinates efforts with public authorities in the countries where Publicis operates and provides the Group with the benefits of his years of experience. He participates in three Supervisory Board Committees: Appointments Committee, Compensation Committee and Strategy and Risk Committee.

Supervisory Board activity in 2018

The Supervisory Board met six times in 2018, with an average attendance rate of 95%.

The main points examined, and decisions made by the Supervisory Board at its meetings during 2018 were as follows:

- In its meeting of February 7, 2018, the Supervisory Board took note of the management report of the Management Board and reviewed the consolidated financial statements and parent company financial statements for 2017, after having heard the Audit Committee and the conclusions of the statutory auditors. The Board had no observations to make on these documents and expressed its confidence in the Management Board with regard to the strategy for dealing with the issues identified. The Supervisory Board renewed the limits on the powers of the Management Board and the annual authorizations for sureties and guarantees. The Supervisory Board was informed of the preparation for the General Shareholders' Meeting of May 30, 2018. The Compensation Committee presented its report.
- When it met on March 7, 2018, the Board gave its approval to the Management Board on the 2018 commitment. The Management Board presented its strategy and 2018-2020 "Sprint to the Future" execution plan with a view to Investor Day on March 20, 2018. The Board approved this plan and gave the Management Board its full support for the strategy presented. The Strategy and Risk Committee presented its report and the Board was informed that a vigilance plan had been implemented. The Board commented on the draft resolutions to submit to the General Shareholders' Meeting. On the recommendation of the Appointments Committee, the Supervisory Board, in the absence of the members of the Management Board, apart from the Chair of the Management Board, on the one hand, reviewed the independence criteria of its members and renewed the status of existing independent members, and on the other, decided to propose the nomination of two independent persons, subject to confirmation of the nomination of one of said persons, and the reappointment of Élisabeth Badinter at the General Shareholders' Meeting of May 30, 2018. The Board acknowledged the fact that Claudine Bienaimé and Michel Cicurel did not wish to be reappointed as Board members. After having heard the Compensation Committee's report, the Board decided on the variable compensation for 2017 of Anne-Gabrielle Heilbronner, Jean-Michel Etienne and Steve King (for the period from June 1 to December 31, 2017), as members of the Management Board and decided on the award criteria for the proposed 2018 bonus. It kept the annual fixed compensation the same as in 2017. The Board, without the presence of Arthur Sadoun, Chair of the Management Board, and on the recommendation of the Compensation Committee, set his variable compensation for 2017, for the period from June 1 to December 31, 2017, and decided on the award criteria for the proposed 2018 bonus. It kept the annual fixed compensation for 2018 the same as in 2017. The Supervisory Board adopted the remuneration policy of Management Board and Supervisory Board members, to be voted on by shareholders in accordance with article L. 225-82-2 of the French Commercial Code. The Board then reviewed the summary results and drew conclusions from the annual self-assessment of its work for 2017. The Board decided on the terms of its corporate governance report.
- At its meeting on May 30, 2018, the Board welcomed a new member, Cherie Nursalim, and then reviewed the composition of its four Committees. The Supervisory Board took note of the management report of the Management Board of March 31, 2018 and the quarterly parent company and consolidated financial statements for the Company at April 31, 2018. The Audit Committee presented its report. The Board was presented with updated forecasts. The Management Board reported the guarantees granted by Publicis Groupe SA to its subsidiaries. The Management Board gave an update on strategy and the "Sprint to the Future" execution plan as well as on Marcel, the Group's artificial intelligence platform. The Compensation Committee presented its report.
- At its meeting on July 18, 2018, the Supervisory Board took note of the management report of the Management Board of June 30, 2018, and examined the half-yearly parent company financial statements and consolidated financial statements, after having heard the report of the Audit Committee and the conclusions of the statutory auditors. It was presented with the forecasts updated to end 2018. Votes and questions

from the General Shareholders' Meeting of May 30, 2018 were analyzed. A welcome program has been devised and implemented for all new Board members. Without the presence of the Management Board, the Supervisory Board took note of the report by the Appointments Committee.

- At its meeting on September 12, 2018, without the presence of the Management Board, the Appointments Committee presented its report on the composition of the Management Board and the Supervisory Board and, on the recommendation of said Committee, renewed the term of office of the Chair of the Management Board, Arthur Sadoun, and the terms of office of Anne-Gabrielle Heilbronner, Jean-Michel Etienne and Steve King, as members of the Management Board. In the presence of members of the Management Board, the Supervisory Board was informed of the Group's results at August 31, 2018, and of annual forecasts. The Strategy and Risk Committee and the Audit Committee presented their reports. Presentations by the Group's management included a presentation on Publicis Sapient and digital business transformation from Alan Wexler, Global CEO of Publicis Sapient, and Nigel Vaz, International CEO of Publicis Sapient, and a presentation from Steve King on Publicis Media. Without the presence of members of the Management Board, the Supervisory Board, on the recommendation of the Compensation Committee, decided to keep the terms of reappointed Management Board members' compensation the same, with non-compete agreements already authorized remaining in force until decided otherwise by the Supervisory Board and commitments on severance payments adapted, where necessary, in line with changes in the Afep-Medef Code and the recommendations made by proxy voting advisory agencies.
- During the first part of its meeting on November 28, 2018, Agathe Bousquet, Chair of Publicis France, presented the country model for France. During the second part, the Supervisory Board read the management report by the Management Board of September 30, 2018 and examined the parent company financial statements and consolidated financial statements for the third quarter, after having heard the Audit Committee's report. The Group's position and results as at the end of October, as well as the updated forecasts, were presented. The Supervisory Board familiarized itself with the budget and the main principles of 2019 commitments. The Supervisory Board was informed of the new requirements of the Afep-Medef Code and the draft PACTE law and of new compliance issues (personal data protection, anti-corruption, duty of vigilance). The Supervisory Board conducted an annual review of its related-party agreements and commitments signed and authorized in previous years and in 2018, and considered that the reasons that justified these authorizations remain relevant. The Compensation Committee presented its report.

Assessment of the Supervisory Board

The Supervisory Board performs an annual self-assessment of its work, examines the summary results and draws conclusions. Each member of the Supervisory Board completes a personal questionnaire, with the option to hold individual meetings with the Chair of the Supervisory Board or the member of the Supervisory Board responsible for overseeing the assessment. The results are summarized and then a meeting is held to take comments. Claudine Bienaimé, an independent member, in direct contact with members of the Supervisory Board, carried out this assessment for 2017, with the support of the Legal Department. Responses were examined, in detail, and compared with the responses given by the same member the previous year. An analysis of the conclusions of the 2017 assessment was presented at the Supervisory Board meeting of March 7, 2018 and the Board led a discussion on areas for improvement. According to this analysis, the Board is particularly satisfied with its relationship with the Management Board, how meetings are held, the decision-making process, the composition of its four Committees and how they fulfill their duties, the individual contribution of its members and the development of the Group's governance. The Supervisory Board did, however, express areas for improvement, in particular, the participation of Group managers (excluding the Management Board) in Supervisory Board meetings and the organization of meetings in foreign countries with presentations on country models from the management team and the creation of a welcome program for new members. Generally speaking, Committee members are satisfied with the Committees on which they serve.

The assessment shows that the recommendations of previous years have been gradually applied, in particular, with regard to the diversity of the Supervisory Board's composition and improved information on major issues and Group strategy. Forwarding times for preparatory documents were improved. A welcome program was devised in July 2018 and an off-site meeting scheduled for 2019.

This assessment for the 2018 financial year was carried out by Thomas H. Glocer, an independent member of the Supervisory Board, with the support of the Legal Department. The conclusions were presented at the meeting of March 6, 2019.

Observations of the Supervisory Board on the Management Board report and the financial statements for 2018

The Management Board presented its management report at the Supervisory Board Meeting of February 6, 2019, as well as the annual and consolidated financial statements for 2018. The Supervisory Board examined them, made itself aware of the opinion of the Audit Committee on the closing of the accounts, and had a discussion with the statutory auditors. After having received all the information deemed to be relevant, the Supervisory Board had no comments to make.

The Supervisory Board's special committees

The detail of the operating conditions for the four Committees is indicated in the second title "Specialized Committees" in the Supervisory Board's internal rules. This document is available for consultation on the Publicis Groupe site (www.publicisgroupe. com).

Each Committee comprises at least three members who must be natural persons, members of the Supervisory Board and appointed by the Supervisory Board. Members are chosen for their competence and expertise in the committee's scope of work. The committees may appoint an external consultant, either temporarily or on a permanent basis, whose compensation will be determined by the committee in question.

The four special committees (the Appointments Committee, the Compensation Committee, the Audit Committee and the Strategy and Risk Committee) assist the Supervisory Board in performing its duties with the aim of improving Group corporate governance. The Committees were restructured in 2018, due to the fact that the terms of office of Claudine Bienaimé and Michel Cicurel came to an end and Cherie Nursalim was appointed at the end of the General Shareholders' Meeting on May 30, 2018.

The members of the four committees are appointed for the duration of their term on the Supervisory Board and may be reelected in the same manner, pursuant to article 13 of the bylaws. Each Committee elects a Chair from among its members to direct the work of the Committee and to provide reports to the Supervisory Board.

Committee members may be dismissed at the discretion of the Supervisory Board, without any need for justification. Nominations and dismissals are communicated by regular mail sent to all members of the committee. At least half of the members of the Committees must be present to validly deliberate. A member may not participate by proxy.

Audit Committee

The Audit Committee is governed by article 6 and seq. of the Supervisory Board's internal rules.

The missions of the Audit Committee with regard to the Supervisory Board are as follows:

- to examine the parent company financial statements and consolidated financial statements, as well as the financial disclosures issued, before they are presented to the Supervisory Board, to monitor their preparation and to formulate, if required, recommendations to guarantee their integrity;
- to supervise the organization and implementation of the Group's audit, to monitor the effectiveness of the internal control and risk management and to verify the accuracy and regularity of the financial statements;
- to issue a recommendation to the Supervisory Board on the choice of statutory auditors proposed for appointment or renewal by the General Shareholders' Meeting under the conditions stipulated by the law, and to ensure their independence;
- on behalf of the Supervisory Board, to authorize the provision of services not included in the missions of legal control as well as the budget to be allocated, in accordance with legal provisions.

Due to their professional backgrounds, its members have particular expertise in financial and accounting matters. The Committee has a sufficient period of time to study the accounts before they are examined by the Supervisory Board.

The Audit Committee met five times in 2018, with an attendance rate of 94%.

During the course of the 2018 financial year, the Audit Committee was regularly informed about the program, the results and corrective measures implemented following the internal audit, the results of auditing assignments and their follow up as well as the principal pending legal disputes and their developments. A summary of the audits conducted by internal audit in accordance with anti-corruption law was produced as well as a summary of elements of the Group's compliance with the General Data Protection Regulation observed within agencies. It was also informed about all fraud or fraud attempts of which the Group may have been made aware. The Committee acknowledged the impacts of the application of the new accounting standards, IFRS 15 and 16, as well as of the US tax reform, on the Group's financial statements. The Audit Committee listened to the statutory auditors without the presence of the management team during its meetings on the accounts. The Committee checked the independence of the statutory auditors and monitored the completion of their duties. The Committee advised the Supervisory Board to reappoint Ernst & Young et Autres, their term of office as statutory auditors being up for renewal at the end of the 2018 financial year. The statutory auditors presented their methodology, the scope of their audit and the main technical matters of the audited accounts, and detailed their work to the Committee. The Committee reviewed and authorized the fees for additional assignments entrusted to the statutory auditors and issued an opinion on the budget for their fees for the 2018 financial year. The Committee made itself familiar with the action plans aimed at reducing the Group's costs. The action plan relating to the parent companies' duty of vigilance was presented to the Committee. The Committee reported to the Supervisory Board the exercise of its duties, the results of the accounts certification, the way that this had contributed to the integrity of the financial information and the Committee's role in the process.

Appointments Committee

The Appointments Committee is governed by article 7 and seq. of the Supervisory Board's internal rules.

The missions of the Appointments Committee with regard to the Supervisory Board are as follows:

- to make any appropriate observations on the composition of the Supervisory Board and Management Board;
- to propose, to the Board, candidates for corporate officers of the Company;
- to examine, prior to any decision of the Management Board, proposals for the appointment of executives at the Group level and members of Solution Hubs Executive Committees. In the event of an emergency, the decision to appoint these executives is taken jointly by the Chair of the Management Board and the Chair of the Supervisory Board which will inform the Committee after they have made the decision. In addition, the Committee is informed of decisions, after they are made, to appoint members of countries' Executive Committees;
- to draw up a succession plan for executive and non-executive corporate officers and to examine, beforehand, the succession plans for all key positions.

The Appointments Committee met three times during 2018; with an attendance rate of 100%.

In 2018, the Appointments Committee reviewed the composition of the Supervisory Board and the status of independent members. The Committee proposed the renewal of the term of office of Élisabeth Badinter and ensured that candidates were selected for submission to the Supervisory Board, leading to the appointment of Cherie Nursalim at the General Shareholders' Meeting of May 30, 2018. The Committee recommended the appointment of Claudine Bienaimé to serve as an expert on the Audit Committee and of Michel Cicurel on the Compensation Committee. When Management Board members' terms of office expired, the Committee assessed the individual and collective performances of said members and recommended the renewal of the Management Board after having reviewed all working hypotheses.

Compensation Committee

The Compensation Committee is governed by article 8 and seq. of the Supervisory Board's internal rules.

The missions of the Compensation Committee with regard to the Supervisory Board are as follows:

- to issue a recommendation on the amount and allocation of attendance fees allocated to members of the Supervisory Board;
- to study and propose to the Supervisory Board the elements of compensation and benefits to executive corporate officers in the Company, and particularly the variable compensation, as well as the attribution of stock subscription or purchase options, performance shares and all other elements of compensation (termination benefits, pension, non-compete clauses, etc.);
- to propose to the Supervisory Board the text of resolutions concerning the compensation of corporate officers to be submitted to the General Shareholders' Meeting;
- to approve, prior to any decision by the Management Board, the conditions for fixed, variable and exceptional compensation making up the total remuneration and other benefits of executives at the Groupe level and of the members of the Solution Hubs Executive Committees. In the event of an emergency, the decision on the compensation conditions of these directors is taken jointly by the Chair of the Management Board and the Chair of the Supervisory Board which will inform the Committee after they have made the decision. In addition, the Committee is informed of the decisions on the compensation conditions of countries' Executive Committee members;
- in general terms, approving, prior to any decision of the Board, the bonus systems, and policies in the area of compensation, awarding of stock options, free shares or performance shares, or any similar instrument.

The Compensation Committee met six times during 2018, with an attendance rate of 87%.

In 2018, the Committee reviewed Management Board members' compensation-related issues (fixed and variable portions) and proposed related decisions to be taken by the Supervisory Board. The Committee shared its recommendations on non-compete and severance pay agreements for reappointed members of the Management Board with the Supervisory Board.

The Committee also reviewed share-based compensation policy issues, primarily by implementing a LTIP 2018, a share-based compensation plan for the Group's senior managers (not Management Board), and a one-off plan, "Sprint to the Future" for the 2018/2020 period, which aims to compensate 20 or so of the Group and Management Board's key managers to ensure that they are fully committed to the success of the Group's strategic transformation plan. The Committee was informed of the bonuses planned for members of Solutions and Country Executive Committees as well as of fixed compensation changes planned for these managers in 2018.

Strategy and Risk Committee

The Strategy and Risk Committee is governed by article 9 *et seq.* of the Supervisory Board's internal rules.

The missions of the Strategy and Risk Committee with regard to the Supervisory Board are as follows:

- to examine (in coordination with the Audit Committee), the risks to which the Company is exposed and the policies and corrective measures that will allow it to control and reduce these risks;
- to study the major strategic and growth options available to the Group and decide whether or not they are implemented with respect to transactions likely to affect the Group's strategy as a whole;
- to examine the Group's Corporate Social and Environmental Responsibility strategy and the options selected to implement this strategy.

The Strategy and Risk Committee met twice during 2018; with an attendance rate of 100%.

In 2018, the Committee reviewed the industry-related, economic, geopolitical, operational, legal, CSR (social and environmental), and human resources-related risks and updated the Group's risk map. The Committee discussed the Group's reputational risks, particularly those which could result from failure to comply with Group or regulatory ethical standards, malicious behavior or transformation-related risks. The Committee acknowledged the measures taken to anticipate or prevent these risks. The Committee also updated the risk mapping for corruption and influence trafficking which serves as the basis for controls and audits, even though Publicis does not operate in a sector which is particularly exposed to these risks. The Committee reviewed the action plan relating to duty of vigilance and the first risk map. The Committee is particularly aware of risks relating to activism and remains very vigilant on this subject. The Committee discussed the major strategic options of the "Sprint to the Future" plan, in terms of transformation, development and acquisitions. The Committee reviewed the Group's strategic priorities and related execution risks as well as progress made.

3.1.4 Application of the Afep-Medef Code: implementation of "apply or explain" rule

Within the framework of the "Apply or explain" rule specified in article L. 225-37-4 8° of the French Commercial Code and referred to in article 27.1 of the Afep-Medef Code, the Company considers that its practices are compliant with the recommendations of the Afep-Medef Code. However, some provisions have been dismissed, for the reasons explained hereafter:

Recommendations of the Afep-Medef Code	Position
Article 8 – Independent Directors "Half of Supervisory Board members must be independent in widely-held companies with no controlling shareholder."	As a result of the resignation of a candidate selected by the Appointments Committee, the Supervisory Board was only able to propose one independent candidate, Cherie Nursalim, to the General Shareholders' Meeting of May 30, 2018. Since this Meeting, just 45% of Board members have been independent, compared with at least 50% in previous years. The Board is committed to increasing its number of independent members by the end of the 2019 Shareholders' Meeting. The Board will put to a vote by the General Shareholders' Meeting of May 29, 2019 the appointment of three new independent members. Provided they are appointed by said Meeting, 66% of the Board's members will be independent (excluding Board members representing employees).
Article 17.1 – Composition of the Compensation Committee "It is recommended that... one member of the Committee should be an employee director."	Pierre Pénicaud was appointed member of the Supervisory Board representing employees by the Publicis Groupe SA Group Committee on June 20, 2017. Pierre Pénicaud is, at his request, a member of the Strategy and Risk Committee. The Supervisory Board supported this request, of the opinion that his significant experience in the Group and his operational knowledge are assets for this Committee. As a Board member, Pierre Pénicaud naturally attends meetings reviewing compensation of corporate officers, which allows him to express himself on these matters.

3.1.5 Code of ethics

The Group has a set of rules governing its behavior and ethics under the name "Janus". These guidelines, applicable to all of the Group's hierarchical levels, set out the rules of conduct to carry out operations: "The Publicis way to behave and to operate". It is regularly updated, circulated across all the networks and is available in seven languages.

Janus includes the rules and principles related to ethics, corporate social responsibility, compliance with regulatory and legal frameworks, governance, communication, conducting business and customer relations, human resource management, protecting the Group's brands and intellectual property, financial and accounting management, as well as rules governing mergers and acquisitions, investments, restructuring and purchasing policies.

The guidelines include a Code of Ethics applying to all Group employees with specific rules for members of the Management Board and other main executives. The values embodied by Publicis are clearly outlined there, starting with respect for individuals and their diversity.

The aim of these rules of conduct is to provide the Group with strict rules and procedures for running our business worldwide in all fields: human management, business ethics, financial management, individual responsibility. This includes encouraging diversity and preventing discriminatory conduct. They are meant to prevent any illegal activity, in particular by ensuring that Group employees comply with laws and regulations in the conduct of the Group's business. Janus also contains a separate chapter with a detailed code of conduct on stock market trading, designed to prevent insider trading. The Group's rules of conduct are also meant to prevent favoritism, misappropriation of funds, breach of trust, corruption, conflicts of interest or other misconduct and subject the Group and its employees to the highest standards in terms of integrity, ethics and compliance. They are designed to protect the Group's data and know-how by establishing strict guidelines regarding confidentiality and good faith. Finally, they establish procedures for control and reporting by management of the Group and of the various networks of any breach of these policy rules, which have also been made public.

This Code is available on the Group's website (www.publicisgroupe.com) in the "Corporate Social Responsibility" section, under "CSR Publications" then "Code of Ethics".

In addition, Publicis undertakes to provide a copy of its Code of Ethics free of charge to any person upon request. A request may be made directly to the Group's Legal Department by telephone on 33(0)1 44 43 70 00 or by mail to 133, avenue des Champs-Élysées, 75008 Paris, France.

3.2 COMPENSATION OF CORPORATE OFFICERS

Publicis Groupe has introduced a stringent and attractive compensation policy, designed to motivate employees to become fully involved in helping the Group achieve its strategic goals and to ensure long-term performance. The compensation structure is communicated to employees, shareholders and investors in a clear and transparent manner.

The following information describes the philosophy and principles behind compensation for Corporate officers. Publicis Groupe refers to the recommendations of the Afep-Medef Code in terms of compensation.

The report on corporate governance presents, in particular, the principles and criteria for the determination, distribution and allocation of the fixed, variable and exceptional elements of the total compensation and benefits of all kinds due to executive corporate officers and Supervisory Board members. Pursuant to article L. 225-82-2 of the French Commercial Code, the General Shareholders' Meeting of May 29, 2019 will be called to approve the compensation policies for the 2019 financial year for members of the Supervisory Board and Management Board (as detailed in Sections 3.2.1.1, 3.2.1.2, and 3.2.2.1 below). For this purpose, four resolutions will be proposed (fourteenth to seventeenth resolutions). Resolutions of this nature will be submitted to the General Shareholders' Meeting each year for approval under the terms set forth by law. If shareholders at the General Meeting of Publicis Groupe SA fail to approve these resolutions, compensation shall be determined in accordance with compensation granted in the previous year, or in the absence of compensation granted in the previous year, in accordance with Company policy.

In addition, pursuant to article L. 225-100 II of the French Commercial Code, the fixed, variable and exceptional elements of the total compensation and benefits of all kinds paid or awarded to the Chair of the Supervisory Board, Chair of the Management Board and members of the Management Board in respect of the 2018 financial year will be submitted to the General Shareholders' Meeting of May 29, 2019 for approval (see Section 3.2.3.2, below). Please note that payment in 2019 of the variable and exceptional elements of compensation in respect of the financial year 2018, which are set forth below for the Chair of the Management Board and members of the Management Board, will be subject to approval from the Ordinary General Shareholders' Meeting for these elements of compensation as stipulated in article L. 225-100 II of the French Commercial Code.

3.2.1 Compensation of members of the Supervisory Board

Sections 3.2.1.1 and 3.2.1.2 form the report on the principles and criteria for the determination and allocation of the elements of the total compensation and benefits of all kinds due to the Chair and members of the Supervisory Board, which are subject to approval from the General Shareholders' Meeting of May 29, 2019 in its fourteenth and fifteenth resolutions, pursuant to article L. 225-82-2 of the French Commercial Code. These principles and criteria are applicable to the 2019 financial year.

3.2.1.1 Principles and Criteria for the compensation of members of the Supervisory Board

The compensation policy for members of the Supervisory Board of Publicis Groupe SA aims to reward the expertise and involvement of its members, against the backdrop of their ever-increasing commitment.

Total envelope of attendance fees

The total envelope of attendance fees allocated to members of the Supervisory Board is determined by Publicis Groupe SA's General Shareholders' Meeting.

The Group's General Shareholders' Meeting of May 28, 2014 set an annual envelope of euro 1.2 million for attendance fees for members of the Supervisory Board, valid for each financial year and until a new decision by shareholders.

Going beyond the recommendations of the Afep-Medef Corporate Governance Code, the Supervisory Board decided that the allocation of attendance fees among the members of the Supervisory Board will be solely based on actual attendance at Supervisory Board and committee meetings.

In accordance with the total maximum budget for attendance fees approved by the General Shareholders' Meeting, each member of the Supervisory Board receives euro 5,000 for each Supervisory Board Meeting and each Committee Meeting attended. At his request, Pierre Pénicaud receives an amount of euro 2,500 for each Supervisory Board Meeting and each Committee Meeting attended, and the Company has decided to allocate an equivalent amount to a charity.

The payment of attendance fees in respect of a financial year takes place the following year.

For information, 56.5% of the total envelope of attendance fees was used for 2018.

Exceptional compensation

According to article 17 III of the Company's bylaws, the Supervisory Board may grant, in accordance with applicable laws, exceptional compensation for specific assignments and duties entrusted to its members.

This compensation shall be determined by the Supervisory Board by taking into account the length and complexity of the assignment after obtaining the Compensation Committee's opinion.

For information, this option was not used in 2018.

This compensation policy for the members of the Supervisory Board, in respect of the 2019 financial year, is subject to approval (*ex ante vote*) from the General Shareholders' Meeting of May 29, 2019, in its fifteenth resolution, pursuant to article L. 225-82-2 of the French Commercial Code.

Compensation for the Vice-Chair

With the exception of attendance fees, Élisabeth Badinter does not receive any specific compensation in respect of her term of office as Vice-Chair of the Supervisory Board. Élisabeth Badinter does not have an employment contract with Publicis Groupe SA or any of its subsidiaries.

3.2.1.2 Principles and criteria for the compensation of the Chair of the Supervisory Board

In accordance with article 17 I of the Company's bylaws, the Chair may, in addition to attendance fees, receive specific compensation in respect of his duties (which are not included in the total annual amount of attendance fees). The amount of this compensation is determined by the Supervisory Board taking into account the tasks that are allocated to him, upon the Compensation Committee's proposal.

The compensation awarded, if applicable, is a fixed amount, and excludes variable elements, additional benefits, and share-based compensation.

Following the announcement on January 26, 2017 of the Supervisory Board's decision to appoint Arthur Sadoun effective from June 1, 2017 to succeed Maurice Lévy as Chair of the Management Board of Publicis Groupe SA, Élisabeth Badinter proposed Maurice Lévy to join the Supervisory Board and succeed her as Chair.

At this crucial moment in the history of Publicis Groupe, combining the succession of Maurice Lévy with the transformation of the Group, the Supervisory Board asked Maurice Lévy to take an active role in supporting the transition and to that end wished to appoint Maurice Lévy Chair of the Supervisory Board as of June 1, 2017. The appointment of Maurice Lévy as a member of the Supervisory Board of the Company was approved by the General Shareholders' Meeting of May 31, 2017.

In his role as Chair of the Supervisory Board, Maurice Lévy actively assists the Management Board, though without operating responsibility, and more specifically, maintains with the Group's major clients the relationship of trust established in many cases decades ago. He is consulted by the members of the Management Board, as required, on significant events, coordinates efforts with public authorities in the countries where Publicis operates and provides the Group with the benefits of his 48 years of experience.

In consideration of this investment and waiving the gross annual non-compete compensation of euro 1,800,000 for three years which he received under his non-compete agreement authorized by the Supervisory Board on March 17, 2008 and approved by the General Shareholders' Meeting of June 3, 2008, the Supervisory Board Meeting of March 1, 2017, set the gross annual compensation of Maurice Lévy as Chair of the Supervisory Board at a fixed amount of euro 2,800,000.

Maurice Lévy does not have an employment contract with Publicis Groupe SA or any of its subsidiaries.

The compensation policy for Maurice Lévy as Chair of the Supervisory Board in respect of the 2018 financial year was approved, along with his appointment, by the General Shareholders' Meeting of May 30, 2018 (fifteenth resolution) pursuant to article L. 225-82-2 of the French Commercial Code (*ex ante* vote).

Mr. Maurice Lévy hoped to bring his remuneration from €2,800,000 to €1,900,000 and informed the Compensation Committee and the Supervisory Board of this. Following deliberation, the Compensation Committee accepted the proposal and presented it for deliberation by the Board that then approved it. It will be applicable as of June 1, 2019 and will be subject to approval (*ex ante* vote) from the General Shareholders' Meeting of May 29, 2019 in its fourteenth resolution.

3.2.1.3 Amounts paid in 2018 to members of the Supervisory Board

The total compensation including all benefits of any kind paid during the financial year ended December 31, 2018 to each member of the Supervisory Board, both by the Company and by the companies controlled by the Company as defined by article L. 233-3 of the French Commercial Code, is indicated hereafter.

The compensation of the members of the Supervisory Board is exclusively comprised of attendance fees, with the exception of the compensation paid to the Chair (see 3.2.1.2), and with the exception of the fees by one of the Group's subsidiaries to Marie-Claude Mayer for her role as consultant to said subsidiary and salaries paid by one of the Group's subsidiaries to Pierre Pénicaud in respect of his employee functions in 2018. If applicable, the amount of fixed and variable compensation included in the total compensation is indicated. Total compensation is expressed in euros. The amounts indicated are gross amounts before deductions of taxes or social charges.

/ Compensation (in euros) paid during 2018 to members of the Supervisory Board (gross amounts before social security contributions and taxes)

	Total 2018 gross compensation of which	Fixed part	Variable compensation	Attendance fees	Benefits in kind[10]	Total 2017 gross compensation	Including fixed part
Maurice Lévy[1]	2,845,000	2,800,000	-	45,000	-	-	-
Élisabeth Badinter[2]	55,000	-	-	55,000	-	160,000	100,000
Simon Badinter	30,000	-	-	30,000	-	35,000	-
Claudine Bienaimé[3]	90,000	-	-	90,000	-	100,000	-
Jean Charest	80,000	-	-	80,000	-	75,000	-
Michel Cicurel[3]	75,000	-	-	75,000	-	90,000	-
Sophie Dulac	30,000	-	-	30,000	-	30,000	-
Thomas Glocer[4]	65,000	-	-	65,000	-	30,000	-
Jerry Greenberg[5]	10,000	-	-	10,000	-	90,000	-
Marie-Josée Kravis	40,000	-	-	40,000	-	55,000	-
André Kudelski[4]	60,000	-	-	60,000	-	30,000	-
Marie-Claude Mayer[6]	40,000	-	-	40,000	-	344,167	229,167
Véronique Morali	85,000	-	-	85,000	-	90,000	-
Cherie Nursalim[7]	-	-	-	-	-	-	-
Pierre Pénicaud[8] Member representing employees	75,000	70,000	-	5,000	-	70,000	70,000
Amaury de Seze[9]	-	-	-	-	-	50,000	-

(1) Start of the term of office as Chair of the Supervisory Board on June 1, 2017. Compensation paid in 2018 for the period from June 1, 2017 to May 31, 2018.
(2) Chair of the Supervisory Board until May 31, 2017, Vice-Chair of the Supervisory Board since June 1, 2017.
(3) End of term of office as a member of the Supervisory Board on May 30, 2018.
(4) Start of term of office as a member of the Supervisory Board on May 25, 2016.
(5) Resigned on May 31, 2017.
(6) Marie-Claude Mayer held an employment contract with Publicis Conseil until the date of her retirement on December 1, 2017. In respect of her employee functions, in 2017, Marie-Claude Mayer received fixed compensation of euro 229,167, variable compensation in respect of 2016 of euro 70,000 and an exceptional bonus of euro 125,000, and, on her retirement, a legal retirement benefit of euro 475,289 and a compensation indemnity for paid leave of euro 16,667. In 2018, Marie-Claude Mayer received euro 100,000 under a consultancy contract with a Group subsidiary, which ended on December 31, 2018.
(7) Start of term of office as a member of the Supervisory Board on May 30, 2018.
(8) Appointment as member of the Supervisory Board representing employees on June 20, 2017. Pierre Pénicaud did not receive any attendance fees in 2017, and received in respect of his employee functions at a Group subsidiary, a fixed annual salary of euro 70,000.
(9) End of term of office as a member of the Supervisory Board on May 25, 2016.
(10) Benefits in kind relating to the use of a company-provided vehicle are not mentioned if they are for an immaterial amount.

The summary table of the elements of compensation paid or awarded for the year ended December 31, 2018 to Maurice Lévy, Chair of the Supervisory Board, in Section 3.2.3.2 below, will be submitted to the General Shareholders' Meeting of May 29, 2019 for approval in its ninth resolution in accordance with article L. 225-100 II of the French Commercial Code.

3.2.2 Compensation of the Management Board

In accordance with article 10 IV of the Company's bylaws, compensation for the Chair and members of the Management Board will be set by the Supervisory Board and reviewed on the recommendation of the Compensation Committee. For members of the Management Board other than the Chair, the Chair of the Management Board shall make proposals to the Compensation Committee.

Section 3.2.2.1 forms the report on the principles and criteria for the determination and allocation of the elements of the total compensation and benefits of all kinds due to the Chair and members of the Management Board, which are subject to approval from the General Shareholders' Meeting of May 29, 2019 in its sixteenth and seventeenth resolutions, pursuant to article L. 225-82-2 of the French Commercial Code. These principles and criteria are applicable to the 2019 financial year.

3.2.2.1 Principles and criteria for the compensation of members of the Management Board

The compensation policy of the Publicis Groupe SA Management Board aims to align the interests of the Group's Executives with those of the shareholders by establishing a strong link between performance and compensation. Within this context, its essential purpose is to encourage the achievement of ambitious objectives and create value on a long-term basis, by setting stringent performance criteria.

In order to do so, the compensation structure of the Publicis Groupe SA executives is partly based on fixed compensation and partly on annual and multi-year variable compensation directly linked to their individual performance as well as their contribution to Group performance.

Furthermore, it is based on an in-depth analysis (using the services of external consultants where necessary) of market trends observed in France and abroad, both in major international companies in general and, more specifically, in the companies competing with Publicis Groupe in terms of both business and talents.

It should be noted that the main competitors of Publicis Groupe are American and British companies.

This compensation policy is based on the following objectives:

- attract, develop, retain and motivate the most talented individuals in a sector fundamentally based on the quality of employees, and where competition for talent is particularly fierce, especially in the context of the digital transformation, underway throughout the industry;
- encourage the management to achieve a level of performance which is high, growing and long-lasting within a very competitive environment, where new players from consulting or technological firms have become direct competitors of Publicis Groupe.

It is guided by three principles:

- a competitive and coherent compensation package with regard to market trends;
- internal equity, based on individual and collective performance, in order to ensure fair and balanced compensation reflecting the level of individual success of each person, measured both quantitatively and qualitatively;
- achieving all the short, medium and long-term financial and operating results directly linked with the Group's strategic objectives and for the benefit of all stakeholders, our clients, our employees, our shareholders and all our stakeholders.

These principles apply to all Group executives and are adapted based on the geographical location of the individuals, taking into consideration the differences in terms of regulations, market practices and the competitive environment.

Components of the compensation of the members of the Management Board

Management Board members' compensation comprises (i) a fixed portion, as well as (ii) a variable portion, primarily based on performance and alignment of their interests with those of the Company and its shareholders. This variable portion is made up of annual variable compensation in the form of bonuses and long-term variable compensation in the form of free shares and/or stock options. This variable compensation structure applicable to the members of the Management Board is in line with that proposed to the Group's main executives.

Fixed compensation

The fixed part is determined by taking into account:

- the scope of responsibility and its complexity;
- the career path and experience of the person holding the position;
- consistency compared to the other Group functions (internal equity);
- market practice for identical or comparable positions (external competitiveness).

The level of fixed compensation is reviewed every two years both for the Management Board members and for the other Group executives in order to regularly assess its relevance and competitiveness.

Compensation for Management Board members is generally reassessed at relatively long intervals, in accordance with the Afep-Medef Corporate Governance Code, and when such a revision is justified, for example in the event of a change in scope or an adjustment relative to market practices or internally.

Annual variable compensation

Annual variable compensation is intended to represent a substantial part of the total annual compensation of executives, if set objectives are achieved. It encourages overperformance as a specific reward is paid when the objectives are exceeded.

Annual variable compensation is subject to financial, and non-financial, quantifiable performance conditions.

No minimum amount is guaranteed. Annual variable compensation is calculated on a prorata basis for the year of the start of the term of office to the year of the end of the term of office.

It is based on several quantifiable and qualitative criteria, assessed separately, which take into account:

- the Group's overall performance (organic growth and operating margin) and/or the performance of the network to which the manager belongs;
- achieving the personal objectives of the manager assessed *a posteriori* by taking into account the items of context in which the performance was achieved.

These parameters are determined in advance for each financial year and proposed by the Compensation Committee to the Supervisory Board for approval.

In 2019, the organic growth and operating margin objectives will be the same for all the members of the Management Board and defined as follows:

- the organic growth of Publicis Groupe's net revenue will be compared to the organic growth of peer group companies (Omnicom, WPP and IPG). If Publicis posts the best growth, 100% of the bonus for this criterion will be attributed. If Publicis reports the second-best growth, 75% of the bonus will be attributed. If Publicis reports the third-best growth, 50% or 30% of the bonus will be attributed depending on the difference with the second-best performance: if the difference is minimal (< 10%), 50% of the bonus may be attributed and if the difference is significant (> 15%), 30% will be attributed. For a difference between 10% and 15%, the Committee will decide the bonus percentage that may be attributed;

- the operating margin of Publicis Groupe will be compared to the operating margin of peer group companies. If Publicis posts the best margin, 100% of the bonus for this criterion will be attributed. If Publicis reports the second-best margin, 75% of the bonus will be attributed. If Publicis reports the third-best margin, 50% or 30% of the bonus will be attributed depending on the difference with the second-best performance: if the difference is minimal (< 10%), 50% of the bonus may be attributed and if the difference is significant (> 15%), 30% will be attributed. For a difference between 10% and 15%, the Committee will decide the bonus percentage that may be attributed.

Detailed elements of annual variable compensation for the 2018 and 2019 financial years are explained below in Section 3.2.2.2 for the Chair of the Management Board and Sections 3.2.2.3 to 3.2.2.5 for the other current members of the Management Board.

Variable long-term compensation

The share-based compensation program is meant to incentivize on a long-term basis. It is subject to stringent performance conditions to develop loyalty and encourage the organization's key talents over the long-term and common interests with Publicis Groupe SA shareholders (see Section 6.6 Note 31 to the consolidated financial statements).

Free performance share plan

Management Board members can benefit from two types of Publicis share-based compensation programs which are generally awarded every three years:

- Three-year free share plan known as the "**Management Board LTIP**":

  Under this plan, Management Board members are awarded Publicis shares subject to the fulfillment of performance and continued presence conditions over a three-year vesting period.

  Performance: acquisition of Publicis shares is subject to performance criteria that are measured following a three-year period, such that the total number of shares delivered will depend on the level of achievement of financial performance objectives, namely achieving a certain rate of organic growth and an operating margin compared to a peer group of companies competing with Publicis. The number of shares actually awarded is determined in accordance with the level of attainment of these performance targets.

  Presence: acquisition of Publicis shares is also subject to the fulfillment of continued presence during the three-year vesting period.

- Three-year free share plan called "**LionLead**":

  Under the latest "LionLead" plan implemented by the Group, Management Board members are awarded Publicis shares subject to the fulfillment of performance and continued presence conditions over a three-year vesting period, as well as a personal investment in Publicis shares.

  Performance: acquisition of Publicis shares is subject to performance criteria that are measured following a three-year period, namely achieving – or exceeding – a target operating margin set in the annual budget, as well as achieving a certain rate of organic growth and an operating margin compared to a peer group of companies competing with Publicis. In addition, the number of Publicis shares that can be delivered at the end of the vesting period may be increased depending on the rise in the Publicis Groupe SA share price after the plan's final closing in comparison with the price at grant date. The total number of shares delivered will depend on the achievement of all these performance criteria for the period under review.

  Presence: acquisition of Publicis shares is also subject to the fulfillment of continued presence during the three-year vesting period.

  Investment: the award of Publicis shares is also subject to a certain number of Publicis shares being held, on a continuous basis, during the three-year vesting period.

The characteristics of these plans for Management Board members are as follows:

Type of plan	LTIP 2016-2018	
Performance conditions	Organic growth rate of Publicis Groupe compared to a peer group	Publicis Groupe operating margin compared to a peer group
Type of performance conditions	Relative performance compared to peer group performance Omnicom, WPP, IPG, Publicis Groupe	
Weighting(2)	50% of shares awarded	50% of shares awarded
Acquisition(3)	• ≥ of the peer group average: 100% of the shares delivered • ≤ 80% of the peer group average: 0% • Between 80% and 100% of the peer group average: the number of shares awarded is reduced by 5% for each 1% of performance recorded below 100%	• Highest margin compared to the peer group: 100% of the shares delivered • Margin in 2nd position: 50% of the shares delivered • Margin in 3rd position: 15% of the shares delivered • Margin in 4th position: no shares delivered
Performance period	Following a three-year period at the end of which performance is calculated	

Type of plan	LTIP 2019-2021		
Performance conditions	Organic growth rate of Publicis Groupe compared to a peer group	Operating margin of Publicis Groupe compared to a peer group	A CSR criterion(1)
Type of performance conditions	Relative performance compared to peer group performance Omnicom, WPP, IPG, Publicis Groupe		
Weighting(2)	45% of shares awarded	45% of shares awarded	10% of shares awarded
Acquisition(3)	• Highest organic growth rate compared to the peer group: 100% of the shares delivered • Growth rate in 2nd position: 75% of the shares delivered • Margin in 3rd position: 50% or 30% of the shares delivered depending on the difference with the 2nd position: if the difference is minimal (< 10%), 50% may be delivered, and if the difference is significant (> 15%), 30% will be delivered. For a difference between 10% and 15%, the Compensation Committee will decide the percentage of the shares that may be delivered	• Highest operating margin compared to the peer group: 100% of the shares delivered • Margin in 2nd position: 75% of the shares delivered • Margin in 3rd position: 50% or 30% will be delivered depending on the difference with the 2nd position: if the difference is minimal (< 10%), 50% of the shares may be delivered and if the difference is significant (> 15%), 30% will be delivered. For a difference between 10% and 15%, the Compensation Committee will decide the percentage of the shares that may be delivered	• 10% of the shares awarded will be delivered if the CSR performance condition is achieved: at least 40% of women on the Group's Executive Committees, in solutions, and main countries
Performance period	Following a three-year period at the end of which performance is calculated		

(1) A CSR criterion was added to the performance conditions in 2019.
(2) New weighting for the 2019-2021 plan to include the CSR performance condition.
(3) New standardized performance conditions for organic growth and operating margin.

Type of plan	LionLead		
Performance conditions	Organic growth rate of Publicis Groupe compared to a peer group	Publicis Groupe operating margin compared to a peer group	Operating margin achieved in value terms (euro millions) as set out in the Publicis Groupe's budget
Type of performance conditions	Relative performance compared to peer group performance Omnicom, WPP, IPG, Publicis Groupe		Absolute internal performance
Weighting	25% of shares awarded	25% of shares awarded	50% of shares awarded
Acquisition	• ≥ of the peer group average: 100% of the shares delivered • ≤ 80% of the peer group average: 0% • Between 80% and 100%: number of shares delivered is reduced by 5% for each 1% of performance recorded below 100%	• Highest margin compared to the peer group: 100% of the shares delivered • Margin in 2nd position: 50% of the shares delivered • Margin in 3rd position: 15% of the shares delivered • Margin in 4th position: no shares delivered	• = the set margin: 100% of the shares Delivered • No shares will be delivered if the margin achieved is below €50 million or more compared to the target range • Between this threshold of -€50 million of the target and the margin set out in the budget: straight-line calculation of the number of shares delivered • If > than the target margin with a maximum performance ceiling of €150 million: performance shares for generating returns in excess of a set target are delivered
Performance period	Following a three-year period at the end of which performance is calculated		

One-off free share plan known as "Sprint to the Future"

Under this one-off share plan, Management Board members are awarded Publicis shares subject to the fulfillment of performance and continued presence conditions over a three-year vesting period. This plan is part of the Group's strategic transformation plan announced on March 20, 2018.

No shares will be delivered if:

- the average annual organic growth rate is not equal to at least 2.5% over the three years or the average annual operating margin over the three years is not at least equal to the 2020 target less 70 base points;
- the 2020 organic growth rate is less than 3.5% or the operating margin is not at least equal to the 2020 target less 30 base points.

To benefit from the delivery of the maximum number of shares, an organic revenue growth rate of 4% must be achieved in 2020, as well as an increase in the operating margin rate of 150 base points over the period, at the top of the range announced on March 20, 2018.

Presence: acquisition of Publicis shares is also subject to the fulfillment of continued presence during the three-year vesting period. The only exceptions to the continued presence condition are death and disability. No other exceptions can be made for this condition.

Stringent criteria

These criteria have been used by Publicis Groupe for several years. They are particularly stringent because they are based on a quantifiable assessment relating to performance (encouraging Publicis Groupe executives to deliver the best figures in the market) and on complete transparency, as the results are measured on the basis of public data for the most part. Publicis Groupe demonstrates both the demands and the reality of the expected performance.

The rate of achievement observed historically clearly shows the ambitious nature of our plans. The performance conditions applied are suitable and stringent, while allowing the plans to be a way to motivate and retain Publicis Groupe's executives.

As an illustration, the rates of achievement of performance conditions for plans awarded in 2013 demonstrate that grants are based on strict conditions and that they are consistent with shareholders' interests over the long-term.

Plan	2013-2015 LionLead2	2013-2015 Management Board LTIP	2016-2018 Management Board LTIP	2016-2018 LionLead 3
Percentage	50%	53,2%	50%	75%

The LTIP Management Board 2016-2018 plan shares will be delivered, subject to final validation and an external opinion of the performance conditions, on June 24, 2019.

LionLead3 plan shares will be delivered to the Management Board, subject to final validation and an external opinion of the performance conditions, on June 17, 2019.

Stability of the performance conditions

The Supervisory Board considers that consistency in the performance conditions helps to create long-term value. This is why the performance criteria concerning organic revenue growth and the Group's operating margin have been used since 2003 in long-term compensation programs and for annual variable portions.

The third criterion relating to attaining the operational margin in value terms set out in the budget for each year of the plan has been added to the two historical criteria for the LionLead3 plan, to make the Group's managers accountable for the budget and the targets set.

In accordance with the new Afep-Medef Corporate Governance Code, a CSR criterion is being introduced in 2019.

Uniqueness of the performance conditions

The same performance conditions have been used to date for all of the Group's long-term compensation programs, whether they relate to Management Board members or other executives. The main objective is to align the interests of the entire management team with the Group's strategic objectives.

Vesting period

In order to favor the retention of executives, no shares are acquired by the beneficiaries before the end of a continued presence condition in the Group, and subject to the performance conditions being satisfied. This vesting period is three years.

Continued presence condition

Except in the specific case of death, disability or retirement, or in exceptional circumstances explained by the Supervisory Board and made public, the acquisition of shares is subject to compliance with the continued presence condition for Management Board members until the end of the vesting period.

This condition may only be waived upon recommendation of the Supervisory Board after obtaining the opinion of the Compensation Committee.

For the one-off free share plan, "Sprint to the Future", the only exceptions to the continued presence condition are death and disability. No other exceptions can be made for this condition.

For departures (see below), requirements have been expanded to coincide with the appointment of the new Management Board.

Maximum share grant level

Publicis share award plans to Management Board members are limited to 0.3% of the Company's share capital and this ceiling is far from being reached considering the actual level of shares acquired following the performance period. This is an overall ceiling and also covers the 0.3% ceiling for stock options.

Mandatory holding

The Supervisory Board has decided that, in addition to the specific rules in the LTIP and LionLead plans, Management Board members must maintain ownership of 20% of the shares they were awarded in registered form throughout their term of office. In addition, in accordance with the Afep-Medef Corporate Governance Code, Management Board members undertake not to use hedging instruments on shares to be received or shares received but which are non-transferable.

Grant frequency

Share compensation plans are awarded (or their conditions are set) after the publication of the net income for the previous financial year.

The LTIP 2016-2018 and "LionLead3" plans were awarded in 2016 for a three- year period.

The "Sprint to the Future" plan was awarded on a one-off basis in 2018 for a three-year period.

Stock option plan

The Management Board reserves the right to grant stock options.

These grants are limited to 0.3% of the Company's share capital. This is an overall ceiling and covers the 0.3% ceiling for free share plans.

Supplementary pension plan

The Group has chosen not to implement a supplementary pension plan for Board members who are under the French system.

Collective health and welfare insurance and systems

Management Board members may benefit from collective health and welfare insurance based on applicable local regulations.

Unemployment insurance for corporate officers

Private insurance coverage under the French plan was offered to the members of the Management Board who cannot benefit from the compulsory unemployment insurance for employees.

Employment contract

With the exception of the Chair of the Management Board, the members of the Management Board may have an employment contract with a company of the Group.

The employment contract of the Chair of the Management Board was terminated when his nomination as Chair of the Management Board started.

Severance payment

The members of the Management Board may be entitled to severance payment in case of imposed departure, granted in accordance with current law and the Afep-Medef Corporate Governance Code. In line with said code, the cumulative amount of the severance payment and non-compete compensation may not exceed twenty-four months of total compensation (annual fixed and variable compensation).

Detailed elements of severance payments are explained below in Section 3.2.2.2 for the Chair of the Management Board and 3.2.2.3 to 3.2.2.5 for the other current members of the Management Board.

Non-compete agreement

The members of the Management Board may be bound by a non-compete agreement and benefit from non-compete compensation in accordance with current legislation and the Afep-Medef Corporate Governance Code. The Supervisory Board reserves the right to forgo this commitment. In accordance with said code, the cumulative amount of the severance payment and non-compete compensation may not exceed twenty-four months of total compensation (annual fixed and variable compensation).

Other elements

Management Board members may be entitled to benefits based on local regulations and compensation practices, such as the use of a Group company car.

Where a member of the Management Board has been hired from outside the Group, the Supervisory Board may decide to compensate the loss of benefits, in whole or in part, due to his or her leaving the former employer.

The quantified, specific components of the compensation of each member are detailed in the following sections.

Modification to the Management Board's composition

If a new Management Board is appointed or a new member joins the Management Board, the principles and criteria stipulated in the Management Board compensation policy above are applicable to them. The Supervisory Board, upon the recommendation of the Compensation Committee, will determine, within this framework depending on the specific situation of the person(s) concerned, the fixed and variable components of their compensation, as well as the parameters, objectives and criteria for the variable elements of their compensation.

3.2.2.2 Compensation and benefits of Arthur Sadoun, Chair of the Management Board

The compensation of Arthur Sadoun is set in accordance with the compensation policy described in Section 3.2.2.1.

A. Compensation and benefits of Arthur Sadoun for financial year 2018

The principles and criteria used to set the compensation of Arthur Sadoun as Chair of the Management Board, in respect of the 2018 financial year, were approved by the General Shareholders' Meeting of May 30, 2018 in its seventeenth resolution.

Annual fixed compensation

The gross annual compensation of Arthur Sadoun as Chair of the Management Board of Publicis Groupe SA amounts to euro 1,000,000 per year.

Annual variable compensation

The Supervisory Board, upon the Compensation Committee's recommendation, decided that the variable part of Arthur Sadoun's compensation from June 1, 2017, which, if targets are met, may be as much as 200% of fixed compensation, will be based on the following criteria:

The variable compensation of Arthur Sadoun is based on quantitative financial and stock exchange performance criteria, essentially based on a comparison with the performance of the main competitors of Publicis Groupe (Omnicom, WPP and IPG) and on qualitative non-financial individual performance criteria considered as major for the development of the Group.

The compensation of the Chair of the Management Board for 2018 is thus based on two types of criteria:

- **three quantitative criteria, including two financial criteria and a value creation criterion corresponding to 75% of the overall weight of the criteria**, taking into account development of the growth and profitability of Publicis Groupe compared with that of a peer group consisting of the three other leading global communication groups (Omnicom, WPP and IPG):
  - the Group's organic revenue growth for 25%,
  - the operating margin (the highest in the market) for 25%, and
  - for 25%, the rate of change of the Group's net income per diluted share (earnings per share or "EPS"), comparing the EPS of the financial year and the average EPS of the two previous financial years; and the TSR (Total Shareholder Return) which reflects the variation of the share price of Publicis Groupe SA between the start and the end of the financial year under review (on the basis of the average of the first listed share prices recorded in the last 20 trading sessions in the year, compared to the average of the first listed share prices in the first 20 trading sessions of the year), increased by the amount of the dividends paid during the financial year. This criterion is directly linked to the interests of shareholders.

  These financial and stock exchange performance criteria were chosen by the Supervisory Board, following the proposal of the Compensation Committee, because they best express the quality of the Company's performance. Three of them are measured in comparison with the main competitors of Publicis Groupe, they encourage overperformance;
- **non-financial individual criteria corresponding to 25% of the overall weight of the criteria** in order to value the implementation of strategic actions which will yield long-term effects on the Group's development:
  - implementation of the "Sprint to the Future 2020" plan for 9%,
  - dissemination of the "Power of One" throughout the entities for 8%, and
  - development of the Publicis People Cloud for 8%.

Variable compensation paid in 2019 for financial year 2018

After assessing the performance for each of the criteria indicated above during the 2018 financial year, the Supervisory Board set the variable part of Arthur Sadoun's compensation at euro 1,400,000 gross, the payment of which will be submitted to the Annual General Shareholders' Meeting of May 29, 2019 in its tenth resolution in accordance with article L. 225-100 II of the French Commercial Code. This amount results from the facts and assessments presented hereafter and in the table below.

The Power of One model led to gains of new accounts, including Cathay Pacific, Daimler, Marriott, Campbell, Carrefour and Fiat Chrysler. The implementation of the Sprint to the Future plan is ahead of schedule with regard to all strategic and operating objectives: organic growth of game changers is up 28%, 61 clients now benefit from the Groupe Client Lead organization, with an objective of 100 by 2020. The successful launch of the new People Cloud platform and the Spine organization (identification and pooling of the Group's tools and data experts) for our clients supported the growth of game changers. Lastly, the country model was implemented and management teams have yet again been strengthened at every level by significant and visible recruitment campaigns.

Criteria	Performance level	Amount of variable compensation
Organic growth	Target not met	0
Operating Margin	Target 100% met	500,000
Rate of change of diluted earnings per share for the Group and Total Shareholder Return (TSR)	Target 80% met	400,000
Non-financial individual criteria:		
Implementation of the "Sprint to the Future" plan	Target 100% met	180,000
Sharing The Power of One	Target 100% met	160,000
Development of the Publicis People Cloud	Target 100% met	160,000

One-off long-term variable share-based compensation for 2018

Arthur Sadoun benefited from the "Sprint to the Future" free share plan for 2018, as it is described in Section 3.2.2.1. If the performance conditions are met, he could receive shares worth up to euro 6 million on the grant date. In order for this maximum to vest, the performance conditions set out in Section 3.2.2.1 must be met at the end of the three-year period of the plan (2018-2020). In the event of departure before the vesting date, for whatever reason, the Publicis shares will not be delivered.

Benefits in kind

Arthur Sadoun benefits from the use of a taxi firm and get a refund for his taxis and entertainment expenses.

Collective health and welfare insurance and systems

Arthur Sadoun benefits from the coverage applicable to executives at his level under the French system.

Employment contract

Arthur Sadoun's employment contract with Publicis Conseil dated December 5, 2006 was terminated when he was appointed chair of the Management Board.

Severance payment

Commitments entered into with Arthur Sadoun related to severance payment in the event he ceases to serve as a member of the Management Board were approved by the Supervisory Board at its meeting on March 1, 2017. These commitments were notified to the statutory auditors as related-party agreements and were approved by the General Shareholders' Meeting of May 31, 2017.

Following the renewal of Management Board members' terms of office, the Supervisory Board renewed these commitments when it met on September 12, 2018. The Supervisory Board ensured that the terms of Management Board members' severance pay were amended in line with the recommendations of the Afep-Medef Code and best practices. The Supervisory Board wished to take into consideration the rules of Governance of Publicis shareholders and proxy voting advisory agencies.

The Supervisory Board has decided that in the event of a forced departure or due to a change in control or strategy and other than in the case of serious or gross misconduct, Arthur Sadoun would be entitled to severance payment.

The amount of the payment would be equal to one year of total gross compensation (fixed and variable portion paid) calculated using the average of the latest 24 months of compensation.

He would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been granted to him, and to retain on a prorated basis the bonus shares already granted to him more than two years prior, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

In addition, the payment of the severance amount would be subject to a performance condition: the severance amount would only be due in its full amount if the average annual amount of the bonus acquired by Arthur Sadoun for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", the payment and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

In the event of a forced departure or one related to a change in control or strategy, Arthur Sadoun will not be subject to a non-compete commitment or to non-solicitation.

This severance pay is subject to the approval of the General Shareholders' Meeting of May 29, 2019, in its fifth resolution, in respect of the commitments subject to the related-party agreements procedure.

Non-Compete Agreement

The Supervisory Board decided to require from Arthur Sadoun in the event of his resignation a non-compete agreement and an agreement not to solicit personnel during the two years following the end of his Chairship of the Publicis Groupe SA Management Board.

In consideration of his observance of this non-compete agreement, Arthur Sadoun will receive monetary compensation (payable monthly in advance) in an amount equal to two years of total gross compensation (fixed and targeted variable portions) calculated using the average of the latest 24 months of compensation.

The Supervisory Board may waive this clause.

Arthur Sadoun will not be held to a non-compete obligation in the event of a forced departure. In any case, Arthur Sadoun may not receive both a severance payment and an indemnity in respect of the non-compete agreement.

In its twenty-first resolution, the General Shareholders' Meeting of May 31, 2017 approved this non-compete indemnity in respect of the commitments subject to the related-party agreements procedure.

B. Compensation and benefits of Arthur Sadoun for financial year 2019

The amount of fixed compensation, the ceiling on variable compensation and the other components of Arthur Sadoun's compensation for 2019 remain unchanged from financial year 2018, except for the following elements.

Variable compensation for the 2019 financial year

The Supervisory Board, upon the recommendation of the Compensation Committee, decided on the criteria for the variable compensation of Arthur Sadoun for the 2019 financial year.

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable portion of Arthur Sadoun's compensation, which, if targets are met, may be as much as 200% of fixed compensation, would be based on the following for the 2019 financial year:

- **three quantitative criteria, including two financial criteria and a value creation criterion corresponding to 75% of the overall weight of the criteria**, taking into account development of the growth and profitability of Publicis Groupe compared with that of a peer group consisting of the three other leading global communication groups (Omnicom, WPP and IPG):
  - the Group's organic revenue growth, compared to a peer benchmark group, for 25% (see Section 3.2.2.1)
  - the operating margin (the highest in the market) for 25% (see Section 3.2.2.1), and
  - for 25%, the rate of change of the Group's net income per diluted share (earnings per share or "EPS"), comparing the EPS of the financial year and the average EPS of the two previous financial years and the TSR (Total Shareholder Return) which reflects the variation of the share price of Publicis Groupe SA between the start and the end of the financial year under review (on the basis of the average of the first listed share prices recorded in the last 20 trading sessions in the year, compared to the average of the first listed share prices in the first 20 trading sessions of the year), increased by the amount of the dividends paid during the financial year. This criterion is directly linked to the interests of shareholders.

  These financial and stock exchange performance criteria were chosen by the Supervisory Board, following the proposal of the Compensation Committee, because they best express the quality of the Company's performance. Three out of them are measured in comparison with the main competitors of Publicis Groupe, they encourage over- performance. They remain unchanged from 2018;
- **non-financial individual criteria corresponding to 25% of the overall weight of the criteria** in order to value the implementation of strategic actions which will yield long-term effects on the Group's development:
  - implementation of the "Sprint to the Future 2020" plan for 9%,
  - dissemination of the "Power of One" throughout the entities for 8%, and
  - development of the Publicis People Cloud for 8%.

Management Board LTIP 2019-2021

In accordance with the performance share policy described in Section 3.2.2.1, Arthur Sadoun benefited from the Management Board LTIP 2019-2021 free share plan for 2019. It was decided to award him 60,000 shares, subject to a condition of performance and continued employment in the company.

3.2.2.3 Compensation and benefits of Jean-Michel Etienne, member of the Management Board

The compensation of Jean-Michel Etienne is set in accordance with the compensation policy described in Section 3.2.2.1.

A. Compensation and benefits of Jean-Michel Etienne for financial year 2018

The principles and criteria used to set the compensation of Jean-Michel Etienne, member of the Management Board, in respect of the 2018 financial year, were approved by the General Shareholders' Meeting of May 30, 2018 in its eighteenth resolution.

Annual fixed compensation

The gross annual fixed compensation of Jean-Michel Etienne amounts to euro 840,000, unchanged from 2016.

The Supervisory Board had approved this compensation in line with:

- his experience and performance in his capacity as Financial Director;
- the widened scope of his duties following the acquisition of Sapient; and
- the market practices in compensation observed for this level of responsibility in France and for Publicis Groupe business sector abroad.

Annual variable compensation

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable part of Jean-Michel Etienne's compensation, which, if targets are met, may be as much as 100% of fixed compensation, would be based on:

- **two quantitative criteria linked to the financial performance of the Group** in relation to the objectives, for 40% of the variable part, each being taken into account on an equal basis:
  - organic growth, and
  - operating margin;
- **four individual financial and non-financial criteria** (including two governed by precise quantitative objectives), for 60% of the variable part, each one being taken into account on an equal basis:
  - management and execution of the savings plan,
  - implementation of the country model,
  - treasury management, and
  - personnel costs.

Variable compensation paid in 2019 for financial year 2018

After assessing the performance for each of the criteria indicated above during the 2018 financial year, the Supervisory Board set the variable part of Jean-Michel Etienne's compensation at euro 672,000 gross, the payment of which will be submitted to the Annual General Shareholders' Meeting of May 29, 2019 in its eleventh resolution in accordance with article L. 225-100 II of the French Commercial Code. This amount results from the following facts and assessments:

The savings plan was successfully carried out. The country model was implemented in eight markets, in line with objectives. Management of cash and cash equivalents was successful; employee expenses improved compared to the budget.

Criteria	Performance level	Amount of variable compensation
Organic growth	Target not met	0
Operating Margin	Target 100% met	168,000
Financial and non-financial individual criteria:		
Management and execution of the savings plan	Target 100% met	126,000
Implementation of the country model	Target 100% met	126,000
Managing cash and cash equivalents	Target 100% met	126,000
Employee expenses	Target 100% met	126,000

One-off long-term variable share-based compensation for 2018

Jean-Michel Etienne benefited from the "Sprint to the Future" free share plan for 2018, as it is described in Section 3.2.2.1. If the performance conditions are met, he could receive shares worth up to euro 4 million on the grant date. In order for this maximum to vest, the performance conditions set out in Section 3.2.2.1 must be met at the end of the three-year period of the plan (2018-2020). In the event of departure before the vesting date, for whatever reason, the Publicis shares will not be delivered.

Benefits in kind

Jean-Michel Etienne benefits from the use of one of the Company cars.

Collective health and welfare insurance and systems

Jean-Michel Etienne benefits from the coverage applicable to executives of his level under the French system.

Employment contract

Jean-Michel Etienne continues to benefit from an employment contract with one of the Group's subsidiaries.

Severance payment

Following the renewal of the Management Board members' term of office effective from January 1, 2012, upon the Compensation Committee's proposal on March 6, 2012, the Supervisory Board reviewed the existing agreements with Jean-Michel Etienne to allow him to receive severance payment in the event he ceases to serve as member of the Management Board. These commitments were notified to the statutory auditors as related-party agreements and were approved by the General Shareholders' Meeting of May 29, 2012.

The Supervisory Board Meeting of March 12, 2015 revised these commitments to take into account recommendations of the Afep- Medef Corporate Governance Code. They were notified to the statutory auditors as related-party agreements and were approved by the General Shareholders' Meeting of May 27, 2015.

Following the renewal of Management Board members' terms of office, the Supervisory Board renewed these commitments when it met on September 12, 2018. The Supervisory Board ensured that the terms of Management Board members' severance pay were amended in line with the recommendations of the Afep-Medef Code and best practices. The Supervisory Board wished to take into consideration the rules of Governance of Publicis shareholders and proxy voting advisory agencies.

The current commitments to Jean-Michel Etienne provide that in the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Jean-Michel Etienne would be entitled to a severance payment.

Provided that Jean-Michel Etienne does not continue to be employed by Publicis Groupe, the amount of the severance would be equal to one and a half years' total gross compensation (fixed compensation and variable component paid).

He would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been granted to him, and to retain on a prorated basis the bonus shares already granted to him more than two years prior, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

In addition, the payment of the severance amount would be subject to a performance condition: the severance amount would only be due in its full amount if the average annual amount of the bonus acquired by Jean-Michel Etienne for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", the payment and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

The severance payment, plus any payment due under an employment contract, may not exceed two years' total compensation (fixed and variable compensation paid).

This severance payment is subject to the approval of the General Shareholders' Meeting of May 29, 2019, in its sixth resolution, in respect of commitments subject to the related-party agreements procedure.

B. Compensation and benefits of M. Jean-Michel Etienne for 2019

The amount of fixed compensation, the ceiling on variable compensation and the other components of Jean-Michel Etienne's compensation for 2019 remain unchanged from financial year 2018, except for the following elements.

Variable compensation for the 2019 financial year

The Supervisory Board, upon the recommendation of the Compensation Committee, decided on the criteria for the variable compensation of Jean-Michel Etienne for the 2019 financial year.

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable portion of Jean-Michel Etienne's compensation, which, if targets are met, may be as much as 100% of fixed compensation, would be based on the following for the 2019 financial year:

- **two quantitative criteria linked to the financial performance of the Group**, the assessment method for which has changed from 2018, for 40% of the variable part, each being taken into account on an equal basis:
  - organic growth, compared to a peer group (see Section 3.2.2.1), and
  - operating margin, compared to a peer group (see Section 3.2.2.1);
- **four individual financial and non-financial criteria** (including three governed by precise quantitative objectives), for 60% of the variable part, each one being taken into account on an equal basis:
  - management and execution of the savings plan,
  - implementation of the country model,
  - treasury management, and
  - employee expenses.

Management Board LTIP 2019-2021

In accordance with the performance share policy described in Section 3.2.2.1, Jean-Michel Etienne benefited from the Management Board LTIP 2019-2021 free share plan for 2019. It was decided to award him 40,000 shares, subject to performance and continued presence conditions.

3.2.2.4 Compensation and benefits of Anne-Gabrielle Heilbronner, member of the Management Board

The compensation of Anne-Gabrielle Heilbronner is set in accordance with the compensation policy described in Section 3.2.2.1.

A. Compensation and benefits of Anne-Gabrielle Heilbronner for 2018

The principles and criteria used to set the compensation of Anne-Gabrielle Heilbronner, member of the Management Board, in respect of the 2018 financial year, were approved by the General Shareholders' Meeting of May 30, 2018 in its eighteenth resolution.

Annual fixed compensation

The gross annual fixed compensation of Anne-Gabrielle Heilbronner was euro 600,000, unchanged from 2016.

The Supervisory Board, upon the Compensation Committee's recommendation, had approved this compensation in line with:

- the widened scope of Anne-Gabrielle Heilbronner's responsibilities as the Group's Secretary General, which include legal and corporate governance functions, human resources, internal audit, internal control and risk management, procurement, the complexity of which was increased following the acquisition of Sapient;
- the market practices in compensation observed for this level of responsibility in France and for Publicis Groupe business sector abroad; and

CSR was included in her scope in 2018.

Annual variable compensation

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable part of her compensation for 2018, which, if targets are met, may be as much as 100% of fixed compensation, would be based on:

- **two quantitative criteria linked to the financial performance of the Group** in relation to the objectives, for 40% of the variable part, each being taken into account on an equal basis:
  - organic growth, and
  - operating margin;
- **four individual non-financial criteria** consistent with her main areas of responsibility, for 60% of the variable part, each being taken into account on an equal basis:
  - internal controls and audits: implementation of the audit plan and follow-up on recommendations,
  - procurement: implementation of purchasing savings plan,
  - human resources and CSR: strengthening of the CSR policy and of the Women's Forum; improvements in talent management in terms of compensation and management tools, and

- legal: deployment of compliance programs, dispute management.

Each of these criteria is subject to an assessment of the measurable elements, amongst which: progress of the compliance program (policies, training, controls), personnel cost control, achievement of audit plans, monitoring of recommendations, number and outcome of lawsuits, procurement savings and the number of global contracts signed.

Variable compensation paid in 2019 for financial year 2018

After assessing the performance for each of the criteria indicated above during the 2018 financial year, the Supervisory Board set the variable part of the Anne-Gabrielle Heilbronner's compensation at euro 480,000 gross, the payment of which will be submitted to the Annual General Shareholders' Meeting of May 29, 2019 in its twelfth resolution in accordance with article L. 225-100 II of the French Commercial Code. This amount results from the facts and assessments presented hereafter and in the table below.

The audit plan was exceeded (95 audits completed with 85 planned) and the follow-up on findings is improving each year; 2018 marked the renewal of IFACI certification.

Regarding legal matters, work conducted to comply with the GDPR continued with more than 50,000 people trained on compliance with the GDPR (General Data Protection Regulations) and anti-corruption standards.

With regard to procurement, more global contracts were signed and savings were made in line with announced numerical targets.

HR objectives have also been met with the strengthening of tools, the decrease in fixed personnel costs, an improvement versus the budget in management of the SIRH project and the harmonization of employee benefits underway.

The Women's Forum already has tangible results, including strong organic growth, and the first profitable year since its acquisition.

Criteria	Performance level	Amount of variable compensation (in euros)
Organic growth	Target not met	
Operating Margin	Target 100% met	120,000
Non-financial individual criteria:		
Internal audit and controls	Target 100% met	90,000
Procurement	Target 100% met	90,000
Human Resources and CSR	Target 100% met	90,000
Legal	Target 100% met	90,000

One-off long-term variable share-based compensation for 2018

Anne-Gabrielle Heilbronner benefited from the "Sprint to the Future" free share plan for 2018, as it is described in Section 3.2.2.1. If the performance conditions are met, she could receive shares worth up to euro 4 million on the grant date. In order for this maximum to vest, the performance conditions set out in Section 3.2.2.1 must be met at the end of the three-year period of the plan (2018-2020). In the event of departure before the vesting date, for whatever reason, the Publicis shares will not be delivered.

Benefits in kind

Anne-Gabrielle Heilbronner benefits from the use of one of the Company cars.

Collective health and welfare insurance and systems

Anne-Gabrielle Heilbronner benefits from the coverage applicable to executives of her level under the French system.

Employment contract

Anne-Gabrielle Heilbronner continues to benefit from an employment contract with one of the Group's subsidiaries.

Severance payment

Commitments entered into with Anne-Gabrielle Heilbronner related to severance payment in the event she ceases to serve as a member of the Management Board were approved by the Supervisory Board at its meeting on March 12, 2015. These commitments were notified to the statutory auditors as related-party agreements and were approved by the General Shareholders' Meeting of May 27, 2015.

Following the renewal of Management Board members' terms of office, the Supervisory Board renewed these commitments when it met on September 12, 2018. The Supervisory Board ensured that the terms of Management Board members' severance pay were amended in line with the recommendations of the Afep-Medef Code and best practices. The Supervisory Board wished to take into consideration the rules of Governance of Publicis shareholders and proxy voting advisory agencies.

The current commitments to Anne-Gabrielle Heilbronner provide that in the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Anne-Gabrielle Heilbronner would be entitled to a severance payment.

Provided that Anne-Gabrielle Heilbronner does not continue to be employed by Publicis Groupe, the amount of the severance would be equal to one year's total gross compensation (fixed compensation and target variable component). She would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been granted to her, and to retain on a prorated basis the bonus shares already granted to her more than two years prior, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

In addition, the payment of the severance amount would be subject to a performance condition: the severance amount would only be due in its full amount if the average annual amount of the bonus acquired by Anne-Gabrielle Heilbronner for the three years prior to the termination of her duties is equal to at least 75% of her "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", the payment and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance amount may only be paid after the determination by the Supervisory Board that the performance condition had been achieved at the date on which her term as a member of the Management Board ended.

The severance payment, plus any payment due under an employment contract, may not exceed two years' total compensation (fixed and variable compensation paid).

This severance payment is subject to the approval of the General Shareholders' Meeting of May 29, 2019, in its seventh resolution, in respect of commitments subject to the related-party agreements procedure.

Non-compete agreement

Anne-Gabrielle Heilbronner is not subject to a non-compete agreement as member of the Management Board. She is subject to a non-compete clause in her employment contract concluded upon her arrival at Publicis Groupe in 2012, i.e. before her appointment as a member of the Management Board. This non-compete clause is valid for a maximum of two years and provides a maximum financial compensation to be paid equal to 30% of the gross salary, excluding variable elements. Publicis Groupe may waive this clause.

B. Compensation and benefits of Anne-Gabrielle Heilbronner for 2019

The amount of fixed compensation, the ceiling on variable compensation and the other components of Anne-Gabrielle Heilbronner's compensation for 2019 remain unchanged from financial year 2018, except for the following elements.

Variable compensation for the 2019 financial year

The Supervisory Board, upon the recommendation of the Compensation Committee, decided on the criteria for the variable compensation of Anne- Gabrielle Heilbronner for the 2019 financial year.

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable portion of Anne-Gabrielle Heilbronner's compensation, which, if targets are met, may be as much as 100% of fixed compensation, would be based on the following for the 2019 financial year:

- **two quantitative criteria linked to the financial performance of the Group,** the assessment method of which has changed from 2018, for 40% of the variable part, each being taken into account on an equal basis:
  - organic growth, compared to a peer group (see Section 3.2.2.1), and
  - operating margin, compared to a peer group (see Section 3.2.2.1);
- **four individual non-financial criteria** consistent with her main areas of responsibility, for 60% of the variable part, each being taken into account on an equal basis:
  - internal controls and audits: implementation of the audit plan and follow-up on recommendations,
  - procurement: implementation of purchasing savings plan,
  - human resources and CSR: continued strengthening of the CSR policy and of the Women's Forum; improvements in talent management in terms of compensation and management tools, and
  - legal: deployment of compliance programs, monitoring of investigations, dispute management.

Management Board LTIP 2019-2021

In accordance with the performance share policy described in Section 3.2.2.1, Anne-Gabrielle Heilbronner benefited from the Management Board LTIP 2019-2021 free share plan for 2019. It was decided to award her 20,000 shares, subject to a condition of performance and continued employment in the company..

3.2.2.5 Compensation and benefits of Steve King, member of the Management Board

The compensation of Steve King is set in accordance with the compensation policy described in Section 3.2.2.1.

A. Compensation and benefits of Steve King for financial year 2018

The principles and criteria used to set the compensation of Steve King, member of the Management Board since June 1, 2017, were approved by the General Shareholders' Meeting of May 30, 2018 in its eighteenth resolution.

Annual fixed compensation

Steve King's gross annual compensation from June 1, 2017 is GBP 900,000, i.e. euro 1,017,295.

His compensation is determined and paid in pounds sterling. The translation into euros is carried out at the average rate of 1 pound sterling = euro 1.1303 in 2018.

Annual variable compensation

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable part of his compensation, which, if targets are met, may be as much as 160% of fixed compensation, would be based on:

- **two quantitative criteria linked to the financial performance of the Group** in relation to the objectives, for 20% of the variable part, each being taken into account on an equal basis:
  - organic growth, and
  - operating margin;
- **three quantitative criteria linked to the financial performance of Publicis Media** in relation to the objectives, for 60% of the variable part, each being taken into account on an equal basis:
  - organic growth,
  - operating margin,
  - and cash generation;
- **two individual non-financial criteria** consistent with his main areas of responsibility, for 20% of the variable part, each being taken into account on an equal basis:
  - acceleration of Power of One within Publicis Media and in all of the entities, and
  - development of the People Cloud and training of teams able to manage it in the 10 main countries.

Variable compensation paid in 2019 for financial year 2018

After assessing the performance for each of the criteria indicated above during the 2018 financial year, the Supervisory Board set the variable part of Steve King's compensation at GBP 1,296,000 gross, i.e. euro 1,464,905, the payment of which will be submitted to the Annual General Shareholders' Meeting of May 29, 2019 in its thirteenth resolution in accordance with article L. 225-100 II of the French Commercial Code. This amount results from the following facts and assessments:

Publicis Groupe delivered organic growth lower than the commitment and an operating margin higher than the commitment. Publicis Media delivered organic growth higher than the commitment, operating margin in line with the commitment and reached the Trade Working Capital and overdue objectives.

The deployment of the Big Data tool is moving forward with the launch of the Spine organization, which recorded its first revenue and contributed to the growth of our game changers in 2018 (up 28%), as well as the ramp-up of The Power of One strategy particularly within Publicis Media, which resulted in gains of new accounts, including Marriott, GSK and FCA.

3

Criteria	Performance level	Amount of variable compensation (in euros)*
Criteria linked to the financial performance of Publicis Groupe		
Organic growth	Target not met	
Operating Margin	Target 100% met	162,767
Criteria linked to the financial performance of Publicis Media		
Organic growth	Target 100% met	325,534
Operating Margin	Target 100% met	325,534
Cash generation	Target 100% met	325,534
Non-financial individual criteria:		
Acceleration of The Power of One	Target 100% met	162,767
Development of the People Cloud	Target 100% met	162,767

* Compensation determined and paid in pounds sterling. The translation into euros is carried out at the average rate of 1 pound sterling = euro 1.1303.

One-off long-term variable share-based compensation for 2018

Steve King benefited from the "Sprint to the Future" free share plan for 2018, as it is described in Section 3.2.2.1. If the performance conditions are met, he could receive shares worth up to euro 5 million on the grant date. In order for this maximum to vest, the performance conditions set out in Section 3.2.2.1 must be met at the end of the three-year period of the plan (2018-2020). In the event of departure before the vesting date, for whatever reason, the Publicis shares will not be delivered.

Benefits in kind

Steve King benefits from the reimbursement of expenses related to his vehicle.

Collective health and welfare insurance and systems

Steve King benefits from the coverage applicable to executives of his level in the United Kingdom.

Employment contract

Steve King benefits from an employment contract with one of the Group's United Kingdom subsidiaries.

Severance payment and non-compete agreement

Steve King benefits from severance payment and the terms of the non-compete agreement as they appear in his employment contract with one of the Group's subsidiaries in the United Kingdom. No other compensation will be due.

In the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Steve King would be entitled to this single severance payment.

Provided that Steve King does not continue to be employed by Publicis Groupe, the amount of the severance would be equal to one year's total gross compensation (fixed and variable compensation paid), calculated using the average of the latest 24 months of compensation.

He would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been granted to him, and to retain on a prorated basis the bonus shares already granted to him more than two years prior, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

In addition, this severance payment would be subject to a performance condition: the severance amount would only be due in its full amount if the average annual amount of the bonus acquired by Steve King for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", the payment and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

Steve King is subject to a non-compete obligation in his employment contract with a British subsidiary of the Group. This obligation does not give rise to financial consideration as permitted by applicable local regulations.

The Supervisory Board reaffirmed that this severance payment and any compensation for a non-compete obligation may not exceed 12 months of total compensation (fixed and targeted variable remuneration).

This severance payment and non-compete agreement were specifically subject to the approval of the General Shareholders' Meeting of May 31, 2017. Following the renewal of Management Board members' terms of office, the Supervisory Board Meeting of September 12, 2018, renewed commitments to said severance payment. The Supervisory Board ensured that the terms of Management Board members' severance pay were amended in line with the recommendations of the Afep-Medef Code and best practices. The Supervisory Board wished to take the rules of Governance of Publicis shareholders and proxy voting advisory agencies into consideration.

This severance pay is subject to the approval of the General Shareholders' Meeting of May 29, 2019, in its eighth resolution, in respect of commitments subject to the related-party agreements procedure.

Pension plans

Steve King benefits from the British pension plan applicable to management positions of his level.

B. Compensation and benefits of Steve King for financial year 2019

The amount of fixed compensation, the ceiling on variable compensation and the other components of Steve King's compensation for 2019 remain unchanged from financial year 2018, except for the following elements.

Variable compensation for the 2019 financial year

The Supervisory Board, upon the recommendation of the Compensation Committee, decided on the criteria for the variable compensation of Steve King for the 2019 financial year.

The Supervisory Board, upon the recommendation of the Compensation Committee, decided that the variable portion of Steve King's compensation, which, if targets are met, may be as much as 160% of fixed compensation, would be based on the following for the 2019 financial year:

- **two quantitative criteria linked to the financial performance of the Group,** the assessment method for which has changed from 2018, for 20% of the variable part, each being taken into account on an equal basis:
  - organic growth, compared to a peer group (see Section 3.2.2.1), and
  - operating margin, compared to a peer group (see Section 3.2.2.1);
- **three quantitative criteria linked to the financial performance of Publicis Media** in relation to the objectives, for 60% of the variable part, each being taken into account on an equal basis:
  - organic growth,
  - operating margin,
  - cash generation;
- **two individual criteria consistent with his main areas of responsibility**, for 20% of the variable part, each being taken into account on an equal basis:
  - preparation for the successful implementation of five Marketing Transformation practices during January 2020, and
  - the development of People Cloud and the training of teams capable of managing it in key countries.

Management Board LTIP 2019-2021

In accordance with the performance share policy described in Section 3.2.2.1, Steve King benefited from the Management Board LTIP 2019-2021 free share plan for 2019. It was decided to award him 50,000 shares, subject to performance and continued presence conditions.

3.2.3 Compensation summary table

3.2.3.1 AMF and Afep-Medef compensation tables

The 2009-16 position-recommendation of the AMF and the Afep-Medef Code proposes a standardized presentation of the compensation of executive corporate officers of companies whose securities are traded on a regulated market.

/ Table 1 (AMF nomenclature) compensation summary table in respect of the compensation due and the options and shares granted to each executive corporate officer (in euros)

	2018	2017
Management Board		
Maurice Lévy, Chair of the Management Board until May 31, 2017		
Compensation due for the financial year(1)	-	1,041,667
Valuation of options granted during the year	-	-
Valuation of performance shares granted during the year	-	-
Total	**-**	**1,041,667**
Arthur Sadoun, Chair of the Management Board since June 1, 2017		
Compensation due for the financial year(1)	2,400,000	1,312,833
Valuation of options granted during the year	-	-
Maximum annual value of performance shares granted during the financial year(3)	1,722,211	-
Total	**4,122,211**	**1,312,833**
Jean-Michel Etienne, Executive Vice President – Group Finance		
Compensation due for the financial year(1)	1,512,000	1,512,000
Valuation of options granted during the year	-	-
Maximum annual value of performance shares granted during the financial year(3)	1,148,141	-
Total	**2,660,141**	**1,512,000**
Anne-Gabrielle Heilbronner, Secretary General		
Compensation due for the financial year(1)	1,080,000	1,080,000
Valuation of options granted during the year	-	-
Maximum annual value of performance shares granted during the financial year(3)	1,148,141	-
Total	**2,228,141**	**1,080,000**
Steve King, member of the Management Board as of June 1, 2017		
Compensation due for the financial year(1)(2)	2,482,200	1,462,709
Valuation of options granted during the year	-	-
Maximum annual value of performance shares granted during the financial year(3)	1,435,167	-
Total	**3,917,367**	**1,462,709**

(1) See details in Table 2.
(2) Compensation determined and paid in pounds sterling. The translation into euros was carried out at the average rate of 1 pound sterling = euro 1.1303 in 2018.
(3) Annual maximum amount under the Sprint to the Future plan. The Sprint to the Future plan is triennial and subject to continued employment and stringent performance conditions. As an illustration, the rates at which performance conditions were met under the preceding plans i.e. LionLead3 and 2016-2018 LTIP, were around 75% and 50%, respectively. This award covers financial years 2018, 2019, 2020.

/ Table 2 (AMF nomenclature) summary table of the compensation for each executive corporate officer (in euros)

In general, the compensation paid corresponds to the fixed compensation for the specified year and the variable portion corresponds to that of the previous year.

No exceptional compensation was paid to the corporate officers.

	2018 – Amounts:		2017 – Amounts:	
	due	paid	due	paid
Management Board				
Maurice Lévy, Chair of the Management Board until May 31, 2017				
Fixed compensation	-	-	1,041,667	1,041,667
Variable compensation	-	-	-	2,500,000
Benefits in kind(1)	-	-	-	-
Total	**-**	**-**	**1,041,667**	**3,541,667**
Arthur Sadoun, Chair of the Management Board since June 1, 2017(3)				
Fixed compensation	1,000,000	1,000,000	583,333	583,333
Variable compensation	1,400,000	729,499	729,499	-
Benefits in kind(1)	-	-	-	-
Total	**2,400,000**	**1,729,499**	**1,312,832**	**583,333**
Jean-Michel Etienne, Executive Vice President – Group Finance				
Fixed compensation	840,000	840,000	840,000	840,000
Variable compensation	672,000	672,000	672,000	630,000
Benefits in kind(1)	-	-	-	-
Total	**1,512,000**	**1,512,000**	**1,512,000**	**1,470,000**
Anne-Gabrielle Heilbronner, Secretary General				
Fixed compensation	600,000	600,000	600,000	600,000
Variable compensation	480,000	480,000	480,000	480,000
Benefits in kind(1)				
Job-loss insurance(4)	12,357	12,357	-	-
Total	**1,092,357**	**1,092,357**	**1,080,000**	**1,080,000**
Steve King, member of the Management Board since June 1, 2017(2)				
Fixed compensation(5)	1,017,295	1,096,418	599,471	599,471
Variable compensation(5)	1,464,905	854,528	863,238	-
Supplementary pension plan	57,807	57,807	27,392	27,392
Benefits in kind(1)	-	-	-	-
Total(2)	**2,540,007**	**2,008,753**	**1,490,101**	**626,863**

(1) Benefits in kind relating to the use of a company-provided vehicle are not mentioned if they are for an immaterial amount.
(2) Compensation determined and paid in pounds sterling. The translation into euros was carried out at the average rate of 1 pound sterling = euro 1.14185 in 2017 and at the average rate of 1 pound sterling = euro 1.1303 in 2018.
(3) This amount does not include the compensation paid in 2018 to Arthur Sadoun for his salaried duties at Publicis Conseil for the period from January 1 to May 31, 2017 (i.e. euro 1,070,500).
(4) As the French unemployment office (Pôle Emploi) does not cover it, Publicis Groupe took out insurance for Its corporate officers.
(5) The variable compensation paid in 2018 to Steve King does not include compensation owing for his salaried duties at ZenithOptimedia for the period from January 1, to May 31, 2017 (i.e. euro 670,743). The fixed compensation paid in 2018 includes an adjustment of GBP 80,000 (or euro 90,426) for 2017.

3

/ Table 3 (AMF nomenclature) details of attendance fees (in euros)

	Attendance fees paid in 2018	Attendance fees paid in 2017
Supervisory Board		
Maurice Lévy(1)	45,000	-
Élisabeth Badinter(2)	55,000	60,000
Simon Badinter	30,000	35,000
Claudine Bienaimé(3)	90,000	100,000
Jean Charest	80,000	75,000
Michel Cicurel(3)	75,000	90,000
Sophie Dulac	30,000	30,000
Thomas Glocer(4)	65,000	30,000
Jerry Greenberg(5)	10,000	90,000
Marie-Josée Kravis	40,000	55,000
André Kudelski(4)	60,000	30,000
Marie-Claude Mayer	40,000	45,000
Véronique Morali	85,000	90,000
Cherie Nursalim(6)	-	-
Pierre Pénicaud(7)	5,000	-
Amaury de Seze(8)	-	50,000
Total	**710,000**	**780,000**

(1) Start of the term of office as Chair of the Supervisory Board on June 1, 2017.
(2) Chair of the Supervisory Board until May 31, 2017, Vice-Chair of the Supervisory Board since June 1, 2017.
(3) End of term of office as a member of the Supervisory Board on May 30, 2018.
(4) Start of term of office as a member of the Supervisory Board on May 25, 2016.
(5) Resigned on May 31, 2017.
(6) Start of term of office as a member of the Supervisory Board on May 30, 2018.
(7) Appointment as member of the Supervisory Board representing employees on June 20, 2017. Pierre Pénicaud did not receive any attendance fees in 2017.
(8) End of term of office as a member of the Supervisory Board on May 25, 2016.

/ Table 4 (AMF Nomenclature) stock options granted during the financial year to each executive corporate officer by the issuer and by any Group company

None, no stock options were granted in 2018.

/ Table 5 (AMF Nomenclature) stock options exercised during the financial year by each executive corporate officer (nominative list)

	Description and date to plan	Number of options exercised in 2018	Average exercise price (in euros)	Year granted
Management Board				
Arthur Sadoun, Chair		No exercise		
Jean-Michel Etienne		No exercise		
Anne-Gabrielle Heilbronner		No exercise		
Steve King		No exercise		

/ Table 6 (AMF nomenclature) performance shares granted to each executive corporate officer

				Number of performance shares awarded Position at December 31, 2018	
	Description of plan	Date of grant	Date vesting	Number maximum annual	O/w subject to performance condition
Management Board					
Arthur Sadoun, Chair	Sprint to the Future	June 1, 2018	June 1, 2021	32,227	32,227
Jean-Michel Etienne	Sprint to the Future	June 1, 2018	June 1, 2021	21,485	21,485
Anne-Gabrielle Heilbronner	Sprint to the Future	June 1, 2018	June 1, 2021	21,485	21,485
Steve King	Sprint to the Future	June 1, 2018	June 1, 2021	26,856	26,856

/ Table 7 (AMF nomenclature) performance shares vested for each executive corporate officer

	First plan		Second plan		Number of performance shares vested in 2018
	Description	Date	Description	Date	Total number
Management Board					
Arthur Sadoun, Chair	LTIP 2015[(1)]	04/17/2015			3,500
Jean-Michel Etienne	-	-			-
Anne-Gabrielle Heilbronner	-	-			-
Steve King	LTIP 2014[(1)]	03/20/2014			3,000

(1) Granted prior to appointment as a member of the Management Board.

/ Table 8 (AMF nomenclature) history of options granted over the last ten years

Date of authorization by the Extraordinary General Shareholders' Meeting (EGM)	2013 Co-investment plan (LionLead2)
Date of the Board of Directors or Management Board's Meeting	04/30/2013
Total number of share subscription options (S) or of share purchase options (A) granted	5,949,305(1) A
• of which corporate officers	198,687
• of which first ten beneficiary employees (excluding corporate officers)	653,299
Start date for exercise of the options	04/30/2016(2)/04/30/2017(3)
Expiry date	04/30/2023
Subscription or purchase price in euros	52.76
Total adjusted number of stock options granted as at 12/31/2018	5,949,305(1)
Total number of shares subscribed or purchased as at 12/31/2018	(825,531)
Total number of canceled stock options as at 12/31/2018	(3,917,532)
Number of outstanding stock options as at 12/31/2018	1,206,242

(1) Conditional options, the exercise of which is contingent on the achievement of objectives under the three-year plan. The achievement level of objectives in the LionLead2 plan was measured in 2016.
(2) Concerns French employees.
(3) Concerns non-French employees.

/ Table 9 (AMF nomenclature) Share subscription options or share purchase options granted to the first ten employees (non-corporate officers) and options exercised by the latter

	Plan	Number of options granted/purchased	Weighted average price (in euros)
Stock options granted between January 1 and December 31, 2018, by the issuer and by any company included in the scope of option allocation to their ten respective employees, whose number of options thus granted is the highest (overall information).	-	-	-
Stock options held from the issuer and the aforementioned companies, exercised between January 1, and December 31, 2018, by the respective ten employees of the issuer and these companies, who bought or subscribed to the greatest number of options (overall information).	2013 Co-investment plan purchase options	99,689	52,76
Total		**99,689**	**52,76**

/ Table 10 (AMF nomenclature) history of shares granted over the last ten years

Date of authorization by the Extraordinary General Shareholders' Meeting (EGM)	2009[1] Employees in France	2009[2] Co-investment	Plan originally from Razorfish[3]	LTIP 2010	LTIP 2010-2012	2010[1] Employees in United States	LTIP 2011	2011[1] International employees	LTIP 2012	2013[1] International employees	LTIP 2013
Date of the Board of Directors or Management Board's Meeting	5/20/09	3/19/09	12/1/09	8/19/10	9/22/10	11/19/10	4/19/11	11/21/11	4/17/12	2/1/13	4/16/13
Total Number of free shares awarded	210,125	3,544,176	493,832	667,600	252,000	658,400	674,650	533,700	681,550	320,475	636,550
• of which corporate officers	-	225,506	-	2,000	252,000	-	2,000	-	2,000	-	1,500
• of which first ten beneficiary employees (excluding corporate officers)	500	447,890	-	54,000	-	500	62,000	500	54,000	500	44,000
Delivery date	5/20/11	3/19/2012[4] 3/19/13	Between 01/01/2010 and 12/2018	8/19/2013[4] 8/19/14	9/22/2013[4] 9/22/14	12/1/14	4/19/2014[4] 4/19/15	12/1/2013[7] 12/1/15	4/17/2015[4] 4/17/16	2/1/17	4/16/2016[4] 4/16/17
Total number of free shares awarded adjusted at 12/31/2018	210,125	3,544,176	493,832	667,600	252,000	658,400	674,650	533,700	681,550	320,475	636,550
Total number of free shares delivered at 12/31/2018	(150,575)	(2,972,121)	(314,102)	(468,450)	(248,387)	(248,900)	(478,023)	(238,150)	(481,569)	(114,275)	236,826
Total number of free shares canceled at 12/31/2018	(59,550)	(572,055)	(179,730)	(199,150)	(3,613)	(409,500)	(196,627)	(295,550)	(199,981)	(206,200)	399,724
Number of free shares outstanding at 12/31/2018	-	-	-	-	-	-	-	-	-	-	-

(1) This is the plan awarding 50 free shares to all of the Group's employees.
(2) Co-investment plan offered to 160 key Group managers, of whom, 136 subscribed.
(3) Shares granted under the Microsoft option plans that existed when Razorfish was acquired in October 2009 were converted into purchase options on shares of Publicis Groupe using the existing ratio of the purchase share price established for Microsoft (restated in euros) and the market value of Publicis Groupe share on the date of the acquisition.
(4) Concerns French employees, who are subject to a two-year holding period
(5) Co-investment plan offered to 200 key Group managers.
(6) Under the LTIP 2012 plan, 11,965 free shares were granted by the Management Board on July 16, 2012.
(7) Concerns Italian and Spanish employees, who are, in addition, subject to a three-year holding period.
(8) Sapient Plan 2015 consists of three different plans. Two of these plans are conditional upon continued employment only and, in the case of the first plan, give rise to the delivery of one quarter per year at each of the anniversary date at which the shares were granted (i.e. in April 2016, 2017, 2018 and 2019) and, in the case of the second plan, to the delivery of all shares awarded, at the end of a four-year period, i.e. in April 2019. The third plan, in addition to the condition of continued employment, is subject to performance criteria, such that the total number of shares delivered depends on the level of achievement of targets in respect of 2015, 2016 and 2017 years. The shares ultimately awarded based on the level of achievement of these performance targets will be delivered at the end of a three-year period, i.e. in April 2018.

Free share plans

2013 Co-investment plan[5]	LTIP 2013-2015	LTIP 2014	LTIP 2015	Sapient 2015 Plan[8]	LTIP 2016	Sapient 2016 Plan[9]	LTIP 2016-2018	LIonLead3 France	LIonLead3 International	LIonLead3 Mgmt Board/ Mgmt Board+	LTIP 2017	Sapient 2017 Plan[11]	LTIP 2018	Sapient 2018 Plan[12]	Sprint to the Future[13]
4/30/13	6/17/13	3/20/14	4/17/15	4/17/15	6/23/16	4/15/16	6/23/16	6/16/16	6/16/16	6/16/16 6/23/19 [12]	5/18/17	6/15/17	04/17/2018	04/17/2018	05/18/2018
846,288	105,000	639,750	639,800	422,970	770,300	442,604	120,000	509,652	3,250,962	1,007,721	678,450	528,000	746,800	516,372	1,079,596
28,263	105,000	-	-	-	-	-	45,000	-	-	243,243	-	-	-	-	-
92,931	-	44,000	52,000	197,680	40,400	189,177	75,000	289,575	613,899	764,478	-	-	50,000	114,145	500840
4/30/2016[4] 4/30/17	6/17/2016[4] 6/17/17	3/20/2017[4] 3/20/18	4/17/2018[4] 4/17/19	4/17/16 4/17/19	6/24/19	4/15/17 4/15/20	6/24/19	6/17/19	6/17/20	6/24/19	5/19/20	6/16/18 6/16/21	04/17/2021	04/17/2019 04/17/2022	06/01/2021
846,288	105,000	639,750	639,800	422,970	770,300	442,604	120,000	592,945	3,254,817	1,007,721	678,450	528,000	746,800	516,372	1,079,596
505,483	18,632	(210,311)	(32,532)	(197,278)	-	(205,107)	-	-	-	-	-	(52,229)	-	-	-
340,805	86,368	(429,439)	(424,971)	(171,901)	(470,400)	(89,726)	-	(72,756)	(837,231)	(347,490)	(372,350)	(51,858)	(28,300)	(29,141)	-
-	-	-	182,297	53,791	299,900	147,771	120,000	520,189	2,417,586	660,231	306,100	423,913	718,500	487,231	1,079,596

(9) Sapient Plan 2016 consists of two different plans. One plan is conditional only upon continued employment and gives rise to the delivery of one-quarter of the shares awarded on the dates of the first four anniversaries of the plan (i.e. in April 2017, 2018, 2019 and 2020). The second plan, in addition to the condition of continued employment, is subject to performance criteria, such that the total number of shares delivered shall depend on the level of achievement of targets in respect of 2016, 2017 and 2018. The shares ultimately awarded in accordance with the level of achievement of these performance targets will be delivered at the end of a three-year period, i.e. in April 2019.

(10) Allocation granted on June 16, 2016 and submitted to the Supervisory Board for approval on June 23, 2016.

(11) Sapient Plan 2017 consists of two different plans. The first plan is conditional upon continued employment only and gives rise to the delivery of one-quarter per year at each of the anniversary date at which the shares were granted (i.e. in June 2018, 2019, 2020 and 2021). In addition to the condition of continued employment, the second plan is conditional upon performance criteria, such that the total number of shares delivered shall depend on the level of targets attained in respect of 2017, 2018 and 2019. The shares ultimately awarded in accordance with the level of achievement of these performance targets will be delivered at the end of a three-year period, i.e. in June 2020.

(12) Sapient Plan 2018 consists of two different plans. One plan is conditional only upon continued employment and gives rise to the delivery of one-quarter of the shares awarded on the dates of the first four anniversaries of the plan (i.e. in April 2019, 2020, 2021 and 2022). The second plan, in addition to the condition of continued employment, is subject to performance criteria, such that the total number of shares delivered shall depend on the level of achievement of targets 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.

(13) The Sprint to the Future Plan is a one-off award of performance shares covering the 2018-2020 period and offered to 20 key Group managers.

3

/ Table 11 (AMF nomenclature) Other information concerning the executive corporate officers

Executive corporate officers	Employment contract	Supplementary pension plan	Indemnities or benefits due or payable on cessation or change in functions	Indemnities under a non-compete clause
Management Board				
Arthur Sadoun, Chair	No	No	Yes(1)	Yes(1)
Jean-Michel Etienne	Yes	No	Yes(2)	No
Anne-Gabrielle Heilbronner	Yes	No	Yes(3)	Yes(3)
Steve King	Yes	Yes	Yes(4)	Yes(4)

(1) See Section 3.2.2.2 "Compensation and benefits of Arthur Sadoun, Chair of the Management Board".
(2) See Section 3.2.2.3, "Compensation and benefits of Jean-Michel Etienne, member of the Management Board".
(3) See Section 3.2.2.4, "Compensation and benefits of Anne-Gabrielle Heilbronner, member of the Management Board".
(4) See Section 3.2.2.5 "Compensation and benefits of Steve King, member of the Management Board".

3.2.3.2 Elements of the compensation paid or awarded to corporate officers in respect of the 2018 financial year, and submitted to the Ordinary General Shareholders' Meeting for approval

In accordance with article L. 225-100 II of the French Commercial Code, the following elements of compensation paid or awarded in respect of the 2018 financial year to executive corporate officers of the Company are subject to the shareholder approval:

- fixed compensation;
- variable compensation;
- attendance fees;
- exceptional compensation;
- free share plan;
- granting of options and/or performance shares;
- indemnities when taking or leaving a function;
- Non-compete agreement;
- supplementary pension plan;
- collective health and welfare insurance and systems;
- any elements of compensation granted for the office held; and
- other benefits.

The ninth to thirteenth resolutions submitted to a vote by shareholders at the General Shareholders' Meeting aim to obtain their approval on the elements of compensation and benefits paid or awarded with respect to the 2018 financial year to the Company's corporate officers, Maurice Lévy, Chair of the Supervisory Board, Arthur Sadoun, Chair of the Management Board, Anne-Gabrielle Heilbronner, Jean-Michel Etienne and Steve King, members of the Management Board.

/ Summary table of the elements of compensation of Maurice Lévy, Chair of the Supervisory Board

In the ninth resolution, the General Shareholders' Meeting of May 29, 2019 will be asked to approve the following elements of compensation paid or awarded with respect of the 2018 financial year to Maurice Lévy, Chair of the Supervisory Board:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	2,800,000	n/a
Variable compensation	n/a	n/a
Attendance fees	45,000	n/a
Exceptional compensation	n/a	n/a
Granting of options and/or performance shares	n/a	n/a
Indemnities when taking or leaving a function	n/a	n/a
Supplementary pension plan	n/a	n/a
Collective health and welfare insurance and systems	n/a	n/a
Other benefits	n/a	n/a

/ Summary table of the elements of compensation of Arthur Sadoun, Chair of the Management Board

In the tenth resolution, the General Shareholders' Meeting of May 29, 2019 will be asked to approve the following elements of compensation paid or awarded with respect of the 2018 financial year to Arthur Sadoun, Chair of the Management Board:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	1,000,000	n/a
Variable compensation	1,400,000	This amount is determined by the assessment of the performance on the financial, stock-market and non-financial individual criteria, presented in Section 3.2.2.2.
Attendance fees	n/a	n/a
Exceptional compensation	n/a	n/a
Granting of options and/or performance shares	1,722,211	This amount is the maximum annual value in the consolidated financial statements, of shares awarded under the one-off, Sprint to the Future plan. The number of shares ultimately delivered at the end of the three-year vesting period will depend on the level of attainment of the targets set.
Indemnities when taking or leaving a function	n/a	n/a
Supplementary pension plan	n/a	n/a
Collective health and welfare insurance and systems	4,544	This is the employer's contribution to the collective health and welfare insurance
Other benefits	n/a	n/a

/ Summary table for the elements of compensation of Jean-Michel Etienne, member of the Management Board

In the eleventh resolution, the General Shareholders' Meeting of May 29, 2019 will be asked to approve the following elements of compensation paid or awarded in respect of the 2018 financial year to Jean-Michel Etienne, member of the Management Board:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	840,000	n/a
Variable compensation	672,000	This amount is determined by the assessment of the performance on the financial, stock-market and non-financial individual criteria, presented in Section 3.2.2.3.
Attendance fees	n/a	n/a
Exceptional compensation	n/a	n/a
Granting of options and/or performance shares	1,148,141	This amount is the maximum annual value in the consolidated financial statements, of shares awarded under the one-off, Sprint to the Future plan. The number of shares ultimately delivered at the end of the three-year vesting period will depend on the level of attainment of the targets set.
Indemnities when taking or leaving a function	n/a	n/a
Supplementary pension plan	n/a	n/a
Collective health and welfare insurance and systems	4,544	This is the employer's contribution to the collective health and welfare insurance.
Other benefits	n/a	n/a

/ Summary table of elements of compensation for Anne-Gabrielle Heilbronner, member of the Management Board

In the twelfth resolution, the General Shareholders' Meeting of May 29, 2019 will be asked to approve the following elements of compensation paid or awarded with respect to the 2018 financial year to Anne-Gabrielle Heilbronner, member of the Management Board:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	600,000	n/a
Variable compensation	480,000	This amount is determined by the assessment of the financial performance and on non-financial individual criteria, presented in Section 3.2.2.4.
Attendance fees	n/a	n/a
Exceptional compensation	n/a	n/a
Granting of options and/or performance shares	1,148,141	This amount is the maximum annual value in the consolidated financial statements, of shares awarded under the one-off, Sprint to the Future plan. The number of shares ultimately delivered at the end of the three-year vesting period will depend on the level of attainment of the targets set.
Indemnities when taking or leaving a function	n/a	n/a
Supplementary pension plan	n/a	n/a
Collective health and welfare insurance and systems	4,544	This is the employer's contribution to the collective health and welfare insurance.
Job-loss insurance	12,357	This is for Publicis Groupe's payment of job-loss insurance.

/ Summary table of the elements of compensation of Steve King, member of the Management Board

In the thirteenth resolution, the General Shareholders' Meeting of May 29, 2019 will be asked to approve the following elements of compensation paid or awarded with respect of the 2018 financial year to Steve King, member of the Management Board[(1)]:

Elements of compensation	Amounts (in euros) or accounting valuation submitted for vote	Presentation
Fixed compensation	1,017,295	n/a
Variable compensation	1,464,905	This amount is determined by the assessment of the performance on the financial, stock-market and non-financial individual criteria, presented in Section 3.2.2.5.
Attendance fees	n/a	n/a
Exceptional compensation	n/a	n/a
Granting of options and/or performance shares	1,435,167	This amount is the maximum annual value in the consolidated financial statements, of shares awarded under the one-off, Sprint to the Future plan. The number of shares ultimately delivered at the end of the three-year vesting period will depend on the level of attainment of the targets set.
Indemnities when taking or leaving a function	n/a	n/a
Supplementary pension plan	57,807	n/a
Collective health and welfare insurance and systems	n/a	n/a
Other benefits	n/a	n/a

(1) Compensation determined and paid in pounds sterling. The translation into euros was carried out at the average rate of 1 pound sterling = euro 1.1303 in 2018.

3.2.4 Related-party agreements and commitments

Within the framework of the appointments, taking effect on June 1, 2017, of Arthur Sadoun, as Chair of the Management Board, and Steve King, as member of the Management Board, the Supervisory Board Meeting of March 1, 2017 authorized or confirmed, on the recommendation of the Compensation Committee, commitments relating to a severance payment and compensation linked to a non-compete agreement, commitments which could be paid to them under certain circumstances and conditions. These commitments were notified to the statutory auditors as related- party agreements. They were approved by the General Shareholders' Meeting of May 31, 2017.

Following the renewal of Management Board members' terms of office, the Supervisory Board Meeting of September 12, 2018, renewed severance payment-related commitments to Anne-Gabrielle Heilbronner, Arthur Sadoun, Jean-Michel Etienne and Steve King. The Supervisory Board ensured that the terms of Management Board members' severance pay were amended in line with the recommendations of the Afep-Medef Code and best practices. The Supervisory Board wished to take the rules of governance of Publicis shareholders and proxy voting advisory agencies into consideration. These commitments were notified to the statutory auditors as related- party agreements. They will be submitted for approval by the General Shareholders' Meeting on May 29, 2019.

Non-compete commitments benefiting Arthur Sadoun and Steve King, already authorized by the Supervisory Board on March 1, 2017, and approved by the General Shareholders' Meeting of May 31, 2017, remain in force until the Supervisory Board decides otherwise.

The Supervisory Board Meeting of November 28, 2018 carried out a review of existing agreements and commitments concluded and authorized during previous financial years and the last financial year.

These agreements are discussed in detail in Section 3.2.2 of the Registration Document. These agreements are also covered in the special statutory auditors' report on regulated commitments and agreements (see Section 3.4).

The information related to the agreements referred to in article L. 225-86 of the French Commercial Code and signed by the Company can be found in the Company's 2017 and 2016 Registration Documents:

- 2017: document filed with the AMF on April 20, 2018, (under no. D.18-0359), on page 101;
- 2016: document filed with the AMF on May 9, 2017, (under no. D.17-0496), on page 102.

3.2.5 Share ownership

At December 31, 2018, no members of the Management Board and the Supervisory Board owned more than 1% of the Company's shares, with the exception of Élisabeth Badinter and her children (7.10%), and Maurice Lévy, who owns directly or indirectly 4,669,246 shares, *i.e.* 1.98% of the Company's capital, including 2,509,602 shares owned through a company belonging to Maurice Lévy and his family.

As of December 31, 2018, the members of the Management Board and the Supervisory Board (with the exception of Élisabeth Badinter and her children) directly and indirectly owned 6,736,882 shares, *i.e.* 2.86% of the share capital of the Company, including 1,98% controlled by Maurice Lévy.

As of December 31, 2018, the members of the Management Board also owned 90,947 stock options, all of which are exercisable. The average weighted exercise price of the options is euro 52.76 per share and the expiry date of these options is 2023 (see Note 31 to the consolidated financial statements in Section 6.6).

The following table shows the interest of each corporate officer in the share capital of the Company at December 31, 2018 by the number of shares and voting rights, as well as the number of shares that each corporate officer has the right to acquire through the exercise of new stock subscription options and existing stock purchase options.

/ Shareholding and stock options of the corporate officers as of December 31, 2018

Corporate officer	Number of Publicis Groupe SA shares	Voting rights in Publicis Groupe SA(1)	Number of shares that may be acquired through the exercise of share subscription options	Shares that may be acquired through the exercise of share purchase options		
				Total Number	Of which conditional options(2)	Weighted average price (in euros)
Member of the Management Board						
Arthur Sadoun	53,795	76,554		35,491	35,491	52.76
Jean-Michel Etienne	95,464	190,928		27,916	27,916	52.76
Anne-Gabrielle Heilbronner	6,864	12,228				
Steve King	16,896	21,396		27,540	27,540	52.76
Total Management Board	**173,019**	**301,106**		**90,947**	**90,947**	**52.76**
Member of the Supervisory Board						
Maurice Lévy(3)	4,669,246	6,811,753				
Élisabeth Badinter(4)	16,700,967	33,401,934				
Simon Badinter(5)	1,259	1,768				
Jean Charest	1,400	2,700				
Sophie Dulac	1,749,460	3,088,920				
Thomas H. Glocer	500	500				
Marie-Josée Kravis	500	500				
André Kudelski	500	500				
Marie-Claude Mayer	13,170	26,090				
Véronique Morali	500	1,000				
Cherie Nursalim	500	500				
Pierre Pénicaud(6)	-	-				
Total Supervisory Board	**23,138,002**	**43,336,165**				

(1) Shows the impact of possible double voting rights.
(2) The conditions were taken into account to determine the final number of options definitively granted.
(3) Maurice Lévy directly owns 2,159,644 shares, and indirectly owns 2,509,602 shares of the Company through a family-owned company, representing a total of 6,811,753 voting rights.
(4) Élisabeth Badinter fully owns 5,834,820 shares (representing 2.48% of the share capital and 4.59% of the voting rights) and is the beneficial owner of 10,866,147 shares with her children having the bare ownership of the underlying shares (representing 4.62% of the share capital and 8.54% of voting rights).
(5) Excluding the 3,622,049 bare owner shares held by Simon Badinter.
(6) Pierre Pénicaud is Supervisory Board member representing employees.

Note: bylaws require members of the Supervisory Board to hold at least 500 shares. However, members representing employees are not obliged to hold a minimum number of shares during their term of office (article 13 of the Company bylaws).

3.2.6 Transactions performed on Publicis Groupe securities by corporate officers and persons related to them

The transactions performed by the corporate officers and the persons mentioned in article L. 621-18-2 of the French Monetary and Financial Code concerning Company stock during the financial year 2018 are as follows:

Name and surname	Position	Description of the financial instrument	Type of transaction	Number of transactions	Amount of the transactions (in euros)
Maurice Lévy[(1)]	Chair of the Supervisory Board	Shares	Contributions in kind	4	139,136,978.78
Anne-Gabrielle Heilbronner	Member of the Management Board	Shares	Disposal	2	37,749.96
Véronique Weill	Member of the Executive Committee	Shares	Free shares vested	1	0
Cherie Nursalim	Member of the Supervisory Board	Shares	Acquisition d'actions	1	26,240

(1) Four family-owned companies with close ties to Maurice Lévy (Mora Investissements, Molain Investissements, Momick Investissements and Most Investissements) made in-kind contributions of Publicis Groupe SA shares to the family-owned company, Mora & F SA, which also has close ties to Maurice Lévy.

3.3 RELATED-PARTY TRANSACTIONS

The operations below summarize related-party transactions since 2016.

3.3.1 Terms and conditions of financial transactions carried out with related parties

On June 16, 2016, Médias et Régies Europe, a wholly-owned subsidiary of Publicis Groupe SA, sold 56.67% of the capital and voting rights of the Mediavision et Jean Mineur Company. 52% were acquired by the BDC company, wholly-owned by Benjamin Badinter, son of Élisabeth Badinter (see Section 4.6 Note 29 to the consolidated financial statements of the 2016 Registration Document, the price was subject to review by an independent expert). Following this transaction, Multi Market Services France Holdings (wholly-owned subsidiary of Publicis Groupe SA, that had absorbed Médias et Régies Europe as part of a merger-takeover transaction on December 26, 2016) holds 10% of the capital and voting rights of Mediavision et Jean Mineur.

In the second half of 2018, Publicis Groupe started a process to dispose of all the activities of Proximedia. Present in France, Belgium, the Netherlands and Spain, Proximedia assists micro-companies, SMEs, retailers and craftspeople with their digital communication. On December 19, 2018, the Group companies holding Proximedia's activities received a firm acquisition offer for all the companies forming Proximedia and the Spanish activity. In return, the companies in question signed an exclusivity agreement with Ycor SCA to negotiate the final terms and conditions of this operation. Maurice Lévy, Chair of the Publicis Groupe Supervisory Board, holds interests in Ycor SCA. Some 10 investors, out of the 60 approached, showed an interest in the full or partial takeover of Proximedia. Ycor SCA's offer, covering the entire scope, was the highest offer financially and was also the most compelling in terms of development prospects for the companies sold and support of the teams. This proposed sale, which will be the subject of an information or consultation process with the relevant staff representative bodies, is due to be finalized in the first half of 2019 (See Section 6 – Notes 4.4 & 32 to the consolidated financial statements in this document).

3.3.2 Related-party transactions carried out

During 2018, the following transactions were carried out by Publicis Groupe with related parties:

	Revenue with related parties
Joint venture constituted between MSL France and Les Échos Solutions[2]	9

	Expenditure with related parties
Burell Communication Group	3

During the previous two financial years, the following transactions were carried out by Publicis Groupe with related parties:

	Revenue with related parties Year 2017	Revenue with related parties Financial year 2016
Joint venture constituted between MSL France and Les Échos Solutions[2]	8	7

The outstanding amounts with related parties in the balance sheet as at December 31, 2018 were as follows (in millions of euros):

	Receivables/ Loans with related parties	Liabilities to related parties
OnPoint Consulting, Inc.(1)	12	-
Joint venture constituted between MSL France and Les Échos Solutions(2)	1	5
Zag Limited(3)	6	-
Sapient.i7 Limited(4)	1	-
Étoile Restauration SAS(5)	1	-
Others	1	-

(1) Entity 100% owned by Publicis Groupe.
(2) Entity 50% owned by Publicis Groupe, to organize the “Viva Technology” event
(3) Entity 36.75% owned by Publicis Groupe.
(4) Entity 39% owned by Publicis Groupe.
(5) Entity 49% owned by Publicis Groupe.

3.4 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

General Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2018

To the Annual General Meeting of Publicis Groupe SA,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement as well as the reasons justifying why they benefit the Company. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with article R. 225-58 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R. 225-58 of the French Commercial Code (*Code de commerce*) of the continuation of the implementation, during the year ended 2018, of the agreements and commitments previously approved by the General Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying that the consistency of the information provided to us with the relevant source documents.

Agreements and commitments submitted for approval to the general shareholders' meeting

In accordance with the article L. 225-88 of the French Commercial Code (*Code de commerce*), we have been notified of the following related party agreements and commitments which received prior authorization from your Supervisory Board.

Commitment relating to severance payment for Mr. Arthur Sadoun, Chairman of the Management Board

The Supervisory Board of September 12, 2018 renewed and amended the commitments on severance payment for Mr. Arthur Sadoun authorized by the Supervisory Board of March 1 , 2017 and approved by the General Meeting of May 31, 2017, in the context of renewing his appointment as Chairman of the Management Board. In the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Mr. Arthur Sadoun would be entitled to a severance payment.

The amount of the payment would be equal to one year of total gross compensation (fixed and targeted variable portions) calculated using the average of the latest twenty-four months of compensation.

He would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been awarded to him, and to retain on a prorated basis the bonus shares already granted to him more than two years prior, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

This payment would be subject to a performance condition: the severance payment would only be due in its full amount if the average annual amount of the bonus acquired by Mr. Arthur Sadoun for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", the payment and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

The authorising decision made by your company in favour of Mr. Arthur Sadoun for his severance payment was justified as follows: "The Supervisory Board considers that these commitments should encourage members of the Management Board to be completely devoted and loyal to the Group."

Commitment relating to severance payment for Ms. Anne-Gabrielle Heilbronner, Member of the Management Board

The Supervisory Board of September 12, 2018 renewed and amended the commitments on severance payment for Ms. Anne-Gabrielle Heilbronner authorized by the Supervisory Board of March 12, 2015 and approved by the General Meeting of May 27, 2015, in the context of renewing his appointment as Member of the Management Board. In the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Ms. Anne-Gabrielle Heilbronner would be entitled to a severance payment.

Provided that Ms. Anne-Gabrielle Heilbronner does not continue to be employed by Publicis Groupe, the amount of the payment would be equal to one year of total gross compensation (fixed compensation and targeted variable portions) calculated using the average of the latest tweny-four months of compensation.

She would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been awarded to her, and to retain the bonus shares already granted to her for more than two years, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

The severance payment would only be due in its full amount if the average annual amount of the bonus acquired by Ms. Anne-Gabrielle Heilbronner for the three years prior to the termination of her duties is equal to at least 75% of her "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefits will be due. If the average annual amount is between 25% and 75% of the "target bonus", payments and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

The severance payment and any compensation under the employment contract may not exceed two years of total compensation (fixed and targeted variable remuneration).

The authorising decision made by your company in favour of Ms. Anne-Gabrielle Heilbronner for her severance payment was justified as follows: "The Supervisory Board considers that these commitments should encourage members of the Management Board to be completely devoted and loyal to the Group."

Commitment relating to severance payment for Mr. Jean-Michel Etienne, Member of the Management Board

The Supervisory Board of September 12, 2018 renewed and amended the commitments on severance payment for Mr. Jean-Michel Etienne authorized by the Supervisory Board of March 12, 2015 and approved by the General Meeting of May 27, 2015, in the context of renewing his appointment as Member of the Management Board. In the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Mr. Jean-Michel Etienne would be entitled to a severance payment.

Provided that Mr. Jean-Michel Etienne does not continue to be employed by Publicis Groupe, the amount of the severance payment would be equal to one and a half year's total gross compensation (fixed compensation and targeted variable portions) calculated using the average of the latest twenty-four months of compensation.

He would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been awarded to him, and to retain the bonus shares already granted to him for more than two years, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

The severance payment would be subject to performance conditions: the severance payment would only be due in full if the average annual amount of the bonus acquired by Mr. Jean-Michel Etienne for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefit will be due. If the average annual amount is between 25% and 75% of the "target bonus", payments and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

The severance payment and any compensation under the employment contract may not exceed two years of total compensation (fixed and targeted variable remuneration).

The authorising decision made by your company in favour of Mr. Jean-Michel Etienne for his severance payment was justified as follows: "The Supervisory Board considers that these commitments should encourage members of the Management Board to be completely devoted and loyal to the Group."

Commitment relating to severance payment for Mr. Steve King, Member of the Management Board

The Supervisory Board of September 12, 2018 renewed and amended the commitments on severance payment for Mr. Steve King as provided for in his employment contract with one of the Group's subsidiaries in the United Kingdom as Member of the Management Board, authorized by the Supervisory Board of March 1, 2017 and approved by the General Meeting of May 31, 2017.

In the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Mr. Steve King would be entitled to this single severance payment.

Provided that Steve King does not continue to be employed by Publicis Groupe, the amount of the severance payment would be equal to one year of total gross compensation (fixed compensation and targeted variable portions) calculated using the average of the latest twenty-four months of compensation.

He would also have the right to exercise the options to subscribe to and/or to purchase the shares that have been awarded to him, and to retain the free shares already granted to him for more than two years, subject to the performance conditions set out in the regulations for the plan in question being satisfied.

This severance payment would be subject to a performance condition. The severance payment would only be due in its full amount if the average annual amount of the bonus acquired by Mr. Steve King for the three years prior to the termination of his duties is equal to at least 75% of his "target bonus". If the average annual amount is less than 25% of the "target bonus", no sum or benefit will be due. If the average annual amount is between 25% and 75% of the "target bonus", payments and benefits will be calculated on a proportional basis between 0% and 100% using the rule of three.

The severance payment may only be paid after the determination by the Supervisory Board that the performance conditions had been achieved at the date on which his term as a member of the Management Board ended.

The severance payment and any compensation under the employment contract may not exceed two years of total compensation (fixed and targeted variable portions).

The authorising decision made by your company in favour of Mr. Steve King for his severance payment was justified as follows: "The Supervisory Board considers that these commitments should encourage members of the Management Board to be completely devoted and loyal to the Group."

Agreements and commitments previously approved by the general shareholders' meeting

Agreements and commitments approved in prior years

a) Which have been pursued during the last financial year

We have not been notified of any agreements or commitments approved in previous financial years and which remained current during the last financial year.

b) Which gave rise to no transactions during the last financial year

Furthermore, we have been notified of the following agreements and commitments approved in previous years by the General Shareholders' Meeting which remained current during the last year, but which gave rise to no transactions during the last year.

Non-compete agreement for in favor of Mr. Arthur Sadoun, Chairman of the Management Board

The Supervisory Board of March 1, 2017 authorized in favor of Mr. Arthur Sadoun, in the event of resignation, a non-compete agreement and an agreement not to solicit personnel during the two years following the end of his Chairmanship of the Publicis Groupe SA Management Board.

In consideration of his observance of this non-compete agreement, Mr. Sadoun will receive monetary compensation (payable monthly in advance) in an amount equal to two years of total gross compensation (fixed and targeted variable portions) calculated using the average of the latest 24 months of compensation.

In the event of a forced departure due to a change in control or strategy, Mr. Arthur Sadoun will not be held to a non-compete obligation.

Non-compete commitment in favor of Mr. Steve King, Member of the Management Board

The Supervisory Board of March 1, 2017 confirmed that Mr. Steve King would continue to benefit from a non-compete commitment as provided for in his employment contract with one of the Group's subsidiaries in the United Kingdom.

The severance payment and any compensation for a non-compete obligation may not exceed 12 months of total compensation (fixed and targeted variable portions).

In the event of a forced departure due to a change in control or strategy and other than in the case of serious or gross misconduct, Mr. Steve King wi ll not be held to a non-compete obligation.

Paris-La Défense and Courbevoie, April 03, 2019
French original signed by
The Statutory Auditors

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

CHAPTER

CORPORATE SOCIAL RESPONSIBILITY – NON-FINANCIAL PERFORMANCE

4

4.1 THE TEAMS: TALENT 123

4.1.1 Key figures 123
4.1.2 Diversity and inclusion 124
4.1.3 Development of skills, experience, careers 129
4.1.4 Employee well-being 130
4.1.5 Listening to and engaging with employees 132
4.1.6 Compensation and recognition 133

4.2 CLIENTS AND PARTNERS 135

4.2.1 The Group's clients 135
4.2.2 Services offered to clients 135
4.2.3 Responsible communication and marketing 135
4.2.4 Ethical principles applying to all Group agencies 136
4.2.5 Technological innovations and partnerships 137
4.2.6 Responsible procurement 138

4.3 CITIZEN-CONSUMERS AND SOCIETY 140

4.3.1 Consumer protection measures 140
4.3.2 Responsible consumption 141
4.3.3 Commitments by the Group, agencies and employees: Create & Impact 2018 141
4.3.4 Human rights policy 142

4.4 BUSINESS ETHICS 144

4.4.1 Ethical principles in the conduct of business 144
4.4.2 Professional ethics and ethics within business lines 145
4.4.3 Audits and Certifications 145
4.4.4 Group governance 146
4.4.5 The Group's ecosystem: stakeholder relations 146
4.4.6 Compliance 147

4.5 ENVIRONMENTAL IMPACT 148

4.5.1 Environmental policy 148
4.5.2 Consumption 150
4.5.3 Review of greenhouse gas emissions 151

4.6 NON-FINANCIAL PERFORMANCE AND ASSESSMENTS 153

4.7 CSR REPORTING METHODOLOGY 154

Scope and process 154
CSR governance and reporting process 154
Guidelines 155

4.8 SUSTAINABLE DEVELOPMENT GOALS 156

4.9 EXTERNAL AUDIT REPORT 158

This non-financial performance statement, overseen by Anne-Gabrielle Heilbronner, Secretary General and member of the Management Board, reports on the progress of issues related to CSR – Corporate Social Responsibility – within the Group. The non-financial performance statement is intended as an overview, but French and international regulatory changes over the last few years have increased the number of issues to be addressed and the level of detail required. This Section, therefore, includes a number of quantitative and qualitative indicators that have already been monitored for several years, with the Group applying the "comply or explain" rule.

This declaration of non-financial performance comprises several sections, in addition to Section 4 which is the basis for the non-financial reporting:

- the items covering the outlook and general trends, as well as the business model and value-creation components, are presented in the introduction with a summary of financial and non-financial key figures;
- the Group's strategy and activities are presented in more detail in Section 1;
- the risk factors including the points arising from the transposition of Directive 2014/95/EU are presented in Section 2; the Group has always preferred a single risk map for consistency reasons. It includes human (such as the fight against discrimination) and environmental risks, associated with the main challenges featured in the materiality table below (such as the fight against corruption or data protection);
- the Group's governance is presented in Section 3; and
- the consolidated financial statements in Section 5.

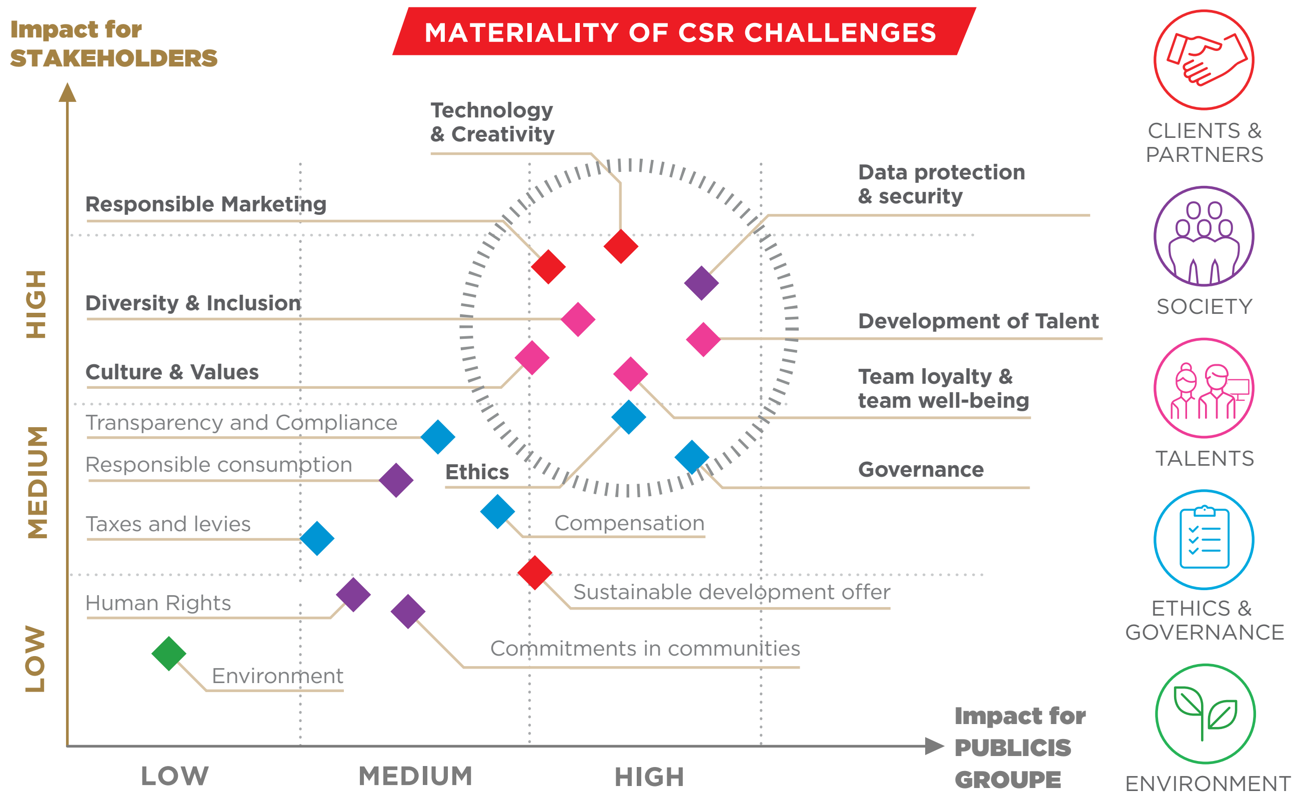
Examples of various actions carried out and initiatives implemented in the agencies to address social, cultural, ethical and environmental issues are given. More examples are featured on the Group's corporate website www.publicisgroupe.com (CSR Section). Lastly, a dynamic "CSR Smart Data" table is also available on the corporate website (CSR Section).

Working methods and processes in place for CSR reporting, as well as governance of these issues, are detailed in Section 4.6. In compliance with French and European legislation, the statutory auditors' statement is at the end of this Section.

Materiality of CSR challenges

Following a stakeholder consultation process (employees, customers, investors etc.), a materiality matrix of the Group's CSR challenges was compiled in 2015 as it appears below. These major topics are in line with the analysis proposed by the Sustainability Accounting Standard Board (SASB). The Group's stakeholders, in addition to the main interactions with each of them, are described in the introduction of this document.

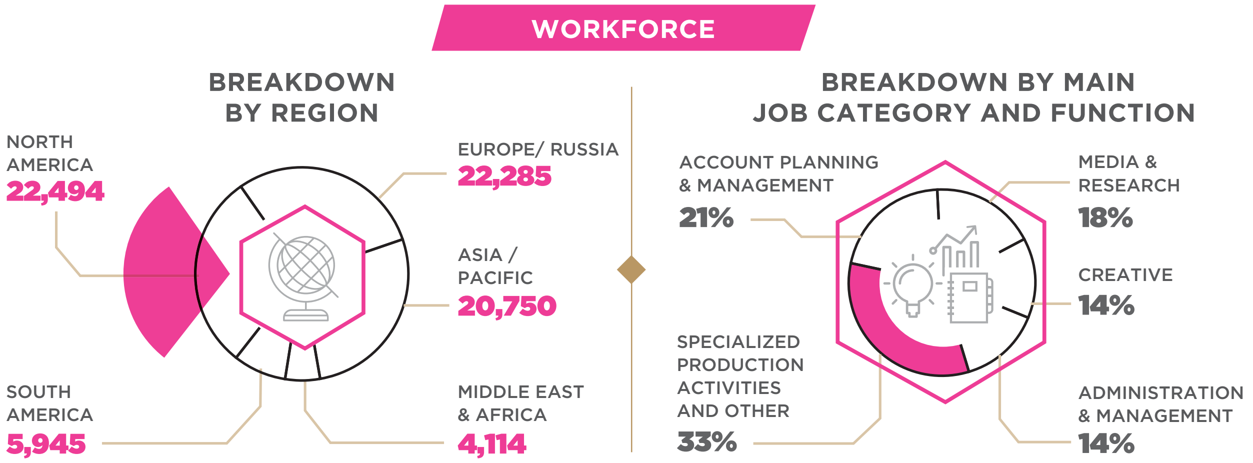
The Group's CSR strategy takes into account all items in this matrix, placing particular focus on priority risks. The scope of these impacts concerns the Company and all its subsidiaries (100%), as well as some of the related parties associated with the digital activities for customers (e.g. servers).



4.1 THE TEAMS: TALENT

4.1.1 Key figures

/ Breakdown by region and main job category and function



- Employment:

  Total headcount in 2018: **75,588** people.

  The net variation of employees is broken down as follows:
  - hires: 31,439 people taken on in 2018,
  - departures: 33,524 in 2018. These departures reflect the permanent adaptation of the workforce in line with the Group's profound transformation: both reorganizations during the implementation of the new "Power of One" organization by country (rather than by network), and the restructuring due to the loss of clients, particularly in the United States in the consumer goods business. Publicis Groupe is a company whose entities and agencies carry out regular adjustments and which always prioritizes internal solutions;
- Turnover in 2018: 26.5%:

  The turnover rate is equal to the cumulative number of voluntary departures during the year of employees with permanent contracts, divided by the average annual number of employees with permanent contracts. There may be differences between agencies and especially from one country to another. Some entities have undergone dramatic changes under the strategic transformation plan, which explains the higher turnover in 2018;
- The Group's employment contracts are drawn up in compliance with the framework of local laws and regulations for permanent contracts and temporary contracts. Depending on the local context and the temporary needs of certain projects, freelance service contracts may be drawn up for independent workers.

  Employee contracts can be broken down as follows:
  - permanent contracts: 91.9% of total workforce; 90.7% of women and 93.1% of men are employed under a permanent contract,
  - temporary contracts: 8.1% of total workforce; 9.3% of women and 6.9% of men are employed under a temporary, fixed-term contract;
- Within the agencies, work is organized around project management requirements adapted to meet client needs. Work time is managed locally; timescales on some projects can sometimes be tight, which requires a certain amount of flexibility from employees. Over the last few years, the way that work is organized has changed dramatically, with the emphasis on teleworking, either from clients' premises or from other Group entities when possible, or even from home. Flex management is in place in nearly all entities with differences depending on the nature of certain roles and the local legal framework. Organizational flexibility must be shared by all, as clients are faced with exactly the same challenges. In consideration of employees' flexible working expectations, local agency management is putting measures in place (from a few hours off on Fridays in the summertime, to a whole day off) to give employees more time off over the summer or during major holidays, as is the case in China, India and the United States;
- The absenteeism rate within the Group is estimated at 2.15%(1).

(1) Definition: the absenteeism rate is equal to the total number of lost days, for absences other than paid leave or maternity/paternity leave, divided by the number of business days in the year.

4.1.2 Diversity and inclusion

Diversity is a priority for the Group's senior management. Respecting everybody for their individuality, both internally within the Group (the diversity of our employees) and externally (the cultural contexts in which the teams work with our clients) is at the heart of our corporate culture. The Group's Diversity & Inclusion policy sets out the main founding principles that are underpinned by more local policies. The founding principles are updated on a regular basis and employees involved in implementing actions are informed of any changes. In addition, they are often shared with our clients.

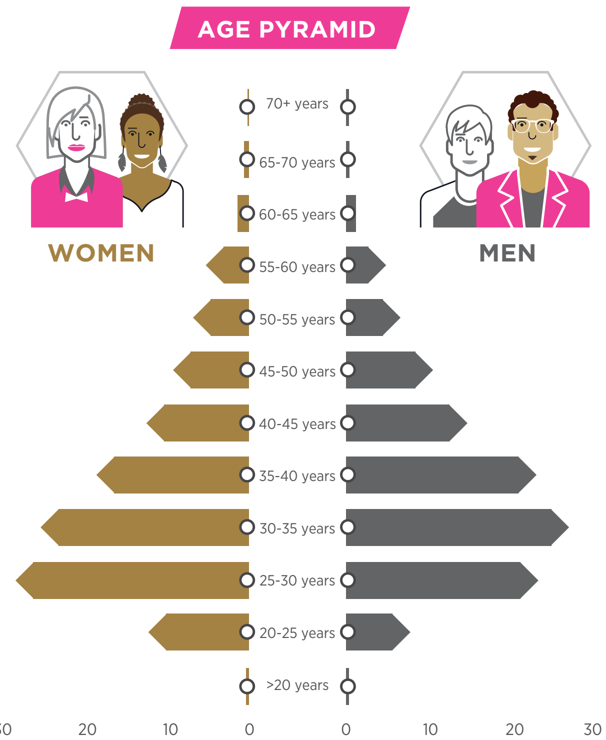
Diversity in the Group – at December 31, 2018

Multi-year data trends available on the Group site, in the CSR section of the CSR Smart Data page

	% Women staff members(1)	% Women members of an agency EXCOM(2)	% Women of an CEOs(3)	% Women Heads of agency Creative Teams(4)	% Women Heads of Technological Teams(5)	% Women in key management positions(6)
Total Publicis Groupe	**50.2%**	**40.2%**	**30.8%**	**18.7%**	**15.5%**	**37%**
Africa and Middle East	48.9%	6.3%	12.5%	16.7%	25.7%	n/a
Latin America	51.3%	32.7%	18.4%	0.0%	47.3%	n/a
North America	54.1%	24.8%	22.4%	18.4%	38.7%	n/a
Asia Pacific	42.9%	40.9%	21.1%	16.0%	42.8%	n/a
Europe	53.1%	32.6%	16.7%	16.1%	39.9%	n/a

Scopes as a % of the Group:
(1) Breakdown of women by region.
(2) Agency Executive Committees: calculated at agency or entity management level and by region;
(3) Agency CEOs: calculated at CEO level of each agency or entity and by region;
(4) Creative Team Directors: calculated at the management level of creative-teams of agencies or entities with this function, and by region;
(5) Technological Team Directors: calculated at the management level of technological/data teams of agencies or entities with this function, and by region;
(6) Percentage of women among the key managers of the Group (including the management committees of the Solution Hubs and the countries). This indicator is applicable only at the Group level.

- The Management Board chaired by Arthur Sadoun comprises three men and one woman (25% female representation);
- The Executive Committee chaired by Arthur Sadoun comprises six men and three women (33.3% female representation);
- The Management Committee, chaired by Arthur Sadoun, comprises 24 members of whom eight are women (33.3% female representation);
- The Supervisory Board of Publicis Groupe, which is chaired by Maurice Lévy, includes six women (55% female representation). See Section 3.1 of this document;
- Average age of employees: 35 years old (36 for men-34 for women);
- Age pyramid: In 2018, the age pyramid was calculated on the basis of more than 80% of the Group's headcount (*via* the P-Talent internal tool). One of the Group's challenges is to give the many young women who join the agencies at the start of their careers the opportunity to advance with greater ease and stay longer in the Group.



The “zero tolerance” principle

The principle of non-discrimination is intangible. It has always been applied in the fight against all forms of discrimination, on whatever grounds (gender, age, background, sexual orientation, religion etc.). This “Zero Tolerance” principle also applies to sexual harassment and inappropriate conduct. This is how it is defined in the Janus Code of Ethics (excerpts of which are accessible on the Group’s corporate site at: www.publicisgroupe.com). A whistleblowing procedure has been in place for a number of years and has been standardized by the use of a single email address ethicsconcerns@publicisgroupe.com. Issues fed back are managed by the Secretary General, with complete confidentiality and protection for whistleblowers (see details in Section 4.4.1 of this document). Managers receive training on the “Zero Tolerance” policy from local legal and human resources teams, on an annual basis, the objective being to create the conditions for an inclusive culture that is respectful to all.

The Group is proactive on the subject of the diversity of its employees. Among all of the criteria to be taken into account, the Group is pursuing its efforts in eight specific areas, namely: gender, age, disability, cultural and ethnic origins, training, sexual orientation, religion, and veterans (military). These priorities are not restrictive, but allow agencies to carry out initiatives in accordance with local country regulations, either alone or in partnership with others.

Monitoring of diversity indicators is subject to national legislative requirements. At the Group level, only gender and age data can be consolidated and published. More in-depth analysis carried out locally makes it possible to implement specific actions, both in terms of recruitment, retention and promotions that target certain profiles.

Unconscious bias training is held in lots of countries to make male and female managers aware of this issue. Unconscious bias is one of the topics covered in many induction sessions for new female, and male, arrivals.

The Group confirmed its commitment to gender equality when the Group’s CEO, Arthur Sadoun, signed the UN Women’s Empowerment Principles (WEP). These seven key principles promote women’s rights as fundamental human rights and encourage equality in all its forms. This corporate commitment is in addition to other international initiatives: the CEO Action for Diversity and Inclusion in the United States requested that hundreds of CEO signatories share their best practices and data concerning trends in female employment in their organizations. Publicis Groupe is one of the 20 or so corporate members of the Unstereotype Alliance which is placed under the aegis of UN Women and whose mission is to fight against outdated gender stereotypes in communication campaigns. For a number of years now, the Group has been in partnership with Catalyst, an organization committed to equality and inclusion in lots of countries, and a source of inspiration for local agency-led programs.

Focus on the Women’s Forum

In 2018, the Women’s Forum for the Economy and the Society was rolled out in several parts of the world. In Toronto, Canada, on the eve of the G7 summit, it made a plea to world leaders, “Bridging the gap: A call to the G7 for inclusive progress”, to warn of the pressing need for a more inclusive world to ensure greater prosperity. In September 2018, the first forum was held in Singapore with around 800 participants. Then the annual Global Meeting was held in November, in Paris, with over 2,600 participants. For the first time, 40 high school students from the Île-de-France, along with their teachers, were invited to take part in the discussions, a unique experience designed to broaden their horizons. Attendance at the Women’s Forum is growing every year, with women coming from 80 different countries. The number of men in attendance also increased (participants up 20%). The Women’s Forum is characterized by specific initiatives such as Rising Talents which, every year, honors a number of talented women under the age of 40, who are future leaders; CEO Champions which commits CEOs to transparency in respect of the progress made in their organizations (public or private); Daring Circles, which unites partners around five issues: Women & Climate, Women & AI, Women & STEM, Women & Access to Health, Women & Supplier Diversity. As a result of Daring Circles set up with partners, joint enterprise initiatives were launched with concrete commitments such as, more systematic use of women-led suppliers, or the launch of a call for projects to give women better access to healthcare and preventive health programs. The aim of the Women’s Forum is to act on several levels: on the one hand, to speed up real equality between men and women, something which is still a challenge in every country in the world, without exception; and on the other, to value the vital contributions made by women to the economy and society, and to encourage women to innovate in all areas. Lastly, to enable those men and women who are fighting for the rights of women and girls to make themselves heard and build momentum.

4.1.2.1 Diversity and inclusion policies in a number of countries

a) Diversity policy in the United States

Under the leadership of Sandra Sims-Willams, Chief Diversity Officer US, the Talent Engagement & Inclusion (TE&I) Council brings together Diversity managers in the United States. Its role is to set the priorities for the year and to tailor joint actions in relation to policies, good practices or experience sharing. It meets every quarter, in the presence of the Group’s Secretary General or with the Group’s CSR Department. The quarterly newsletter, TE&I Quarterly, reports on its activities. This newsletter is accessible under the Talents section of the CSR page on the Group’s website.

The TE&I Council plays a supporting role for agencies’ Talent or Human Resources teams in terms of recruitment or retention, with particular focus on the various internal options that enable Group employees to develop by way of attractive career paths.

The TE&I Council is there to help managers and equip them with tools such as: Unconscious Bias, Inclusive Recruiting, Managing Inclusion and Straight Talk training, and more.

The Group's nine BRGs (Business or Employee Resource Groups) have a presence in 17 US cities where the Group's main entities are located, and rely on volunteers to run them and determine their actions. These BRGs are, by definition, open to all. The aim is to build affinity groups to take joint action: VivaWomen! (women), *Égalité* (LGBT), VivaWomen! of Color (Women of Color), VivaMama (Mothers), <VivaTech> (women in Tech), MOCA (Men of Color Alliance), GenNext (Young Talents), Publicis Connects (for HR managers and to facilitate internal mobility) and PubVets (Military veterans).

The TE&I Council coordinates the Group's participation in a selection of conferences. These initiatives enable employees to take part in theme- based day events and leave with concrete projects to take back to their agencies. At the Black Enterprise Women of Power Summit, the Group accompanied a delegation of 70 participants. At the 3% Conference, the delegation included 200 highly motivated participants eager to change the organization of creative leadership. Still within the industry, in 2018, Group agencies took part in Times'Up Advertising activities. At the Out & Equal Summit For Workplace Equality, Group agencies shared initiatives in support of the LGBT community. Finally, feedback from the delegations present at Adcolor, Disability Matters, Hispanicize, and many others, was extremely positive and bodes well for further progress.

In May 2017, Publicis Groupe joined CEO Action for Diversity & Inclusion, a US initiative with several hundred CEOs and Executive members of international companies highly committed to creating work places that are inclusive and inspirational. The focus of action is three-pronged: Management commitment – in its actions, the implementation of large- scale training programs to counter unconscious bias, and the public sharing of best practices. This approach relies on the leverage impact that could prompt a change in behavior in the private sector.

In 2018, the Group's agencies also joined the Alliance for Inclusive Multicultural Marketing (AIMM) to welcome and support more interns from diverse backgrounds with a view to future recruitment. In this same spirit, the alumni network of the MAIP (Multicultural Advertising Intern Program) remains an interesting recruitment platform. Created by the US multi-industry organization, 4As, (American Association of Advertising Agencies), this program welcomes interns from minority or deprived backgrounds throughout the summer and even offers some of them jobs.

Lastly, at the beginning of 2019, in recognition for their actions carried out upstream, nine Group agencies received a 100/100 score on the Corporate Equality Index organized by the Human Rights Campaign Foundation, within the framework of the Best Place to Work – for LGBT Equality ratings.

b) Diversity policy in India

With nearly 12,000 employees in India, the Group has a significant presence. Since Publicis Sapient set up operations in India, the firm's teams have been very active in promoting diversity throughout the country, notably in Gurgaon (Delhi) and Bangalore, where the bulk of the firm's workforce is located. Within the context of the induction program organized to welcome new employees into the Company, all female and male recruits take part in an Unconscious bias session designed to anchor the culture of diversity. It is then up to management and all female and male employees to apply these principles, be it at the recruitment level or in terms of professional development. To accelerate behavioral change, Publicis Sapient trialed a new module, Make Some Room, designed to help managers to become aware of their own unconscious biases and their managerial responsibility to support personal development and create a working environment that is more inclusive of women so that, little by little, the proof will be in the numbers. The Women's Leadership Network (WLN) focused its efforts on workshops and coaching sessions to support women's career development plans. The challenge is to make agencies attractive to women, and internally, to form more mixed teams where diversity is a source of greater synergy and efficacy, thereby greatly benefiting clients' assignments. Lastly, a great deal of attention is paid to how to recruit more women and obtain more balanced teams in terms of diversity. With regard to parenthood, or facilitating family life, in addition to providing breastfeeding rooms and on-site creches on Publicis Sapient campuses, a partnership was signed with other childcare services to offer affordable childcare, thereby taking the pressure off parents in terms of finding reliable care for their children.

With the legal decriminalization of homosexuality in India, Publicis Sapient launched PRIDE (Potential Realized in Diverse Experience) a dedicated internal network, giving those affected by LGBTQ (Lesbian, Gay, Bisexual, Transgender, Queer) issues a safe space for discussion and reflection. PRIDE illustrates the agencies' desire to strengthen the profoundly inclusive nature of their internal culture to increase openness and diversity and enable individuals to be themselves at home and at work. Various workshops were held in 2018 and will continue in 2019.

c) Diversity policy in France

In France, the Group remains open to effective initiatives that promote diversity; every year French offices maintain the relationships forged with several associations (Associations Frateli, *Nos quartiers ont des talents, Baissez les barrières, Jeunesse et Entreprises, C'Possible, Prométhée Education*, etc.) since to be effective, support should be carried out over the long term. By way of example, in 2018, the Group took part, alongside the non-profit Stopilletrisme, in a program to teach a dozen or so students to read and write in French. Twelve

Group employees volunteered to help in this initiative. At the same time, the Group helped to organize and prepare for the National Literacy Symposium: *Illettrisme en milieu professionnel, comment passer du tabou à l'action ?* (Illiteracy in the workplace, how to move from taboo to action?) on September 13, 2018, at the French Ministry for Ecological and Inclusive Transition, under the distinguished patronage of the Minister for Labor. In March 2018, in partnership with the C'Possible non-profit, the Group also organized events for National Youth Day (JNDJ) as it had previously with another non-profit.

With regard to the allocation of the apprenticeship tax, diversity is still a key priority for the Group (training, job profiles, etc.), which continues to back several pilot high schools for young people from disadvantaged districts. This support is also reflected in the Group's recruitment approach. The Group remains committed to the fight against youth unemployment, to promoting the employability of young people and to fostering their integration with different partners, as it does within "The Alliance for YOUth" led by Nestlé, which with the help of Alliance partners this year expanded the initiative on a global level.

With regard to professional gender equality, Group agencies are active in terms of professional development, promotion and compensation. The agencies also take part in the activities of the internal network, VivaWomen! which enables women to participate regularly in debates on leadership, mentoring and personal development.

Focus on disability

The inclusion of disabled employees (not quantified at the Group level due to regional legislation requirements) is still insufficient despite efforts made in this direction. French agencies are still lagging behind with regard to their obligations, the percentage of disabled employees remaining at 1.73%, despite some proactive initiatives.

The Group was an early participant in preparations for International Disabled Persons Day on December 3, 2018. Publicis organized its first company hackathon dedicated to the subject of disability. The aim was to unite employees around a common societal topic: integrating disability in the world of work. One hundred or so employees took part. The six teams had 48 hours in which to devise digital solutions for the employment and retention of disabled people. The projects were presented to a Panel chaired by Agathe Bousquet, CEO of the Publicis Groupe France, and the winning project was given the resources (time, money etc.) to facilitate its roll-out in 2019.

Generally speaking, the Group is still keen to make its work and its documents, particularly corporate publications, e-accessible, and to encourage video subtitling.

d) Diversity policy in the United Kingdom

In 2018, Group agencies continued to work on reducing the gender pay gap *via* their respective action plans. Agencies share their experiences and the practices that they have put in place to monitor gender equality. They have worked on Group-wide collaborative projects relating to recruitment, career development and equal pay. With a female-dominated Executive Committee, Annette King, CEO of the Publicis Groupe in the United Kingdom, wants agencies to be more engaged, with figures to prove it. In early March 2019, Publicis Groupe UK published its data in the *Gender Pay Gap Reporting*, which measures the difference in wages between men and women based on hierarchy levels. Demographics is the basis of the measurement, and it revealed that the number of women is still insufficient at the highest levels of responsibility. Mandatory since 2017 for companies with more than 250 employees, i.e. eight Group entities, this 2018 report highlights improvements but also reveals disparities. Action plans have been bolstered with management's strong commitment to continue in 2019. Legal teams maintained ongoing awareness raising actions and training programs for management, as well as new training modules such as "Unconscious Bias" for women and men.

VivaWomen! UK is a dynamic network that supports employees in the United Kingdom by organizing events and small work groups. Égalité UK pursued its internal awareness raising campaign designed to change attitudes with regard to LGBT related questions. These initiatives, which are monitored by employees for the benefit of other staff members, have been met with a very positive response to build an increasingly more inclusive work culture.

e) Diversity policy in South Africa

In 2018, Group agencies were accredited BBBEE ("Broad-Based Black Economic Empowerment") – level 1 following a voluntary appraisal carried out with external auditors, continued with their plan of action. This is the highest certification level and underscores the ambition of the South African agencies to take a business approach which has an internal impact vis-à-vis employees, a business related impact on client expectations and on society with regard to transformations targeted by the Group as well as by the South African company and local authorities. This multi-faceted appraisal is a long-term approach in that it is not a straightforward compliance exercise but rather a strategic decision. On a practical level, this means undertaking a proactive action plan in terms of management and control, recruitment and training, as well as a purchasing policy that targets suppliers who have been historically disadvantaged. The objective is to forge partnerships with companies run by South Africans of color to actively combat apartheid.

It is therefore a business project that is taking shape, with very positive impacts both internally, and throughout the agency ecosystem.

4.1.2.2 Internal affinity groups

Internal affinity groups or BRG (Business – Employee or Resource Group) are continuing their activities and evolving from country to country. These groups unite voluntary employees to enhance awareness and develop concrete solutions vis-à-vis the day-to-day running of the agency (see their presentation on the CSR page of the corporate web site). BRGs also play a role at the external level, in that: they take part in different events and actions aiming to change behavior and practices. At the Group level, there are nine affinity groups, of which two are being developed on the international stage, namely: VivaWomen! (women) and Égalité (LGBT). In addition, a great many local networks have been developed that are based on projects developed by employees within their own agencies. The affinity networks also turn the Group's new Power of One organizational structure into a reality.

VivaWomen! – Present in over 25 cities and 15 countries, VivaWomen! brings together around 6,000 motivated women and men volunteers to take action and support other women in the Group, regardless of their position or function within the Company. Coordinated by the Group's CSR Department, it is present in several large cities, including Los Angeles, Shanghai, Mumbai, Madrid, Paris, London, New York, Chicago, Sydney, Cotonou and Dubai. Its primary objective is to promote the professional and personal development of women within the Group in a working environment that promotes gender collaboration around a common goal. VivaWomen! USA has created two sub- groups; VivaMama, to more closely support future mothers and parents, and VivaTech, focused on women in the technological and digital sectors. The area of focus of VivaWomen! is two-fold: Career Development (with leadership training, Lunch & Learn sessions, coaching, etc.) and Work-Life Integration (with workshops on "motherhood and work," "time management," regular testimonials from women or men role models, etc.). The "Meetings With" inspiring people continues and the Mentoring program has been rolled out locally. In every city, priorities are adjusted to meet the expectations of local teams and the names of networks can be more specific (such as Leo Burnett and SapientRazorfish's Women's Leadership Network), and Women@Digitas). In 2018, VivaWomen! made considerable headway in Australia, inviting nearly 1,000 women to join its program of activities. VivaWomen! works alongside women's networks in the Group's customers and other companies to carry out joint awareness raising and mobilization actions. Lastly, in accordance with its initial positioning, VivaWomen! commits to causes that defend the rights of women and girls.

"Égalité" Launched in the United States, this network brings together employees from agencies mobilized in the defense of LGBTQ rights (Lesbian, Gay, Bisexual, Transgender and Queer communities), and is backed by the Group's CSR Department. All agencies have now joined this network, which exists in a number of major cities from Boston to Los Angeles, as well as many in between such as Philadelphia and Atlanta. Eight US agencies obtained a score of 100/100 in the Human Rights Campaign 2018 Corporate Equality Index. This rewards a long-term approach that began in 2006, which enabled Publicis Media to be recognized again this year as the Best Place to Work for Publicis Media. The focus of these evaluations concerns a number of things: the policies in place and the activities carried out in the agencies. The Égalité network is now also present in London, Paris and Manila (Philippines).

Engage young people group management work

The generational mix has always worked well in agencies. This ongoing diversity, which combines youth with the experience of older or more senior employees, is one of the Group's most attractive aspects. Over the last few years, the focus has been on introducing new ways of working to increase the younger generation's involvement in strategic and operational decisions in agencies.

Publicis Media continued to bring together its Next Generation Board with a two-fold internal and business objective. The aim is to rethink the functioning of the Solution, so that it can benefit employees and customers, alike. The members of this system benefit from the support of their local and central management, so that they can participate fully in the transformation of the organization.In 2018, 143 young women and men from 15 different countries mobilized both individually and collectively, which had a significant impact on Publicis Media, locally and internationally. They took advantage of a unique training program featuring monthly webinars led by the Group's managers and experts. They had privileged access to the Company's strategy, and discussed a variety of issues ranging from e-commerce, programming, content strategy and the balanced development of their careers: 65% of these participants at the NGBs were promoted in 2018. This program will be renewed in 2019, and former participants will mentor the new elected participants.

4.1.2.3 Attracting and recruiting talented individuals with varied profiles

Most recruitment happens through dynamic initiatives with digital communities *via* social networks, alumni platforms and professional platforms by function. The agility and potential that candidates have gained through their experiences are considered key, in order to create teams that are as diverse as possible. At the same time, forging close relationships with schools and universities is still an asset that agencies can leverage to keep students informed of the considerable changes in Group jobs.

1,000 partnerships between agencies and schools and universities are organized around:

1. internships: on-the-ground learning with actual business cases is still the best way of starting out with the Group. Most of the Group's agencies take interns (over 3,370 a year worldwide, with near-gender parity, but with differences from job to job or country to country), internships opening the door to employment;
2. employment forums, both virtual and physical: Job Fairs or Careers Fairs enable several agencies to act as one, promoting a well-rounded vision of the diversity of Group occupations. This has been the case for several years at the South by Southwest Conference (SXSW) in Austin Texas;
3. open days in agencies: in various countries, specific dates have been set to welcome students. These events are supported by local professional and trade organizations, including at the Group's headquarters in Paris which welcomes delegations of students on study-travel;
4. teaching – Managers are involved in existing training courses or participate in their co-creation. Some are involved with organizations that reach out to young people who have veered away from traditional educational paths. The aim is to

enable them to find out about jobs that they previously knew nothing about and to show them that, based on their talents, they have a place with our organization. Pilot projects also involve technological cooperation.

In more than 90% of entities, agency management is, and remains, local. A key success factor of the Group's agency acquisition and integration policy is maintaining the local management team in place, not to mention the absolute necessity of gaining a strong cultural foothold so as to understand the markets in which we operate. The vast majority of entity employees are local, that is why it is essential to create teams with diverse profiles – career path, experience, culture, etc.

4.1.3 Development of skills, experience, careers

In 2018, under the leadership of Emmanuel André, the Group Chief Talent Officer (CTO), a new system was introduced with the aim of making training available to all employees, as part of the corporate strategy, and moving towards a continuous learning culture through dynamic internal collaboration:

- **68% of employees** benefited from some form of training or career development in 2018. This was a year of transition, in order to better focus efforts on a few key programs, with the knowledge that the Group's ambition is to build a learning culture with regard to the in- depth changes taking place in the industry. Moreover, in light of the transformation of the Group, numerous seminars and internal sessions related to the developments of the organization were also held;
- over 1,350,000 training hours were dispensed during the year (i.e. 26 hours per person, based on the number of trainees), *via* more than 10,000 training modules can be broken down into the following:
  - 785,000 training hours on a one-on-one basis (58%),
  - 565,000 e-learning or self-learning hours were shared (42%).

Sprint to the future: training that is key to the Group's transformation strategy

2018 was devoted to the implementation of an ambitious training plan for the successful transformation of the Group. The system is a collaborative one that is based on three pillars. On the one hand, SPRINT which, in the form of video learning supported by interactive content, enables teams to be trained on subjects that are key to the Group's activities, ranging from Data, to Dynamic Creativity or Digital Business Transformation. This is short-format, dynamic training, such as simple conversations with Group experts in these fields, in addition to e-learning modules for a more in-depth analysis of each topic. Secondly, the Publicis Learning, a dedicated platform that will give 75,000 employees access to several thousand Education On Demand modules in a number of different fields. Very simple to use, the platform offers curricula tailored to the needs of our staff by business or level. It will be constantly updated with new module, developed in-house or in partnership with digital partners. All these programs are business oriented and aim to equip individual employees with the best tools to service their clients in the most effective way that is most relevant to their needs. Lastly, this system is completed by Immersive Leadership Learning LAB (Live Action Boost) with the majority of training being done on a classroom basis and aimed either, with LAB 1, at young people and future managers or, with LAB 2, at more experienced managers. Completely developed internally, with a trial version launched in June 2018 with 50 employees, these programs aim to offer managers a unique experience based on the start-up model, in which each participant actively contributes to the program's content, and develops innovative approaches implemented in real client cases.

This ambitious training strategy is intended to facilitate internal transformation by giving all employees access to new expertise and real-time experience in business cases. It also supports the teams to develop on a professional basis. It is also a way of maintaining employees' employability within a rapidly changing ecosystem.

Marcel

Presented to teams in May 2018 as part of the Viva Technology event, this internal platform will enable all the Group's employees to work together more closely, using artificial intelligence across the Group's 200 business lines in more than 100 countries. Tests were finalized in 2018 with plans to launch Marcel in the United Kingdom in early 2019, as the first pilot market. With Marcel, employees' skills and experiences take center stage with the option to join projects that are of interest. It is also designed to save time and optimize efficiency for customers in order to build the best team per project, and to put in place solutions that are appropriate both from a creative as well as a technological and data point of view. Developed thanks to the expertise of Publicis Sapient and in partnership with Microsoft, Marcel will radically transform the way Group teams work and interact. In 2018, Marcel also welcomed the new SPRINT training modules, the first main topic being data, with the aim of increasing all employees' understanding of the challenges of data and building a strong common culture.

Internal mobility

The mission of the internal Lion Talent platform, supported by the Talent in Motion programme, is to promote internal mobility. Internal mobility enriches all employees' career paths and the content of services offered to clients. Mobility comes in different forms: for example, the YouXplore and YouXpand, Group programs led by Publicis Media. YouXplore which is aimed at millennials, is an employee exchange scheme enabling employees to host, or be hosted by, other employees in other cities of the world for two weeks and to benefit locally from experiencing the other person's job and finding out about a new market. 280 young talented individuals from different continents took advantage of the scheme in 2018. A pilot YouXpand scheme was launched in 2018 with 30 or so participants. Senior managers spent three to six weeks in another market, learning new skills in one of the Group's centers of excellence or as a force for innovation and transformation in agency teams in a less mature country.

In terms of international mobility, the focus in 2018 was placed on continuing the Group approach that enables employees to make better use of professional opportunities in numerous countries and benefit from the Group's new internal culture built around Power of One.

4.1.4 Employee well-being

4.1.4.1 Flexibility and new working methods

Most agencies have adopted flexible working to allow for teleworking (from home, from the client's site, or from another Group agency, etc.) particularly in major cities where travel times are significant. Employees are equipped with the tools required to facilitate their work. Flexible working methods (collaborative work, teleworking, variable hours and part time) are carried out within a strict framework within each agency and in accordance with regulations. Each entity can determine specific conditions (based on workload, role in the team, task to be carried out for the client, performance, etc.) and employee eligibility criteria. Flexibility is suitable for numerous situations, and employees can benefit from it at different stages of their professional careers. With a view to being able to offer employees a variety of career paths, many entities have a sabbatical leave scheme (eligibility criteria are defined locally) enabling employees to take a break and then return to work.

Parental leave

2,947 employees benefited from parental leave during 2018 (69% women, 31% men), with the knowledge that all employees are potentially eligible, depending on the local legal framework and, above all, on the local, and often more favorable, arrangements put in place by agencies. In recent years, many agencies have reinforced their policies for maternity leave, not only with regard to the number of weeks of paid leave in countries with less favorable regulations, but also from a managerial point of view, in order to enable future mothers to better manage their return to work (with *ad hoc* support before and after the birth, and on return to work). Different initiatives are taken to facilitate family life: several large agencies (on all continents) have made breastfeeding rooms available and, on some main campuses, daycare (Bangalore, for example). Social benefit programs (*via* Employee Assistance Programs or EAPs) include provisions for childcare.

4.1.4.2 Employee well-being

For the last 15 years or so, the question of employee health and well-being has been handled by human resources' teams and managers, working together with both male and female employees in an attempt to meet their needs. The vast majority of teams work sitting in front of a screen. Employees are quite sedentary during the day, with intense use of their vision, often across multiple screens. The key areas for occupational illness prevention are: stress management (and/or psychosocial risks: PSR) and the prevention of musculoskeletal disorders (MSD). Eye strain and the prevention of risks related to sedentary working (cardiovascular disease) are included in health prevention plans. This prevention work is accompanied by ongoing discussion and action to improve working conditions and the way in which tasks are organized.

Each agency structures its action plan according to need, in the knowledge that the Group-wide priority is prevention and education/information. This may include consultations with an ergonomist to help correct problematic seating postures; eye exercises demonstrated by a specialist (orthoptist, etc.) or *via* webinar sessions designed to raise awareness on how to rest the eyes; access to lunch-time fitness classes (gym, yoga, relaxation, meditation, etc.) at the agency; regular sessions with nutritionists or dieticians, and free supplies of fresh fruit, juice and even breakfast; on-site massages by professionals (physiotherapists, chiropractors, osteopaths, masseurs, etc.). For sports fans, certain agencies facilitate access to nearby health clubs by offering subsidized membership fees. Some agencies have installed their own on-site sports facilities, such as Sapient in India which even has its own trainer and coach. Lastly, for the more active in its ranks, the Group promotes participation in sports activities (running and cycling events, marathons and half-marathons, team sports).

Numerous actions have been carried out this year, including:

- in France, issues relating to working conditions (including health, safety and security issues) are discussed in the entities' CSEs (Social and Economic Committees) as well as projects to improve well-being at work. Similar approaches adapted to meet employee expectations exist almost everywhere in Europe;
- in India, Publicis Sapient consolidated its well-being program by focusing on four areas: emotional, nutritional, financial

and physical well-being. A Well-being Week was introduced, during which a number of workshops were offered with a strong emphasis on health. During the week, employees were given the opportunity to meet with a number of healthcare professionals and doctors: from gynecologists to physiotherapists, not forgetting dieticians, the last two already being on hand in the buildings. The most popular workshops included Yoga and Zumba fitness sessions; sessions on parenthood and workplace ergonomics, aiming to improve posture and, if necessary, to change certain types of equipment. Short webinars were broadcast simultaneously throughout the year, offering further information on different subjects (from depression to managing the household budget, from caring for elderly relatives to basic rules of nutrition). All employees can access a comprehensive social services program *via* an EAP (Employee Assistance Program) which offers easy access to medical consultations, a well-being portal offering virtual access to 24-hour doctors and specialists, and a type of medical concierge service. Lastly, a special module for young parents was introduced to help with work/life balance, and to offer access to child protection and childcare services;

- in the United States, the Wellness Program (for Healthy Living) set up and run by Re:Sources is now operational in all agencies, offering employees and their families comprehensive health cover and other services. The EAP (Employee Assistance Program) offers employees preventive healthcare support that is highly individualized and confidential. One third of all employees have registered. Health Coaching is very highly thought of and has a tangible impact: 63% of employees are believed to have been able to reduce at least one of their health risks. The satisfaction rate is 95%, and 90% of the participants confirm the motivational impact of this on-line assistance which has sometimes even changed their lives. Teladoc, the telemedicine service with free 24/7 year-round access to doctors for consultations from mobile phones or by video, whether the employee is at work, at home or on vacation. Over 2,400 employees have used the service, 50% from their smartphone. 90% gave positive feedback. Bright Horizons, is a system that enables families to better address the challenges of finding a balance between their professional and personal lives. For this, the Group has installed nurseries for employees' children and care facilities for their elderly or sick parents, and implemented home-help solutions. In 2018, 94% of users said that they were very satisfied with this service;
- in South Africa, on Wellness Days, workshops are organized, on a regular basis, for all interested employees and focus on standard employee well-being issues with taster sessions on meditation (mindfulness) and other practices to help individuals to find a better work/life balance. AIDS/HIV prevention and screening sessions are also held every year;
- in Hong Kong, Saatchi & Saatchi has implemented an internal Back u up at 6:45 scheme to encourage employees to leave their offices earlier so as to avoid extremely long working days. This initiative was widely covered and has inspired other companies;
- lastly, 30 Group agencies were among the agencies which received recognition as a Great Place to Work or Best Place to Work in 2018.

Prevention of seasonal illnesses

The agencies monitor and act in support of national screening initiatives and disease-specific or health warning campaigns (e.g., flu vaccinations). Preventative health measures are occasionally subject to specific conditions in countries with collective or occupational agreements. All employees in these countries benefit from these collective or occupational agreements where such agreements exist. Based on the local health situation, agencies decide whether to promote screening campaigns for chronic pathologies in addition to traditional and annual schemes.

Health insurance

Practically 100% of employees (permanent and temporary contracts) are covered by some form of medical cover (social security or health insurance), irrespective of local social security provisions (government, government-company-employee or private company-employee contribution plans, self-funded, etc.). These covers factor in serious or chronic illnesses to enable employees to be properly cared for, and to receive appropriate follow-up. In several of the Group's regional markets (such as the United States, India and several European countries), employees can benefit from insurance programs for themselves and their families.

The workplace accident rate(1) **0.44%**. The main causes of workplace accidents were related to transportation (home-work commuting and work-related travel).

The accident frequency(2) was 2.15.

The severity(3) was 0.02.

Health, hygiene and safety

Most employees in Group agencies have sedentary jobs in offices. The Group applies current local regulations on personal security; agencies implement local action plans. In the United States, federal law (Occupational Safety and Health Administration) may be supplemented by laws in each state, and possibly reinforced at the municipal level. In Europe, this mission is entrusted to dedicated local committees (Health and Safety Committee) whose purpose is similar to the former French CHSCTs and the new CSE (Economic and Social Committee). Elected or volunteer employees receive training on safety and first aid.

4

(1) Workplace accident rate calculated with a 2018 coverage rate of 93%.
(2) Calculation of work accident frequency rate according to GRI standard 403-9: total lost days of work multiplied by 1,000,000 divided by the actual worked hours for the year calculated with a 2018 coverage rate of 96%.
(3) Calculation of severity rate according to GRI standard 403-9: the total number of lost hours of work multiplied by 1,000,000 divided by the actual number of worked hours for the year calculated with a 2018 coverage rate of 96%.

Evacuation drills (fire, earthquake, etc.) are regularly conducted at the facilities, with support from general services safety teams (Re:Sources) and building managers. There is a similar approach in Europe, where all agencies have safety officers (for fire drills or emergency evacuations) who receive training on a yearly basis. Some of them volunteer to be trained in basic first aid. In India, Occupational Health and Safety regulations apply, and, as in many countries, small teams of employees are trained every year in all buildings and on all floors to assist others in the event of an emergency or evacuation. **100% of the Group's agency staff** is involved. In some cities, as is the case in India or China, new devices monitor air pollution and inform employees so that measures can be taken for those who may be the most vulnerable in terms of health, as well as so that teleworking can be facilitated during peak pollution periods.

Introduced in 2017, LionAlert was rolled out across different countries in 2018. This tool was designed to make it possible to contact employees in an emergency to make sure that they are safe; LionAlert is activated according to events and need. LionAlert is overseen by the Group's Secretary General.

In many cities, offices are protected by external security teams which check people coming and going out. Suppliers of these services are the focus of particular attention to ensure that their staffs are properly trained.

4.1.5 Listening to and engaging with employees

4.1.5.1 Employee satisfaction survey

The employee satisfaction survey conducted at the end of 2016 provides a common reference framework. The findings of the survey were shared with employees at the local level by the management of Group entities during the first half of 2017. In terms of results, action plans were initiated locally in response to what employees requested.

4.1.5.2 Individual annual appraisal

67.6% of employees underwent an annual appraisal ("talent review" or "performance review"). The principle of an annual internal performance review for all employees is an internal requirement and is in line with the human resources guidance set out in the Janus Code of Ethics. The Fidello/Horizons tool is deployed in all Solution Hubs. The advantage of Fidello is that it can be used at any time throughout the year. Other tools are also used mainly in the digital agencies, with a mind-set of project and performance monitoring carried out more frequently during the year.

4.1.5.3 Social dialog

Social dialog is included in the Janus Code of Ethics. The aim is to foster staff/management exchanges and ensure freedom of expression for employees as a basic human right. With regard to the Group's commitment to the UN Global Compact, and its adherence to the International Labour Organization (ILO) Convention, the Group is committed to respecting freedom of association, freedom of expression, and the right to collective bargaining in the countries where it operates and within its entities. Social dialog takes place at agency level. The average size of the Group's agencies worldwide is 100 employees, with the exception of a few large entities with a staff of over 1,000 people. Publicis Groupe remains very decentralized in 100 or so countries. The aim in each entity is to promote direct, frequent exchanges between managers and their teams regarding Company matters and current projects.

In France, the "Comité de Groupe" is an information, opinion exchange and dialog body for Group Senior Management and personnel representatives at Group level. It discusses the strategic orientations and major challenges of the Group. It meets once a year and receives information about the Group's business, its financial position, changes in, and forecasts for, annual and multi-year employment and the actions planned given the changes. In agencies, employee representative bodies and employees in general are regularly consulted on and informed about projects and developments affecting their agencies and the Group. In France, where the concept of collective bargaining prevails (which does not exist in this form within the communications industry in other countries), the Group has continued to encourage social dialog, as reflected by the renewal, in 2018, of the Group's collective agreement on workplace gender equality which provides, amongst other things, for financial support from the birth of a child until its third birthday. In the same spirit of collaboration with representative trade unions, discussions on teleworking and the right to disconnect led to a Teleworking charter applicable to French agencies. Previously signed agreements that are still in force include: the Economic and Social Data Base (ESDB); the agreement on healthcare costs incorporating the "responsible contract", to which has been added an optional supplementary scheme, and the Welfare Plan (2012). Finally, after being trialed in 2018, the framework set for the deployment of a "bicycle mileage allowance" policy was confirmed.

Agencies have also implemented more specific measures focused on listening to employees, whether it be the Publicis Conseil "Good Ears" (Bonnes Oreilles) initiative in France where volunteer employees trained in how to listen provide this service, or Safe Conversation sessions in American agencies that are organized by members of the Talent Engagement & Inclusion Council, particularly in the aftermath of serious incidents in the United States, such as racist or homophobic attacks.

In 2018, in all of the Group's operating countries, managers and local directors reinforced the ongoing information work carried out by their teams' on the Group's transformation program launched in 2016, to explain the consequences in terms of strategic vision and operational organization through The Power of One.

4.1.6 Compensation and recognition

4.1.6.1 Compensation

Payroll and staff costs stood at euro 5,747 million in 2018. Trends are shown in Section 6.6, Note 5 of this document. The Group does not have a consolidated indicator for the compensation of all employees: due to the significant disparities between countries, an overall approach is of little relevance. The approach remains local, and takes industry trends into account. Compensation must comply with the following three principles: on the one hand, the preservation of competitiveness and local appeal and the avoidance of disparities within the same market and, on the other hand, operating in line with Group practices, particularly in terms of equality based on individual and collective performance to ensure fair and balanced compensation; lastly, where appropriate, the strengthening of social security provisions.

All of the information pertaining to the compensation of Publicis Groupe senior executives is detailed in Section 3.2 of this document. The precise criteria are indicated for the different components of this compensation.

Publicis Groupe's different stock option plans and free share plans are detailed in this document in Section 6.6, Note 31.

The different pensions schemes and other long-term benefits are presented in this document, Section 6.6, Note 23.

The participation of employees in share capital through a range of profit-sharing and incentive plans is explained in Sections 6.6, Notes 31 and 8.3.6 of this document.

Employee profit-sharing: in France, the Group has implemented a profit-sharing policy for its employees that are pegged to economic performance in relation to the Group's organic growth in France and abroad. Under the three-year profit-sharing agreement signed with the trade union organizations, all Group employees in France received a bonus in 2018. The Group continued to promote employee savings, maintaining its policy of 300% matching by Group entities that have introduced a company savings scheme; 2,706 employees in France chose to participate in the scheme in 2018.

Again in France, in response to an appeal to companies, launched by the President of the French Republic in December 2018, Arthur Sadoun, Chair of the Publicis Groupe Management Board, announced the award by Groupe Publicis of a euro 1,000 bonus to all Group employees receiving the French median monthly wage or less (euro 2,500 gross). This one-off purchasing power bonus was paid in January 2019, after the legislation authorizing its payment came into force.

Gender pay equality: analysis work continued with the deployment of country by country "Job Grading" which allows for a more uniform understanding of positions and functions. This site is headed up by the Secretary General, with support from the teams in charge of compensation (Compensation & Benefits) and the CTOs of Solutions and countries. The Group remains very vigilant about gender equality issues. If differences appear, the local management of the agencies is responsible for resolving them. Here are some current examples:

- in the United Kingdom, in accordance with regulations, for the second year running, entities with over 250 employees published their comparative situation, Gender pay gap Reporting, (measuring the pay gap between men and women, and not equal pay). Eight entities were involved. This type of reporting highlights demographic variations whenever there are more men in higher paid positions of responsibility. Entities consolidated their action plans and worked on corrective measures;
- in Australia, where the law also requires companies to report annually on gender equality, Group agencies have circulated reports on the actions put in place to improve the conditions for women in these organizations;
- French entities are working on the Gender Equality Index which will be published in September 2019, in accordance with the Law applicable to companies with more than 250 employees (the Company not having an entity with more than 1,000 employees in France).

4.1.6.2 Recognition

In June 2017, Arthur Sadoun, Chair of the Group's Management Board announced that Group agencies would withdraw from all creative competitions worldwide for a period of one year, to focus on the ambitious internal platform project known as Marcel. He invited festival organizers to revisit changes to their events. Since June 2018, agencies have been authorized to take part in these creative festivals but have been advised to be more selective in the projects submitted.

/ Summary table of social indicators

Multi-year data trends are available on the Group site, in the CSR section of the CSR Smart Data page

Indicators	Unit	2009*	2016	2017	2018
Group headcount		45,000	78,913	77,767	75,588
Employees on fixed term or permanent contracts	%	-	-	-	91.9
% Women	%	-	-	-	90.7
Turnover	%	26	24.9	24.0	26.5
% Women	%	52	49.3	50	50.2
% Men	%	48	50.7	50	49.8
Average age Women	years	32	34	34	34
Average age Men	years	34	35	36	36
Average age Men and Women	years	33	35	35	35
% Women CEOs of agencies**	%	-	27.6	30.1	30.8
% Women managing the Creative Department**	%	-	18.3	19	18.7
% Women managing the Technology/Data Department	%	-	-	12.5	15.5
% Women on agency Executive Committees**	%	42	37.9	39.3	40.2
% Women in key management posititions	%	N/A	32.6	36.4	37
Trained employees (% of employees)	%	47	67	69.1	67.6%
Number of training hours – total	hours		1,418,100	1,414,000	1,350,000
Number of training hours *per capita* (divided by number of employees trained)	hours		28	27	26.5
Number of face-to-face hours	hours	-	1,013,300	896,000	785,000
Number of hours in *e-learning*	hours	-	404,800	518,000	565,000
Number of programs		-	9,000	> 10,000	> 10,000
Training fees (external)	In millions of euros	-	22.9	19	16.2
Employees trained in internal Janus Code of Ethics	%		76	83	88
Number of employees benefiting from parental leave***		-	3,229	3,106	2,947
% Women	%	-	-	-	69
Employee assessments (% of employees)	%	67	70	67.3	88
Internal satisfaction surveys (% of employees)	%	53	80	n/a**	n/a**
Employees benefiting from health cover	%	99	100	100	100
Absenteeism rate (% of employees)	%		2	2	415
Workplace accident	%		0.4	0.3	0.4
Workplace accident frequency rate(1)			2.15	1.81	2.15
Workplace accident severity rate(2)			0.03	0.02	0.02

* 2009 is the benchmark year with Group consolidated figures.
** Group survey not carried out.
(1) and (2) Calculation method: according to GRI 403-9.

4.2 CLIENTS AND PARTNERS

4.2.1 The Group's clients

In 2018, based on 3,216 clients representing 87% of the Group's net revenue (see Section 1.4.5 of this Registration Document), the breakdown of client business sectors/industries remained relatively in line with past year trends with no major changes.

Agencies conducted more than 10,000 client surveys – stable number. These surveys are conducted either as questionnaires administered by agencies or as annual interviews or performance appraisals. Several key international clients also administer these customer satisfaction surveys themselves. A portion of client surveys therefore fails to come to the attention of agencies. Assessment criteria include five main recurring themes: campaign performance or systems introduced, the creativity/innovation provided, team competence, the effectiveness of the service offered and the quality of the relationship.

The Group has long-standing relationships with certain clients: the average duration of relations with the 10 main clients is 39 years. See also Section 6.6, Note 18 "Disclosures regarding major clients" in this document.

4.2.2 Services offered to clients

These are listed in Section 1.4.3 of this Registration Document which gives specific details on the Solution Hubs accessible in the Group's 20 largest markets.

- Publicis Communications: Creative solutions (with Publicis Worldwide, Leo Burnett, Saatchi & Saatchi, Fallon, BBH, Marcel, MSL, Prodigious);
- Publicis Media: Media and digital solutions (with Starcom, MediaVest, Spark Foundery, Zenith, Blue 449 and Digitas);
- Publicis Sapient: technological and digital solutions (with Sapient Consulting and SapientRazorfish);
- Publicis Health: Health solutions (with Digitas Health and Publicis Health Media).

Lastly, in over 50 countries, the shared services of Re:Sources carry out all back-office activities for agencies in all countries, with the aim of continuously improving processes and complying with Publicis Groupe corporate policy.

4.2.3 Responsible communication and marketing

Group agencies actively participate in the emergence of new types of communication with the end consumer and promote new, more sustainable forms of consumer behavior, in close collaboration with the clients who are now deeply committed. The basic responsible marketing principles are founded on: truth, decency, respect, honesty, and societal responsibility. As such, this must be translated into the form and the substance of the messages, while preserving a maximum amount of creativity. The aim is to build on tangible facts and provide proof.

The Group's Growth Officer, explained that the Group is very keen to help its clients to take into account the dual citizen/consumer standpoint, and to encourage them to talk to two, rather than just one, product or service buyer. This is a transparency and trust issue. Trust is vital and is one of the key challenges in this ultra-connected century. Trust has been lost and citizens/consumers no longer have confidence in the wider world. They do, however, give companies credit for making things happen, whilst remaining distrustful, as the vagary of certain algorithmns or the constant intrusion of fake news, and even cyber-risks, are more numerous. This all poses real questions to which there is no right answer. "Consumers are, above all, citizens who have specific expectations that must be met. We work together with our clients, the brands, to fulfill their corporate purpose in an attempt to get away from short-termism, to move towards long-term viability and to respond effectively to citizens/consumers in the light of the challenges posed by society. Our industry needs to re-invent itself, not only from a technological perspective, but also from a human perspective. This ultra-connected world desperately needs direct, honest human contact, between individuals, as well as meaning."

Creativity & Technology for Good illustrates the Group philosophy and professional practices that underpin responsible marketing. Examples of campaigns can be found in the CSR section of the Group's website.

The communication sector is a regulated industry that is sometimes governed by laws. The profession has always promoted professional self-regulatory mechanisms to ensure that the ethics of advertising content are respected. The Group and its agencies work hand in hand with various national bodies such as ASRC (Advertising and Self-Regulation Council) in the United States, ASA (Advertising Standards Authority) in the United Kingdom, ARPP (*Autorité de régulation professionnelle de la publicité*) in France, and EASA (European Advertising Standards Alliance) in Europe, or the Advertising Standards Council in India.

In the field of digital communication, Group agencies attach particular importance to the fact that digital advertising should not be intrusive, irrespective of the type of channel used; otherwise it could cause user-rejection, and promote the use of Adblockers (advertising blocking devices). This principle of responsibility has long been defended by the Group, and is now widely shared by industry professionals, making it possible to establish industry standards banning certain types of formats. The Group has always defended people's right to have control over their data. This principle guides technology choices and solutions offered to our clients who need to have control over their data, just like end users who need to be able to access, correct or delete their own data.

For the Group, this means making precise technical choices and adopting approaches that preserve consumer protection. It is also part of the work carried out by an organization such as the IAB (International Advertising Bureau) of which the Group is a member (See Section 4.4.2).

Consideration of audiences and their individual peculiarities, particularly when these are children or so-called vulnerable audiences, is key since responsible communication is also reflected by the methods chosen. In France, for example, creative agencies such as Publicis Conseil, with Prodigious, are systematically called on to subtitle films and videos for all types of medium. This approach is an extension of the French Advertising initiative – AACC – to promote the universal subtitling of advertising films www.soustitronsnospublicites.aacc.fr. This best practice was applied by other teams worldwide, with a view to standardization wherever possible.

For digital campaigns, whatever the country, creative teams use best practices when choosing, optimizing and/or compressing images, and even select ink-saving fonts. For their part, technical teams find hybrid solutions in terms of the languages used i.e. Java, JavaScript or C++ so that the website or application uses less energy but offers users the same service quality. As a result of the Low-Tech Web Design approach taken by engineers and developers, it is possible to cut energy consumption by one-fifth, in the knowledge that final consumption always depends on the final medium (screen type, age of computer, tablet, smartphone etc.) and the generation of electronic processors that it contains.

Focus on the CSR strategy deployed by Publicis Conseil in France

In 2018, Publicis Conseil was recognized by the "RSE Active" label, certified by the French standards organization, AFNOR. It was awarded the maximum three stars, thereby validating the agency's level of maturity in the fields of sustainable development and CSR. This was the reward for a four-year journey by all the teams and management. Publicis Conseil is an historical Group agency based in Paris, which promotes its "Lead the Positive Change" philosophy, built together with three main stakeholders: employees, agency clients and NGOs, with whom the path to conversion has been solidly built. Internal culture incorporates CSR issues, with teams regularly trained in Positive Agency, and the ecocommunication and eco-design campaign process has resulted in the roll-out of a comprehensive approach. With the Positive Business plan, the teams can support the agency's clients in terms of sustainable development both upstream in their projects *via* specific expertise, research or discussion, and through their multi-channel communication strategies. In late 2018, Publicis Conseil compiled its first Positive Study: "Digital conversations on CSR".

Focus on CSR projects within Publicis Health in the United States

Publicis Health has a 360° program designed to cover a number of aspects – responsible marketing, Project Proton public information campaigns, volunteering, fundraising – and to involve key stakeholders: employees, clients, NGOs and students on internships. Efforts were directed at the American Heart Association (AHA), and a new partnership with the National Alliance on Mental Illness (NAMI). This began with the intern induction program, which takes place in summer every year, welcoming 80 young men and women in different Solution Hub agencies across the United States. In 2018, together with agency employees, these young students devised campaign projects designed to put an end to the stigmatization suffered by students on campus suffering from mental health issues. It ended with a final pitch to NAMI and a campaign was chosen which is currently being developed by a Publicis Health entity. This intern program was recognized as one of the 100 most interesting student projects in the whole of the United States. The most important thing being, without a doubt, the way in which this project embodies, both internally and externally, the Solution Hub's aim, which is always, when faced with serious health issues, to help individuals to find the inspiration, motivation and courage to take their health and well-being in hand.

Focus on the Salterbaxter CSR strategy consultancy in the United Kingdom.

Salterbaxter is a unique consulting entity within the Group. Its mission is to offer its customers the support they need to undertake sustainable and complex strategic changes. Their approach is underpinned by changing trends in the vision, as well as the culture and the reality of the business. By developing positioning and the actions to be implemented to ensure that change becomes a reality for everyone (employees, clients, etc.). The aim is to go beyond the operational approach so as to enable companies to think differently about their activities, their business model, and their future development with their stakeholders. This means adopting a completely different mindset in terms of strategy, performance and communication so that clients can adopt a systemic strategy that is more ambitious and agile. Regardless of when the agency intervenes, the main thing is to include sustainable development as a strategic, tangible and creative lever having an immediate and long-term positive impact. Salterbaxter provides an integrated service that encompasses materiality analysis, final reporting, strategic vision, selection of key indicators, actions to be implemented, and communication campaigns to engage stakeholders.

4.2.4 Ethical principles applying to all Group agencies

The ethical principles applying to all Group agencies involve two main aspects. On the one hand, compliance with the internal code of ethics, Janus, which applies to all employees, and which sets out a clear framework for managers on how to operate in a number of areas (see Section 3.1.5) whatever the agency's business. On the other, there are ethical principles that apply to specific businesses or activities. One classical example of this is compliance issues in health agencies. Communication in this sector is regulated in many countries. This means that the teams in our agencies receive training in the local regulatory framework, as well training from their clients who may have more specific communication frameworks. For all campaigns, whatever the client's business sector, the compliance review carried out with legal managers is part of the internal validation process. Compliance teams on both the agency side and the client side work closely upstream of campaigns.

In another area, over the past ten years or so, the Group has installed specific systems, such as Publicis Verified, for digital technologies, in its media agencies. This concerns brand safety, i.e. the environment in terms of media content in which advertising is broadcast.

Given the volumes involved, it is essential that Group clients know in which environments their ads will appear, and if the traffic amounts are exact (data). A team is in charge of carrying out daily checks of the sites that might be proposed to customers. This is an issue of quality and responsibility. This team also works with specialized and certified third- party companies that perform the same type of control.

Another example is RelaxNews within Publicis Media. Specialized in the production of content, this entity implemented an ethical framework in 2017, by enlisting the services of a recognized compliance specialist, who is external to and totally independent from the Group. An internal set of guidelines comprising 12 key principles steers the work of the teams of journalists in order to preserve editorial freedom. Employees are free to contact the compliance specialist with any questions they may have related to independence or freedom of expression. The role of ethics is essentially preventive, so that potential issues can be identified and addressed early on. After being in operation for two years, 100% of the recommendations made by the compliance specialist have been accepted by the management.

Lobbying practices

Some assignments may involve lobbying and strategies to influence decision-makers on behalf of clients. Lobbying teams must comply with transparency criteria in relation to their clients, in such a way that their work, the objectives targeted, and the actions carried out are done so with integrity, in accordance with best practices in this area and in line with the Group's internal procedures. In accordance with legal obligations and best practices, the teams involved are clearly identified (mainly within Publicis Consultants or MSLGROUP), both in terms of the Transparency Register of the European Parliament and the European Commission, or on a country-wide basis, listed in the digital repertoire of representatives of interests managed by the High Authority for the Transparency of Public Life in France (HATVP), and in the United States where the rules of the Lobbying Disclosure Act apply, with registration in compliance with the subjects and organizations concerned. Publicis Groupe did not do any lobbying on its own behalf in 2018.

Confidentiality

One of the most important aspects of the culture within the Group and its agencies is respect for the confidentiality of client data and projects. Teams may have access to sensitive information so it is usual to ask employees to sign more specific confidentiality agreements.

A set of rules is in place to ensure compliance with intellectual property whatever the creative, or other, work in question. Legal teams underpin the projects by offering trademark, copyright or database law experts who get involved in projects at a very early stage. Data protection specialists are involved in all projects to ensure that these issues are properly understood. (see also, Section 4.3.1).

4.2.5 Technological innovations and partnerships

As a privileged partner for the major digital platforms, Publicis Groupe has also built technological partnerships with different companies. The aim is to better understand the technical possibilities and work together to find new, intelligent solutions, and to meet client and consumer expectations.

The various entities that comprise Publicis Groupe have also developed different analysis and research methodologies, in particular for consumer behavior and sociological developments, and have developed software tools and specific systems to assist in serving clients. Most of the tools concern media planning activities. They are presented in detail in Section 1.7 in this document, under research and development.

Relationships with start-ups

In partnership with the Les Échos group, Publicis Groupe organized the 3rd annual Viva Technology event in Paris. This global event has become an unmissable event for all digital transformation players. The objective is two-fold: to promote innovation by encouraging dialog between large groups and start-ups or project leaders and to foster growth by pooling ideas, resources and technologies.

In May 2018, over a three-day period, Viva Technology welcomed 105,000 visitors, including hundreds of managers and opinion leaders, thousands of professionals and students, 9,000 start-ups, 1,900 investors and 1,900 journalists, to discuss and get involved in transforming the economic, social, technological, human and organizational aspects of companies. The third day was open to the general public with visitors having the opportunity to take part in 25 Open Innovation Labs, ask questions and discuss issues with ecosystem professionals attending the event, not forgetting the hundreds of conferences and workshops. VivaTechnology will be held again from May 16 to 18, 2019 in Paris.

Several of the Group's major digital agencies have created internal "Labs" whose aim is to create the optimal testing conditions for multi- disciplinary teams. In recent years, many of these "Labs" have examined and tested the possibilities offered by augmented reality, virtual reality and artificial intelligence and everything relating to the Internet of Things (IoT); some of our technical partners are involved in projects to jointly develop innovative solutions.

The Drugstore incubator, which aims to encourage innovation and the emergence of start-ups, is continuing its work. Set up two years ago in Mexico, it hosts start-ups on the basis of specific projects or the development of new operational concepts The 25 start-ups in Mexico now make up a portfolio of extremely insightful partners that the agency can present to clients with a view to working together on different projects.

Since 2012, Publicis Groupe has been a partner of the Iris Capital fund, ever since it participated with Orange in a first joint operation to support start-ups. The Group pursued its commitment in 2018 by participating in the new IrisNext multi-corporate funding projects focused on firms with strong potential to radically transform their sector, specializing in Industry 4.0, the Internet of Things, Cyber Security, 5G networks, as well as Artificial Intelligence, Big Data and Cloud, etc. This fund will mainly be invested in Europe, Germany and France, in particular. (see www.iriscapital.com)

4.2.6 Responsible procurement

This subject is key to the work carried out in relation to the French law on Duty of Care. The Group's Procurement and CSR Departments continued the program rolled out with the Ecovadis platform as well as their cross-cutting approach. Several years ago, the Group's Procurement Department introduced a systematic CSR assessment for all strategic suppliers. In 2015, these assessments were done for 15% of the volume of purchases from strategic suppliers; in 2018, they were done for over 40% of the volume; the objective being to conduct assessments for 100% of central purchasing volume. The Group's Procurement Department bases its call for tenders (RFIs/RFPs) decisions on the following key points a) acceptance by suppliers of the "CSR Procurement Guidelines" including compliance with the 10 principles of the United Nations Global Compact and the 17 Sustainable Development Goals set by the United Nations; b) systematic CSR assessment (internal or external using the Ecovadis platform); c) responses to these CSR questions account for 20% of the final score given to the suppliers' bids.

The CSR Procurement Guidelines were revised in 2018 to clarify or consolidate certain points relating to regulatory changes (accessible in the CSR section of our website). This document is submitted to suppliers and is included as an appendix to contracts for strategic suppliers. When contracts are renewed, if suppliers have not already been assessed by an external third party, they complete an *ad hoc* questionnaire (CSR Procurement Questionnaire) containing over 40 questions (social, societal, ethical, supply chain, human rights, working rights, environmental impacts, etc.) similar to those used by assessment platforms. The responses to this questionnaire are assessed internally by the CSR Department on behalf of the Procurement Department, on the basis of three criteria: 1) tangible commitment to sustainable development, 2) the actions implemented and their results, 3) the solutions proposed that integrate sustainability levers in relation to the subject of the invitation to tender.

In 2018, CSR assessments also focused on 'small' local suppliers as part of a pilot program with 20 large agencies and suppliers in several countries (United States, United Kingdom, France, India, Ireland, China, Hong Kong, Vietnam, Thailand, etc.). The approach remains more qualitative that quantitative to encourage Group suppliers to be assessed by a third party as it is more difficult for SMEs to incorporate this type of system: 28% of local suppliers invited to take part in 2018 were assessed by Ecovadis, demonstrating the difficulty of this approach.

Under the European GDPR (General Data Protection Regulation) Directive, suppliers are now obliged to comply with the Group's DPA (Data Processing Addendum). Under the leadership of the legal teams, critical reviews combined with tests (due diligence) are then carried out by the GDPO (Global Data Privacy Office) on data protection, and by the GSO (Group Security Office) on systems security, in place for a number of years.

Lastly, the Group and agencies' procurement policy is proactive in terms of eco-responsible, eco-designed products from the circular economy or that have been responsibly sourced or are certified.

Supplier Diversity

The issues related to diversity (and social policy) in the supply chain are still hugely important and are monitored internally with specialist teams within Procurement Departments and active participation in professional organizations. Employee awareness is raised to meet these challenges so that this aspect can be included in their daily considerations, not just to meet client specifications but to better assess supplier selection criteria. In Chicago, for example, Leo Burnett has spent decades working with a portfolio of around 400 suppliers who are accredited as diverse suppliers, 50% of which are women-owned and 20% minority-owned. Other agencies rely on external experts and have diverse supplier specialists incorporated into their teams. This is the case in New York where agencies have spent over 12 years working with an expert partner which pre-selects certified suppliers (according to officially recognized criteria for minorities: women, ethnic origin, disability, sexual orientation, etc.) and monitors ensuing collaborations. These are big commitments: by way of example, for a major client, 22% of related purchases were made from companies that were 17% women-owned and 5% minority-owned. This enables long-term partnerships to be forged with SMEs, whose services are often very advanced. Another example is Ipedis in France (Social and Solidarity Economy Enterprise) which collaborates with the Group and its agencies on e-accessibility. Another example: the Group is working with Ipedis in France (a social and solidarity economy company) on Web accessibility. Almost all French agencies have strengthened their collaborations with sheltered-workshop organizations and companies (ESAT and EA). In many countries, Group agencies have suppliers that fall within the diverse suppliers category, whether in the United Kingdom, India or South Africa, to name but a few.

At the last Women's Forum in Paris in November 2018, the Women's Forum and the Supplier Diversity Daring Circle announced the launch of a program dedicated to female entrepreneurs with the aim of increasing their access to markets and new clients, enabling them to grow their businesses. This commitment is reliant on more accurate monitoring of suppliers so that female-led companies can be invited to tender as individuals, or collectives. This willingness to take action has been driven by P&G, L'Oréal and Publicis Groupe, in partnership with WEConnect International, and UN Women *via* the We Empower program in G7 countries.

In certain activities, such as security and cleaning, which are carried out by small local businesses, the Group makes sure that it regularly assesses its local suppliers regarding their respect of human rights, and all social, societal and environmental criteria. In terms of subcontracting, the agencies endeavor to anticipate as best they can their clients' major constraints, notably concerning the time needed to carry out certain projects during peak activity periods. Finally, in all the countries where it operates, the Group ensures that suppliers and partners are paid promptly at the end of the projects.

4.3 CITIZEN-CONSUMERS AND SOCIETY

4.3.1 Consumer protection measures

Janus, the Group's Code of Ethics, sets the key principles and behaviors applicable to all employees when performing their job, such as respect for others, confidentiality and avoiding conflicts of interest.

Since its creation, the Group has always refused to participate in partisan campaigns (no political campaigns), a stance that is quite rare in the communications sector. These rules apply to all Group employees and are a fundamental part of the Janus Code of Ethics (accessible on the CSR page of the Group's website).

Publicis Groupe conducts business-to-business communications operations. The Group's direct challenges are linked to systems made available to Group clients (for their brand name/trademark, products, services, etc.).

With regard to data protection, Group experts take part in different multiparty working groups at both the national and international level to examine best practices, existing and future standards and the consequences of the latest and forthcoming regulatory developments. The shared goal is to improve the transparency of the new modes of communication and interaction with end users. The Group is indeed firmly committed to the ideas of trust; free will and free choice of citizen-consumers (see Section 4.3.2 below).

In terms of inter-professional activities, Publicis Groupe has for several years been a member of the Coalition for Better Ads, which brings together all key players in the ecosystem (companies and trade organizations) around the common goal of improving online advertising standards. While it is clear that this finances many digital activities, it also has to better meet the expectations of consumers. One of its important areas of focus concerns the non-intrusive nature of advertising and the technical standards to be respected, notably regarding data protection.

(Also, see CSR Reports since 2009 and commitments given, for example, concerning OBA – Online Behavioral Advertising, or AOD – Audience on Demand).

Focus on the role of Global Data Privacy Officer (GDPO)

The foundations for the new internal framework designed to comply with the GDPR (EU General Data Protection Regulation) were laid in 2017 with, in terms of oversight, a GDPR Steering Committee comprising functional and operational staff, and the appointment of GDPR Leads in each Solution Hub and the establishment of Local Data Privacy Stewards in the countries. In 2018, there was a change in scale when the Group came into compliance, reflected in various measures such as the training of over 50,000 employees using webinars held in six languages (French, English, Spanish, Chinese, Portuguese, German), with 2,500 given classroom-based training. Data usage is central to the communications systems put in place for all Group clients. While various aspects require specific expertise, every employee must have a good grasp of certain fundamental knowledge on this matter.

From an operational perspective, the Group's agencies comply with data protection laws and apply the privacy by design principle, which requires close cooperation with project teams from an early stage, building in personal data protection (whether PII – Personal Identifiable Information or SPI – Sensitive Personal Information), system security considerations, by reviewing and technical solutions, by liaising with client counterparts obviously, as well as cooperation with external partners. The GDPO works closely with the Global Security Office (GSO, see below). He or she is the first port of call for any internal (employee) or external (clients, suppliers, partners, etc.) or any stakeholder query regarding data protection matters (privacyofficer@publicisgroupe.com).

In the same way as our clients ask us to respect their DPA (Data Processing Addendum); we have distributed our DPA to our suppliers, partners and publishers. Together with the legal teams, due diligence is then done with the suppliers on two aspects: personal data protection by the GDPO and security checks by the GSO.

The GDPO is the guarantor of the application of and respect for procedures, the updating of internal training on these matters, and participation in global industry bodies. The GDPO is part of the Group's Legal Department, reporting to the Secretary General. (The Global Data Disclosure Policy can be found at www.publicisgroupe.com CSR section)

Spotlight on the role of the Group Security Office (GSO)

Information security is everybody's responsibility. The same applies to the security of the Group's own information and agency operation and the security of the information entrusted to them by clients. The GSO is active in two main areas: firstly, the security of the physical infrastructure and systems, relationships with clients and partners, compliance and business continuity; secondly, cybercrime and the response to cyber incidents, the various security and vulnerability tests and audits. The GSO teams systematically communicate in six languages (French, English, Spanish, Chinese, Portuguese, German).

The GSO has visibility over all issues pertaining to the information security policies and the monitoring of compliance programs. The teams are highly experienced and continuously upskilled, and are certified in a whole series of international standards including CISSP, CISA, CGEIT, CISM, CEH, CHFI, CRISC, CCSP, ISMS LA, ISMS LI, BCMS LA, BCMS LI, CBCP, ECSA, LPT, CCSP, CPCISI, ITIL and COBIT, not to mention more specific certifications such as HIPAA (Heath Insurance Portability Accounting Act). GSO managers are also involved in international organizations working on security and compliance issues such as ISACA, ISC2, US-CERT, DSCI, etc.

The Group applies the highest standards and ensures compliance with the Information Security Policies to ensure the confidentiality, integrity and availability of all the information within its purview. The GSO teams are involved very early in client projects, to ensure projects enjoy the best possible security. Internal policies are built on the requirements of the ISO 27001 standard. Some Group entities in India and the United Kingdom have been formally certified ISO 27001 compliant, the GSO being responsible for following up on these certifications. The GSO also regularly uses various internal communications channels (blog, articles, videos, etc.) in six languages, to nurture the security and data protection culture among all employees worldwide. The GSO works closely with the GDPO (see above section) on various compliance issues. Together with the Group's IT teams (Re:Sources), they carry out a weekly review of all the issues.

The GSO also manages the partner and supplier evaluation program, in partnership with the Procurement Department. Formal security assessments have to be carried out to identify and anticipate possible risks (see Section 2 of this document). Given the heightened risk of cybercrime *via* ransom malware or data theft by means of phishing, a dedicated team has been established to monitor it. The SOC (Security Operations Center) is dedicated to monitoring operations 24/7, to intervene as quickly as possible and safeguard systems, infrastructure, information and data.

The GSO is responsible for business continuity planning and disaster recovery planning. This requires flexible and mobile management of the teams *via* remote working and all the connection tools they need to work from multiple locations without being dependent on Group equipment and ensure normal operations. The GSO reports to Group senior management.

4.3.2 Responsible consumption

We are in a period of immense innovation, but also one of paradoxes. Lifestyles and consumption habits in developed societies are moving toward greater restraint. At the same time, one section of humankind is aspiring to, and legitimately accessing, a better standard of living. Against this backdrop, what is the best way to encourage new sustainable and responsible consumption habits? Advertising and communication are still vital when it comes to raising the profile of companies' products and services and developing their businesses and jobs over the long-term. Competition is increasingly fierce across all business sectors and the end customer is highly fickle given the unparalleled choice and compelling offering. Customers are increasingly well informed and highly demanding. It is important to Group agencies that citizen-consumers are always able to exercise their free will and make informed choices. In light of the challenges facing our society today (reducing inequality, climate change, etc.), changing consumption patterns is a complicated process that involves the opinions and desires of everyone concerned. The aim of Group agencies is to act both as supporters and facilitators of behavioral change, and support their clients with their complex transformation projects. The Group's commitment to responsible marketing is to be applied at all times.

Common Ground: in 2016, Publicis Groupe, together with five other communications groups (Omnicom, WPP, IPG, Dentsu and Havas), committed to back the Secretary General of the United Nations by lending their expertise to promote the Sustainable Development Goals (SDG) of the United Nations. As part of this unique industry approach, Publicis Groupe is working on SDG no. 2: Zero Hunger. The key areas of focus are: eradicating food waste and promoting sustainable farming. The One Table internal campaign continued in 2018. The aim is to encourage Group employees to participate at their own level, and to raise the awareness of partners – clients, suppliers, NGOs and institutions – of the need to join this effort. This commitment spans several years and examples of actions can be found on the Group's website www. publicisgroupeonetable.com.

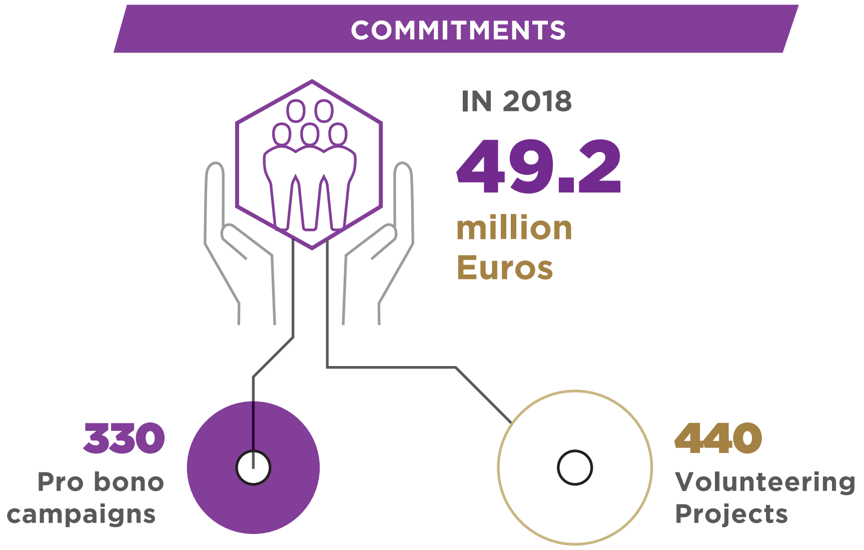
4.3.3 Commitments by the Group, agencies and employees: Create & Impact 2018

Create & Impact is the umbrella program that pools the Group's actions carried out internally (Give Back Days, Wellness Days, Green Day and Green Week, etc.) and undertaken with communities and society in general, including *pro bono* campaigns, as well as volunteering and charitable activities. Create & Impact is the combination of all Group commitments having a societal impact, regarding an estimated **total of euro 49.2 million in 2018**. The agencies are conducting an

4

increasing number of charitable activities, the financial value of which is lower than the pro bono campaigns with free space donated. All activities carried out within the context of "Create & Impact" have a direct impact on population, on local and neighboring communities, and on regional development since there is a strong proximity between the agencies and the causes they support. All of the activities included in Create & Impact are now presented based on the United Nations' SDG in order to better assess their direct impact (see the CSR section of the Group's website).

As part of the Group's commitment to the "Common Ground" industry initiative to support the UN's Sustainable Development Goals (SDG), roughly 50 initiatives were carried out related to SDG2 (Zero Hunger), which was assigned to Publicis Groupe. The agencies pooled their efforts under the internal banner, "One Table. Come Together, Stop Hunger." For the most part, the objective of these campaigns is to tackle food waste or food insecurity, and to encourage systems for sharing food that is more responsible, sustainable and fairer for everyone (having better taken into account animal well-being in recent years).



Group agencies took part in over 770 projects in 2018. Both types of initiative are now grouped together as some projects combine the two approaches.

***Pro bono* campaigns** (330) are carried out free of charge by the Group's various agencies, in addition to all the skills-based sponsorship provided. Agencies concentrate on a limited number of causes. The teams are very proud of the actual efficacy of the campaigns, and of the awards that they have won in recognition of their creative freedom.

In regard to volunteering (440), one or more teams are made available for a limited period of time to provide operational support for specific initiatives run by non-profit organizations in the name of general interest causes. In some countries, this may also be regarded as skills-based sponsorship.

You will find a presentation of select projects in the CSR, social aspects, section of our website.

Donations and charity work: participation in charity events is ongoing. Natural disasters and large-scale serious accidents lead to spontaneous acts of generosity, with employees and management working side by side. In certain cases, local management may decide to in some way match the funds spontaneously raised by employees. Under these extraordinary circumstances, local presence is a key factor for success. This is why the Group gives priority to a decentralized approach.

4.3.4 Human rights policy

Publicis Groupe has been a signatory of the UN Global Compact since 2003. In line with its cultural heritage as a French company, and its corporate culture, the Group is committed to respecting Human Rights. The Janus Code of Ethics compels managers and their teams to abide by local laws and regulations, and refers to the fundamental principles of the International Labour Organization (ILO), with special attention paid to gender equality in terms of employment, equal opportunity and remuneration, as well as to the scope and effectiveness of social security and the importance of employee relations. The ten principles of the UN Global Compact include the elimination of all forms of forced or compulsory labor, combating modern slavery and human trafficking, the elimination of discrimination, and the abolition of child labor. Publicis Groupe signed up to the Women Empowerment Principles (WEP), seven fundamental principles listed by the United Nations to act tangibly to promote women's rights worldwide and at all levels. This commitment, along with the United Nations Global Compact, requires signatories to be transparent in their actions and results. It should be noted that the Group also chose to follow the United Nations' Sustainable Development Goals (SDGs – see Section 4.7, Guidelines) from 2015, by concentrating on 10 of them in order to measure its contribution and positive impacts.

Publicis Groupe would like to contribute to the general effort to reduce the negative impact on human rights. Two focuses are worked on simultaneously. Firstly, internally, special attention is paid to the issues of non-discrimination, freedom of expression and equal treatment (see Section 4.1.2). Internal Audit covers labor-related issues during its regular reviews (HR procedures, employee protection and information, whistleblowing system, etc.). Secondly, vis-à-vis external stakeholders there are two challenges: to make the voices of those who fight for human rights heard, and work with suppliers on this subject. *Pro bono* campaigns, like volunteering (see Section 4.3.1) in support of organizations or general interest causes promoting human rights (of women, men and children) and opposing all forms of exclusion and discrimination, demonstrate the long-term commitment of the Group, as well as its agencies and employees, to defending human rights. The teams involved not only work on communications campaigns, but in many cases also give their time through volunteer support actions to help people in need. Vis-à-vis suppliers, the contracts signed with strategic partners (central or regional) involve them signing up to the Group's CSR Procurement Guidelines, which were revised in 2018 (see Section 4.2.6 on responsible procurement). They are also subject to a CSR assessment (internal or external with Ecovadis). Respect for human right is an integral part of the key points monitored as part of the duty of care (see Section 4.4.1). In recent years the Group's agencies in the United Kingdom have made voluntary commitments to combat modern slavery (2015 Modern Slavery Act) and all forms of human trafficking.

The Group also acts in a more direct way through the Women's Forum and its ability to influence, as explained in Section 4.1.2. The Women's Forum, its partners and participants provide support that makes it possible to give a voice to and raise the visibility of projects, personalities and citizens involved in the different countries to fight for women's rights and strengthen the involvement of all. In terms of health and access to healthcare, we would mention the creation of the Women & Access to Health Daring Circle – driven by Sanofi and Axa, in partnership with BNPParibas and Google, and with RB, Gavi and The Vaccine Alliance – with the goal of supporting the Health Tech project allowing more women to access quality care both in developed and less developed countries.

4.4 BUSINESS ETHICS

4.4.1 Ethical principles in the conduct of business

Janus is the Group's Code of Ethics. It consists of a code of conduct and the Company's operating rules. Janus applies to all managers and their teams. The code of conduct applies to all employees (see Sections 2.7.2 and 3.1.5 of this document). More than 88% of the Group's workforce has received training in the Janus code and its contents. The majority of new employees, whatever their position, follow an induction program comprising a presentation of the Group and its businesses and a presentation on Janus and its key principles. This includes elements related to team and manager standards of behavior and the operating rules to be respected in terms of loyalty of practices. These include: the "Zero tolerance" principle in terms of discrimination, harassment, and violence at work, rules regarding conflicts of interest, fraud, anti-corruption, data protection, compliance, key points of the HR policy, and a reminder of the major principles adhered to by the Group, such as the United Nations Global Compact. In terms of business, one of the Group's historical principles is its refusal to take part in partisan communications campaigns of any kind. The Group refuses to work for political parties, sects or ideological propaganda organizations. Several Janus excerpts are available on the Group's website, section CSR.

Duty of Care Plan

Pursuant to article L. 225-102-4 of the French Commercial Code, the Company drew up a Duty of Vigilance plan relating to the Company's activities and that of all of its subsidiaries or companies it controls and designed to identify risks and prevent serious breaches that could infringe human rights and fundamental freedoms, or threaten the health and safety of people. To this end, an *ad hoc* committee was set up (Steering Committee) in 2017, comprising members of the Internal Control and Risk Management Division, as well as managers from the CSR, Procurement, Human Resources and Legal Departments. Under the aegis of the Secretary General, the Steering Committee is tasked with developing the action plan and monitoring its implementation.

The risk map developed did not reveal any risks that had not already been identified by the Group and that would not already be covered by a policy or system mentioned in this section on social and environmental responsibility.

The Group continued its work in 2018. Certain policies and systems were strengthened. As such, as part of the continuous improvement approach, it decided to expand the numbers of suppliers assessed using the Ecovadis platform, across a broader geographic area and a wider range of company sizes (see Section 4.2.6). The internal measures already taken to combat discrimination and harassment have also been reinforced with ongoing training as part of the Zero Tolerance policy and the sanctioning of unacceptable behavior (see Section 4.1.2). The whistleblowing system already in place within the Group (see below) was expanded to cover legal provisions relating to duty of care and was consolidated around a single address ethicsconcerns@publicisgroupe.com regardless of whether it is an internal or external request.

Anti-corruption

In 2018, with the updating of the anti-corruption policy (available on www.publicisgroupe.com CSR section), a major mandatory internal training plan was put in place designed to raise the awareness of all Group employees in all agencies and countries without exception. 50,000 employees followed the online modules, which are available in 12 languages (this number is consistent with employee turnover during the year). More specific training was developed for managers and individuals with particular exposure to corruption risk. Janus addresses the issues of gifts, conflicts of interest and inappropriate or unethical behavior – either with clients or suppliers – competition and unfair practices. The Group's legal experts play an important role in terms of awareness and the application of laws and regulations concerning corruption, fraud and money laundering. Based in the shared services centers (Re:Sources) and functioning under the Group's Legal Department, these legal experts keep a constant eye on laws and regulations dealing with corruption. They keep agencies aware of the issues, work on prevention and lay down compliance procedures adapted to local markets. The aim is to maintain extremely strict standards that comply with current applicable regulations. Lastly, as part of their regular tasks in the agencies, the internal audit teams spend time reminding everybody about the Group's rules regarding the fight against corruption and check compliance on site.

Whistleblowing

2018 saw the merging of various different whistleblowing systems into a single system, ethicsconcerns@publicisgroupe.com, making it possible to come into line with new regulations and to have a more streamlined and effective system. Regardless of whether they are from employees, clients, partners, suppliers or any stakeholder, all alerts received (post, e-mails, etc.) are dealt with centrally by the Group's Secretary General Department and the head of internal audit. Investigations are carried out by the Internal Audit Department using the appropriate means in relation to the subject in question and ensuring strict confidentiality. Whistleblowers are protected by confidentiality and any form of retaliation is prohibited.

All employees in all countries received extensive information regarding the implementation of this new system. The Internal Audit Director reports the findings of the investigations carried out to senior management and a report is presented at each meeting of the Supervisory Board's Audit Committee.

4.4.2 Professional ethics and ethics within business lines

Ethics is a cross-functional issue that covers numerous aspects, some of which are covered in Section 4.2.4, relating to customers (responsible communication, personal data protection), or ethical behavior issues. The following are examples of some initiatives in this area carried out and monitored by the Group over the last few years:

- **Regarding professional self-regulation**, on an international scale, the Group is still very much involved, and works with professionals and all the competent authorities of the ecosystem to advance best practice standards and define the improvements to be implemented. For some 80 years, the communications sector has been governed internationally by the ICC's (International Chamber of Commerce www.iccwbo.org) Marketing Code. This ICC Code (Advertising and Marketing Communication Practice – ICC Code) sets the standard in terms of self-regulation and best practice in advertising and marketing. It covers digital communication and mobile apps. An updated version was released in 2018. It echoes the founding principles: all communication must be legal, decent, honest, truthful and socially responsible. This version sets out to be neutral in terms of technology and media. It clearly explains the ground rules for communication targeting children (under 12) and adolescents (from 13 to 18). Lastly, it covers issues pertaining to data collection and protection and the right to privacy.

  The challenge here is to improve standards. Worthy of note is the work carried out with the IAB (Interactive Advisory Bureau) and the MRC (Media Rating Council) on the visibility of digital advertising, and how this can be quantified (viewability). This work is perfectly in line with other professional organizations such as the AAAA (American Association for Advertising Agencies). In the same spirit, concerning data protection, for example, the Group's experts are involved in the 4A's Privacy Committee and the Advertising Self-Regulatory Council in the United States, as well as the European Advertising Standards Alliance. This also applies to work done collectively on Online Behavioral Advertising and Native Advertising, both in the United States and in Europe:

  - **the Trustworthy Accountability Group** (TAG) is the first cross- industry initiative of its kind dedicated to the fight against criminality in the digital advertising supply chain. Its work focuses on four areas: eradicating illicit trafficking, combating malware, fighting against online piracy and promoting transparency (TAG Anti-Piracy Pledge). The goal is to ensure brand safety; that is to say to ensure against brands appearing on inappropriate sites or environments. The TAG Registry was the second part of the Verified by TAG program, whose two-fold aim is to combat fraud and crime related to the online advertising sector, and to promote best practice. Publicis Groupe is one of the companies integrated in the TAG Registry,
  - **Digital Ad Trust:** This French initiative introduced in 2017 and operational in 2018 brings together all of the players of the ecosystem, including the Media agencies. The goal of this approach coordinated by IAB France (International Advertising Bureau) is to assess and promote responsible sites based on the quality of their content and the advertising practices used (cookie and browsing preference policies);
- **Regarding education,** Publicis Groupe has for nine years participated in "MediaSmart", a European program ("PubMalin" in France) designed to help primary school teachers teach 8-11 year olds critical thinking skills relative to advertising, in partnership with media representatives, teachers, consumer associations and regulatory authorities, among others. The Group also participates in the MediaSmart Plus program aimed at high-school students and their teachers;
- **Professional organizations** (at the national and regional levels); agencies are also becoming increasing involved in cross-sector work with other stakeholders and in many topics related to the Group's activities. Agency managers and experts are involved in these organizations, and monitor the application of constantly improving best practices by their agencies.

4.4.3 Audits and Certifications

Communications industries are subject to different formal frameworks. The Group's agencies are sometimes audited by clients on different issues. In the United States, in response to a request from the Association of National Advertisers (ANA) in the United States (ANA) focusing on issues of audience reliability, the 44 audits conducted by Group clients in 2017 and 2018 failed to show any anomalies.

The main certifications in place in agencies are:

- ISO certifications; 18 agencies are ISO 9001 certified, 10 ISO 14001, 5 ISO 27001 (including four in India) and four ISO 18001 (India); Lastly, three entities are ISO 20121 certified. Entities with such ISO certifications account for 17% of all employees;
- professional certifications; in some countries, these are required for certain activities; for example, with the CENP in Brazil or the CAANR in New Zealand;
- technological certifications, which are widespread and cover different types of technical standards.

As well as:

- industry qualifications related to certain tightly controlled business sectors, such as healthcare for Publicis Health agencies, in the United States, France and the United Kingdom: employees are trained in local regulatory frameworks and every campaign undergoes a Compliance Review;
- professional accreditations enable checks and audits to be conducted on behalf of clients, as is the case with Publicis Communications in the United States which conducts audits requested by clients on different aspects such as supplier diversity.

4.4.4 Group governance

Section 3.1 of this document details the Group's corporate governance principles. Publicis Groupe is a company with a Supervisory Board and a Management Board.

The risk factors (industry related, operational, environmental and human, regulatory and legal, financial) are presented in detail in Section 2 of this document. Risks known as CSR risks are incorporated in the Group's overall risk mapping.

CSR is monitored by the Supervisory Board within the Strategy and Risk Committee: it is placed under the supervision of Anne-Gabrielle Heilbronner, Secretary General and Member of the Management Board.

4.4.5 The Group's ecosystem: stakeholder relations

Stakeholders other than employees, clients and citizen-consumers (society) previously detailed in Sections 4.1, 4.2 and 4.3 are cited here.

Shareholder relations

The Company has been listed on the Paris Stock exchange since 1970. It is one of the companies selected for the CAC 40 index. Detailed information on shareholders is provided in Section 8.2 of this document.

Investor relations

The Investor Relations Department (see Section 8.4.2 of this document) oversees everyday relations with investors and shareholders *via* numerous meetings and exchanges in various countries. In March 2018, an Investor Day was organized in London attended by over 200 investors for the unveiling of the 2018-2020 Sprint to the Future strategic plan. The Investor Relations Department and the CSR Department work closely together with respect to ESG (Environmental-Social-Governance) requirements coming from shareholders, investors, management companies or ratings agencies.

The press releases and presentations circulated throughout the year are accessible on the Group's corporate website: investor relations' section.

Media relations

The media are key Group partners: they are the suppliers that media agencies deal with on a daily basis in different countries. Publicis Groupe has always been very committed to media pluralism and is often engaged in supporting media diversity and respect for media neutrality.

In a totally separate manner, the Group Communications Department supports the Company's official corporate publication schedule. Agency communications focus on projects that they have completed for clients and on campaigns and awards. The Group's Communications Department also keeps all stakeholders informed. Employees, shareholders, the general public and institutional investors are informed *via* different communication tools (media, website, social networks, newsletter, etc.).

Relations with consumer and environmental protection associations

In every country where the Group operates, these associations are key stakeholders in the local ecosystem. The agencies work with them as part of industry projects, to listen and meet, and discuss the role of communications professionals. The growing challenges in recent years related to climate change have favored more regular discussions with environmental associations to better understand their points of view and to foster, when relevant, cooperation with certain clients and industrial or service companies. Our agencies sometimes also help certain organizations with their projects (*pro bono* or volunteerism).

Relationships with academia, schools and universities

In 2018, over **1,000 programs** or activities were undertaken in some 50 countries. Some managers act as regular, or one-off, contacts in some disciplines and domains, and share their experience with future professionals. Our agencies take part in events designed to help young students find out about jobs in the industry. They also welcome students on open days or for *ad hoc* visits. (see Section 4.1.3)

The Group has forged relationships with various schools, universities (see corporate website, CSR section) and organizations that are highly committed to diversity. The Publicis Groupe is a member of "the Alliance for YOUth" whose mission is to combat youth unemployment and promote the employability of young people as well as their professional integration, and even reintegration. Launched in collaboration with several partner companies on Nestlé's initiative, this operation aims to create 100,000 job opportunities for young people in the coming years. Group managers and employees are committed to supporting young people for a given period in time (in Mexico and Paris, for example).

Relations with regulatory authorities, self-regulated authorities and inter-professional organizations

In most countries in which the Group operates, regular cooperation takes place with the different industry regulatory bodies and/or industry self-regulation is organized, through inter-industry channels, and work carried out within the industry on common issues. The challenges related to the protection of personal data are an illustration: advertising is just one of the players. Long-term collaboration with all stakeholders is therefore indispensable (see Section 4.4.2).

Relations with governments and local authorities

Publicis Groupe is a responsible taxpayer that complies with its tax obligations (payment of taxes). This means that we:

- respect the tax laws applicable in each country;
- prepare and file tax returns in accurate and timely manner and retain all necessary documentation to support the tax filing;
- understand how and where value is created and ensure that transfer pricing reflects this;
- employ appropriately qualified and trained tax professionals with the right levels of tax expertise and understanding of the business.

Our tax strategy is built on these four principles:

1) compliance: We act at all times in accordance with all applicable laws and relevant international standards;
2) transparency: We comply with all relevant legal disclosure and approval requirements and all information is clearly presented to the tax authorities. Openness and honesty are paramount in all dealings with the tax authorities;
3) tax risk management strategy: To the extent the Group undertakes tax planning, it takes place where there is a business purpose or commercial rationale. The Group manages tax risks on the back of an analysis of the risks;
4) accountability & governance: We ensure that as a business we have the mechanism in place to adhere to the above principles as outlined in the Group's annual report. The tax strategy is monitored by the Finance Department, in tandem with senior management (see Section 1.9.4, and Note 8 in Section 5.6 of this document).

4.4.6 Compliance

All compliance matters are monitored by the Group's Legal Department under the responsibility of the Secretary General, with the support of the local teams in all countries.

In relation to the GRI guidelines:

- Publicis Groupe does not receive any State aid or public financing;
- Publicis Groupe, whose core activities involve the provision of intellectual services, has not recorded any incidents involving child labor or forced or compulsory labor, nor incidents relating to the violation of the rights of native populations, nor human rights grievances;
- Publicis Groupe has not experienced any incidents of non-compliance with voluntary rules and codes concerning: impacts on consumer health and safety; information about its products and services;
- the provision and use of its services; Publicis Groupe has had no complaints filed against it for invasion of privacy or loss of client-related data;
- as happens every year, a very small number of agencies (fewer than ten) recorded incidents of non-compliance with regulations and voluntary codes relating to communications, more often than not in the form of notices or notifications issued by regulatory or self-regulated bodies, on each occasion giving rise to immediate modifications;
- Publicis Groupe has not had to fight any legal actions for infringement of anti-trust laws, anti-competitive behavior, or monopolistic practices. In the United States, external audits were conducted of agencies in 2017 and 2018; Publicis Media successfully passed all the audits of 44 clients.

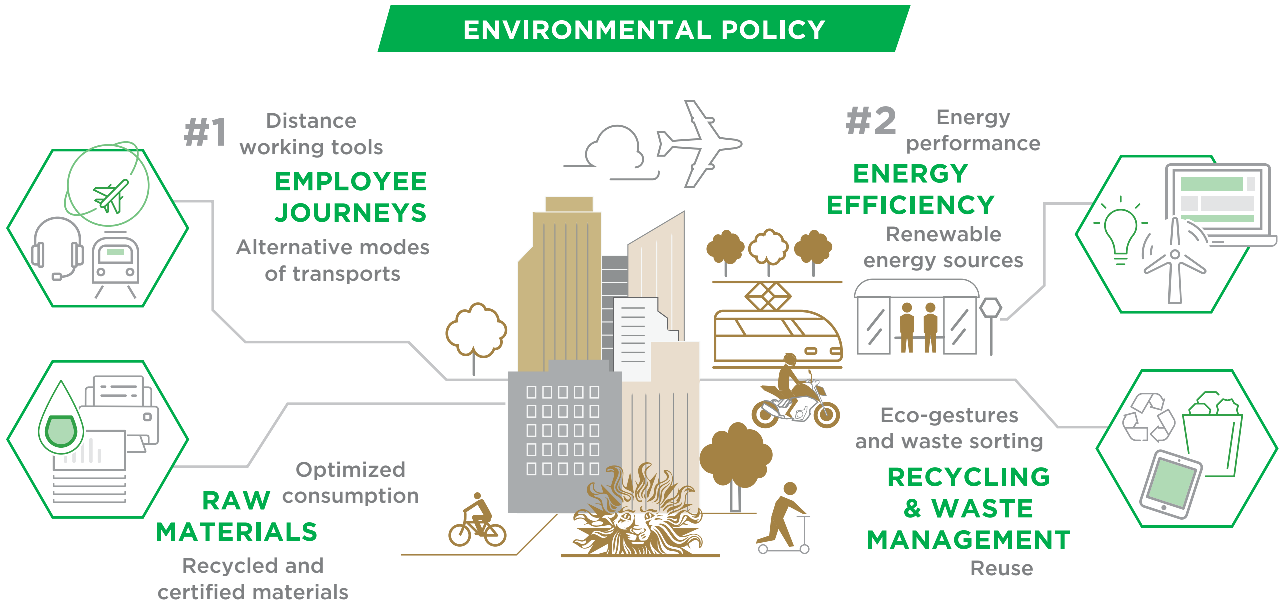
Regarding article 225 of the Grenelle II Act, and supplementary information required by other French legal texts, the environmental impacts are dealt with in the section below. However, some indicators do not apply to Publicis Groupe, given the nature of the service-based and intellectual activities, namely:

- the resources dedicated to preventing environmental risks and pollution (see Section 2 of this document); given the insignificant level of environmental challenges, the Group does not envisage writing any provisions and guarantees for environmental risks or risks associated with climate change;
- the consideration of noise pollution and other forms of activity-specific pollution;
- measures taken to prevent, reduce or repair air, water and soil pollution (including land use) affecting the environment.

4.5 ENVIRONMENTAL IMPACT

Having signed up to the UN Caring for Climate pledge in 2007, the Group has adopted a voluntary approach to implement solutions that are not resource intensive and monitor their environmental impact, even if they are not very material for the Group given that it provides intellectual services. The "Consume less & better" environmental strategy is overseen by the CSR Department, in close cooperation with Group senior management and with the support of the country shared services centers for the implementation of initiatives and their monitoring in the agencies.

The teams are increasingly incorporating eco-friendly design into client campaign design, and are looking for partnerships to make projects more sustainable using new approaches such as the circular economy or sharing economy. In various countries, a number of agencies are testing eco-friendly design and evaluation methods in this regard. These voluntary initiatives make it possible to associate customers, suppliers and partners. Lastly, employees are very much involved in internal initiatives, especially daily eco-friendly actions, to limit environmental impacts, the two most significant of which are due to travel and transportation, and energy use.



4.5.1 Environmental policy

"Consume less & better" is the motto that guides the environmental policy of the Group and its agencies and enables initiatives to be articulated on the basis of their impacts. Since 2016, it has been developed around the European 2030 climate and energy strategy(1) (extending the 2020 policy applied until that point) and thus defines specific objectives. Clear trajectories have been finalized for the years to come. The summary table at the end of this section shows the changes under way.

The environmental policy (which may be consulted on the Group's corporate website, under the CSR section) continues to be structured around four key areas of focus in order to tackle priority challenges with the aim of:

1. reducing employee travel and its impact through the introduction of teleconference and conference call systems, etc., encouraging lower-emission modes of transport (such as public transport or "Green cabs", etc.) or alternative mobility solutions;
2. reducing energy consumption and improving energy efficiency (by seeking to limit the impact relating to electricity, heating and air conditioning);
3. reducing consumption of natural resources and raw materials (mainly paper and water);
4. installing recycling and organized (non-hazardous) waste management systems.

The Publicis Groupe chose to voluntarily follow the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) because they are better suited to intellectual service activities.

(1) European 2030 Environmental Climate-Energy Strategy: 40% reduction in greenhouse gas emissions; share of renewable energy at 27%; 27% increase in energy efficiency.

Important progress over the past decade should be noted, with an improvement of 31% in energy efficiency.

In 2009, carbon intensity *per capita* was 5.46 $TeqCO_2$.

The initial objective for 2020 was 4.37 $TeqCO_2$ *per capita*.

In 2018, carbon intensity *per capita* was 3.78 $TeqCO_2$.

The objective for 2030 is now 3.28 $TeqCO_2$ *per capita*.

Adapting to climate change

A signatory to the Caring for Climate pledge of the UN Global Compact in 2007, the Group strengthened its commitment *via* the active roll-out of its environmental policy. At the One Planet Summit in Paris in December 2017, the Group reaffirmed its commitment in the French Climate Business Pledge, restating the commitment of French business to the energy transition and the fight against climate change on the back of the Paris Agreement and the goal to keep the increase to 2°C. Since 2009, the Group has chosen to emphasize the reduction of its direct impact. On the basis of its 2018 greenhouse gas emissions, the Group decided to initiate a carbon offsetting plan from 2019 (see www.publicisgroupe.com CSR section, under Environment) that will prioritize the energy consumption intrinsically linked to our activities. The agencies, within their ambit and at a local level, continue their efforts to reduce the impact by applying the environmental policy and the stated objectives for 2030 (see table at the end of the section). More specific efforts were made with our employees around Earth Hour (e.g. Leo Burnett in March), Earth Day (e.g. Saatchi & Saatchi in April) and Green Week in Europe (e.g. Publicis in June).

Eco-friendly campaign and project design for clients

Agencies have now put in place processes to assess the eco-friendly options from the outset of the project: if these parameters are properly considered, this makes it possible to carry out more energy-efficient digital campaigns or solutions, whether in terms of energy consumed, raw materials to be used, travel to be limited, waste to be managed, etc. These rules make it possible to better anticipate the impact and find alternative solutions. Measuring what was thus saved as a result remains a challenge. These approaches are effective when the client has the same requirement, and project by project measurements make it possible to identify clear benefits. But unless the approaches are made more uniform, consolidating project data is not particularly pertinent.

Focus on real estate

The Group's Real Estate Department is closely involved in the environmental efforts because it takes these issues into consideration in the course of refurbishment work for the agencies and when looking for new premises. The goal is to favor, to the extent possible, spaces that meet the energy and environmental performance criteria. Each year, examples of best practices are exchanged between the different Real Estate managers in the countries in order to anticipate the needs of future premises: certification of buildings (LEED, BREEAM, HQE, Energy Star, etc.), energy providers and type of energy mix proposed, including renewable energies, energy-saving electrical systems, types of materials used for interiors and decor, and waste-sorting and recycling systems. A major effort was made over the past number of years to optimize space, to bring entities together under the same roof whenever possible. In 2018, the Group reduced the area occupied by 10%, with spectacular mergers like in New York where 10 addresses fell to four, or the bringing together of all Boston entities into a single fully refurbished building.

Protection of biodiversity

This issue is dealt with on a local level, according to the immediate environment of each agency and its ability to have a real influence. Several actions have been implemented. In Costa Rica, Re:Sources is a model of the volunteer approach with an action plan involving employees in a carbon offsetting program designed to promote local biodiversity by preserving tropical flora and fauna in protected forests. In France, the Group has installed several beehives on the roofs of four of its buildings in Paris, including the head office on the Champs-Élysées and gives employees training in how to care for them. In addition to supporting the French beekeeping sector, a partnership was formed with the Apiflordev association, which fights poverty, particularly in Africa: sales of honey produced by the Group's Paris-based beehives are used to fund the installation of beehives in Senegal. In China, several entities have come together in a program to plant trees in the fight against local deforestation. Pro-bono campaigns and volunteering focused on protecting nature and the planet were carried out for associations that protect the environment and natural resources (namely flora and fauna) in many countries (see the examples on the Group's website in the CSR section, under Society).

Providing employees with information and training on environmental issues

Employee awareness on these matters is raised locally within each agency during Green Week, an internal week of action and events, and Cleaning Days that are held at least once a year. Depending on the issue, billboards or internal notifications make it possible to keep awareness high and monitor progress (in terms of reductions in electricity and paper consumption, improved waste-recovery management, etc.). The aim is to foster new behaviors both in and out of the workplace so as to reduce the negative impacts.

4.5.2 Consumption

The Group's major sources of consumption and impacts are, in order of importance:

- Travel (calculation: business trips + employee commutes) estimated at **1,138,298,000 km**. The Group has continued to deploy teleconferencing rooms and collaborative distance working tools (video and voice) to avoid travel where possible; For its company car fleet, the Group follows European objectives, i.e. CO_2 emissions lower than 130 g (EU objective being to reduce this to 95 g by 2021). Finally, individual habits are starting to shift significantly with requests for hybrid and even electric vehicles;
- Energy consumption; estimated at **146,742,000 kWh. 33.5% of total consumption** is derived from renewable energy sources (on the basis of statements from electricity suppliers and above all to the choice of energy mix proposed by the Group's new suppliers). Efforts continue to improve energy efficiency and best practices (switch-off policy for computers and machines such as printers, as well as night and weekend lighting). When the Group has to envisage moving, the energy efficiency of the future offices is part of the selection criteria;
  - **Data Centers**: work to optimize and rationalize servers continues, as well as the consolidation of applications, including digital products and services created for clients. This work is being conducted in collaboration with some of the Group's major partners so that the results can be uniformly monitored. Efforts continue in North America: after having realized energy savings of 12% in 2016, another data center was able to save 13% in energy use in 2017. An ambitious plan is being implemented (multi-year plan) that aims to reduce the number of machines and to equip all employees with a range of powerful and energy-saving virtual tools. In 2019, the Group will launch a carbon offsetting plan relating to the energy consumption impact of the core business,
  - **Energy audits**: pursuant to the application of the Directive 2012/27/EU, some agencies in Europe carried out energy audits which enabled progress plans to be drafted for the coming years (for example, improvements to systems or the strengthening of individual and collective eco-friendly practices). In 2017, savings of 15% were recorded on electricity and heating at the head office in Paris. In the United Kingdom where the efficiency plan is beginning to reap rewards in London, the renewable energy targets were met (30%). Outside Europe, and in the course of the moves resulting from the reorganization, the Group is favoring buildings with LEED or BREEAM type certifications, such as in Boston, New York, Chicago, Los Angeles, Gurgaon, Bangalore, Shanghai, Paris and London;
- Fixed assets (buildings, office materials such as IT equipment and servers, etc.): the Group seeks to use Green IT solutions in order to be able to work on more economical computers;
- Paper consumption: **703 metric** tons were consumed, of which more than 90% was certified and/or standard-compliant paper (FSC, PEFC or other labels); as well as consumables (cartridges, office supplies, etc.). For several years now, agencies have reduced their paper consumption by adopting across-the-board use of certified paper or by promoting a "zero paper" policy. In addition, the rollout of applications such as Follow Me makes it possible to select printers according to the type of document to be printed and to use a badge to launch the printing. Just a few weeks after installation, this application reduced paper consumption by 50%.

Additionally:

- Water consumption is estimated at **724,401 m³** – roughly 9.7 m³ *per capita*. Given that water consumption data is always difficult to collect since some agencies rent premises in larger buildings, the main improvements concern washroom facilities (with the Group-wide installation of sensors) and prompt response once a water leak is detected. Water supplies are from municipal systems or private operators, under long-term contracts with the managers of the buildings in which the Group's agencies are located;
- The volume of non-hazardous waste recycled is estimated at **3,810 metric tons**. Most of this waste is paper and cardboard. It is recycled with traceability (some agencies have traceability in place for 100% of these volumes). Given that the Group provides services, it does not manage any hazardous or toxic waste. Electronic waste is treated in WEEE recycling systems, in partnership with suppliers within the framework of materials recycling contracts;
- Concerning the circular economy, for a decade now agencies have been voluntarily committed to promoting documents from recycled paper, plastic, fabric and other materials for paper publications or regular and one-time events, by working with suppliers who guarantee these recycled raw materials;
- The issue of food waste has been addressed for a number of years now. In all agencies, employees are encouraged to be mindful of waste day-to-day and to support sharing initiatives. For example, in the late afternoon, employees can go to the cafeteria (or kitchen or coffee room) to collect untouched food left over from meetings. The aim is to avoid throwing food away. Contract catering partners are selected on the basis of this criterion, and they are questioned on their supply chain to facilitate more responsible eating habits, also taking into account animal well-being. Contract catering partners are selected on the basis of this criterion. In France, Sodexo, which is the Group's partner, including for the Champs Elysées and Bastille sites, is extremely proactive both in its own production chain (from upstream to downstream) and in its communications campaigns designed to raise the awareness of its employees and clients to food waste issues in corporate canteens. In recent years, several agencies have

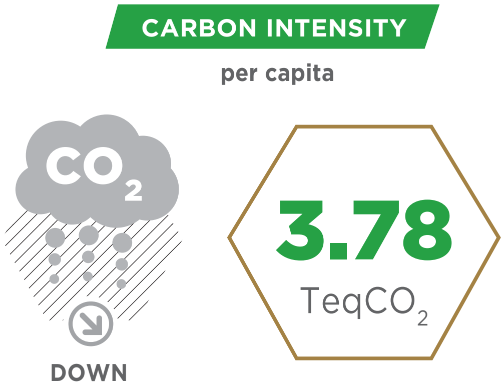
set up partnerships for their employees with organizations facilitating direct relations between agricultural producers and consumers (organizations working to protect local farming [AMAP] in France or organic farmers or organic food in English-speaking countries).

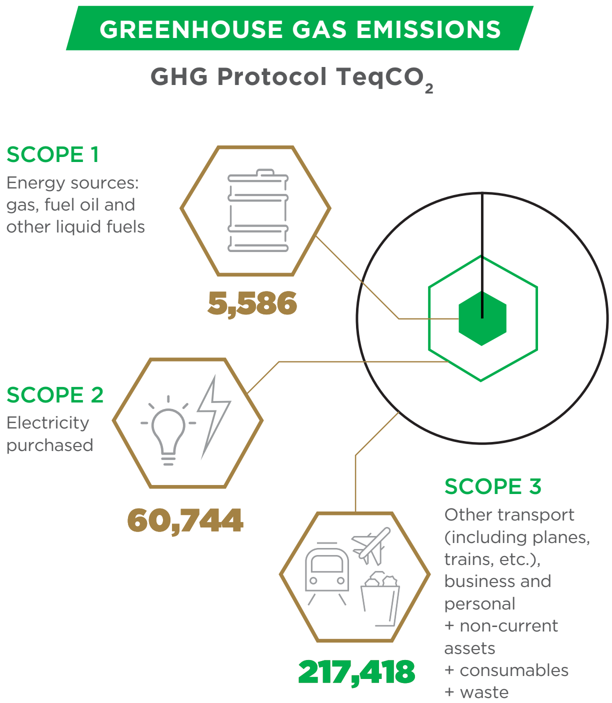
4.5.3 Review of greenhouse gas emissions

For the ninth edition, the greenhouse gas emissions review based on the GHG protocol method was calculated with the assistance of Bureau Veritas based on data collected by all Group entities (98%).

2018 data take into account new emission factors updated in January 2019 from the Base Carbone® database managed by the French Environment & Energy Management Agency (ADEME, accessible at www.basecarbone.fr [in French only]); these emission factors are required by the French Ministry for the Ecological and Inclusive Transition for the GHG emissions assessment.

The total of scopes 1 +2 +3 in 2018 is 283,748 TeqCO_2, which makes for a **carbon intensity of 3.78 TeqCO_2 *per capita***, an 18% decrease since 2017. There are two reasons for this: reduced energy consumption and a decrease in the use of transportation accounting for 8%, and the application of new emission factors, particularly for consumable goods and waste, accounting for the remaining 10%.





Note from Bureau Veritas: The method used to calculate the Greenhouse Gas (GHG) Protocol is based on average emission factors and as such includes a certain degree of uncertainty. It therefore provides estimates in order of magnitude with the aim of promoting actions to reduce greenhouse gas emissions and measure the progress made. The degree of uncertainty when making the Publicis Groupe GHG emissions assessment for 2016 is estimated at 20%.

/ Summary table of environmental indicators

Multi-year data trends are available on the Group website, in the CSR section of the CSR Smart Data page.

Indicators	Unit	2009*	2016	2017	2018	EU targets 2030**
Group headcount		45,000	78,913	77,767	75,588	
Scope 1	$TeqCO_2$	27,749	12,374	13,118	5,586	-
Scope 2	$TeqCO_2$	74,287	78,890	65,702	60,744	-
Scope 3	$TeqCO_2$	143,734	284,851	266,344	217,418	-
Scope 1+2+3	$TeqCO_2$	245,770	376,115	345,165	287,748	-
Carbon intensity *per capita*	$TeqCO_2$	5.46	4.77	4.44	3.78	3.28
Electricity consumption	MWh	136,397	171,288	158,132	147,407	-
Energy intensity *per capita*	MWh	3.03	2.2	2.1	1.95	2.19
Renewables as a percentage of total consumption	%		25%	33.5%	33.5%	27%
Water consumption	m^3	232,000	826,356	750,122	724,401	-
Water *per capita*	m^3	5.15	11	9.7	9.7	-
Total volume of waste recycled***	metric tons	4,660	5,342	4,438	3,810	-
Waste *per capita*	metric tons	0.10	0.07	0.05	0.04	-
Paper consumption	metric tons	1,770	1,271	1,100	703	-
Of which paper *per capita*	metric tons	0.03	0.02	0.01	0,009	-
Total kilometers traveled (business trips and commuting between home and work)	thousand km	403,113	1,254,767	1,200,429	1,138,298	-
Travel *per capita*	thousand km	8.9	15.9	15.4	15.2	-
Business trips Commute	thousand km	230,862	765,792	688,527	636,087	-
Daily commute	thousand km	172,251	488,975	512,132	502,210	-

* 2009 is the benchmark year with Group consolidated figures.
** Targets established on the basis of the EU 2030 climate and energy framework. (see page 148).
*** In light of the fact that the Group provides intellectual services, it does not have to manage hazardous or toxic waste.

4.6 NON-FINANCIAL PERFORMANCE AND ASSESSMENTS

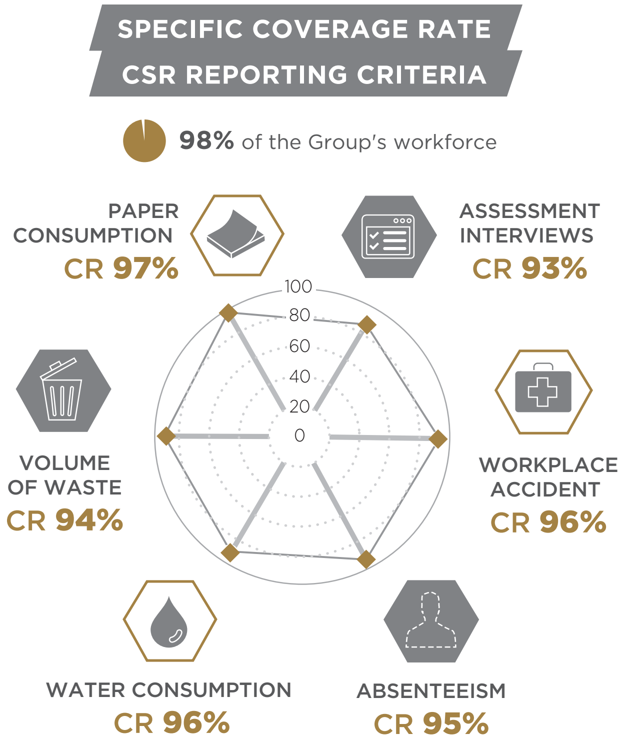
The improvement in the non-financial performance of the Publicis Groupe in recent years underpins the progress accomplished by the Group in the different registers. The reporting structure, processes and results are audited by external auditors, SGS. The entire approach is also assessed by financial analysts, management companies and investors within the context of their ESG analysis, as well as by current and prospective Group clients (questionnaire, site audits, etc.) and by various sustainable development players whose assessments may be published (public organizations, ratings agencies, students and teachers, etc.). Finally, Publicis Groupe is in several indices, including: FTSE4Good, Euronext Vigeo Eiris, Ethibel Sustainability Index Excellence Europe, ECPI Index and is assessed annually in specific areas by RobecoSAM (DJSI), MSCI, Sustainalytics, Standard Ethics, Oekom, CDP, Trucost, Ecovadis, Ethics & Boards, among others (see the CSR Smart Data tool in the CSR section on our website).

4.7 CSR REPORTING METHODOLOGY

Scope and process

CSR reporting hinges on data collected within the Group's 720 entities and, since 2009, across a scope corresponding to 98% of the Group's workforce (the exclusions being entities acquired within the last six months). This scope is aligned with that of net financial reporting including all consolidated subsidiaries (100%). A few indicators are subject to lower coverage rates, and exclusions are due to the lack of data on these topics from our subsidiaries.

2018 CSR reporting focuses on the period from January 1 to December 31, 2018, and is based on one year.



Quantitative data is collected in accordance with financial reporting rules and processes *via* a dedicated module (HFMCSRGRI) incorporated into the financial information system and specific verification, control and validation processes. This data is under the responsibility of Financial Solutions Directors.

Qualitative information is collected *via* a dedicated internal platform (NAXOS) which is accessible to all agencies. Qualitative information is placed under the responsibility of the Chief Talent Officers (CTOs or HRD) of the Solutions, who sign off on the content shared.

Both of these tools are linked in order to ensure consistency and run materiality tests.

The scope of impacts includes the Company and all its subsidiaries (98%), as well as some third-parties associated with digital activities for clients (e.g. servers), and those relating to employee personal travel and integrates a part of the supply chain and some suppliers (those assessed by EcoVadis).

Work on the project to develop a model designed to accurately assess the impact of the work done by the agencies (campaigns, websites or applications, digital strategies, etc.) progressed in 2018 with Bureau Veritas. Following some testing, significant work remains to make this assessment tool more user-friendly.

CSR governance and reporting process

CSR is under the responsibility of the Secretary General, who is on the Management Board. CSR issues are reviewed by the Strategy and Risk Committee to provide the Supervisory Board with updates on progress made and ongoing projects. Certain matters pertaining to talent and diversity are regularly discussed at Supervisory Board meetings. A summary of key indicators is presented to the General Shareholders' Meeting annually.

The CSR Department coordinates an internal CSR Steering Committee that brings together the Group's main corporate functions (finances, HR, audit, legal, procurement, risk management, etc.). The CSR Steering Committee plays a role in the detailed work done on integrated reporting. The CSR Department works in project mode with various teams worldwide. Using a dual approach: "push" to help internal initiatives take hold and to push forward certain issues, and 'pull', with the comprehensive steering of non-financial reporting.

The Internal Control and Internal Audit teams ensure, during the course of their work carried out throughout the year, that the agencies correctly implement the CSR reporting processes and have access to historical tracking of data and information.

CSR reporting is done within each Group entity (720 in 2018) with the assistance of the CSR Champions in the agency and the support of the teams in the shared services centers (Re:Sources) who are closely involved from the earliest stages of the reporting. The internal guide entitled 2018 CSR Guidelines defines the collection and validation processes at the different levels required, as well as the content and definitions of the various indicators (over 90 quantitative and qualitative indicators). This manual was distributed to a cross-functional working group of roughly 100 people and the 1,000 contributors who attended the preparatory webinars held from October 2018 to January 2019. In the course of its data checking and verification process (of each indicator per agency), the CSR Department at HQ was in direct contact with all the teams during the final consolidation phase.

All of the quantitative data and qualitative information is checked and analyzed by the Group CSR Department, who compiles the consolidated reporting for the whole Group. The SGS auditors carried out 50 on-site audits in the agencies: United States, Costa Rica, United Kingdom, France, Poland, India and China representing 34.5% of employees. The whole CSR report is checked by the external auditors (see opinion at the end of this section) in accordance with regulatory requirements: they check the consolidated quantitative and qualitative data, processes and hence the consistency of the whole financial year by conducting random checks in all Group entities.

Guidelines

Non-financial reporting was prepared according to the directions set out by Decree 2012-557, dated April 24, 2012, applying to the application of article 225 of the Grenelle II Act, dated July 12, 2010, pertaining to corporate social and environmental transparency obligations and auditing methods. This reporting includes information arising from more recent laws on energy transition and green growth, or on the fight against food waste, as well as on modernizing social dialog and safeguarding career paths. This also integrates the law regarding Duty of Care and the Sapin 2 Law (anti-corruption). This report takes into account the transposition of European Directive 2014/95/EU, as regards the statement of non-financial performance, through Ruling no. 2017-1180 of July 19, 2017 and Decree no. 2017-1265 of August 9, 2017, as well as the European General Data Protection Regulation (RGPD).

The other guidelines that the Group voluntarily follows are:

- the Global Reporting Initiative (GRI) standard, which is the main structure that the Group has followed since 2009;
- the ten Principles of the UN Global Compact, to which Publicis Groupe has been a signatory since 2003; now supplemented by the UN Women's seven WEPs (Women Empowerment Principles);
- the 17 United Nations Sustainable Development Goals – SDGs;
- the ISO 26000 guidelines, which the Group has followed since 2011 in order to better accommodate the views of stakeholders;
- the American SASB (Sustainability Accounting Standards Board) guidelines, drafted in 2014 for the technology and communications sector;
- the OECD guidelines for multinational enterprises (Recommendations for responsible business conduct in a global context) are also used as a reference;
- the United Nations "Caring for Climate" pledge signed by Publicis Groupe in 2007, as well as the pledges signed by the companies at the COP21 in Paris and confirmed in 2017;
- the Carbon Disclosure Project (CDP) endorsed by the Group on a voluntary basis since 2009 in order to contribute to the general effort to achieve transparency concerning the reduction in greenhouse gas emissions;
- the Task Force on Climate-related Financial Disclosure (TCFD), which is better suited to than the Science Based Target method.

The cross-reference table with all of the guidelines used, and the CSR indicators grouped together according to the GRI grid, or the SDGs in the *ad hoc* CSR Smart Data tool are presented on the CSR page of the Group's corporate website.

4.8 SUSTAINABLE DEVELOPMENT GOALS

With respect to the United Nations' Sustainable Development Goals, the Group assesses its contribution on 10 of them (solid color) and because aligned with the Company's strategy

SDG	Amongst the goals followed	Actions taken and indicators	Trends and initiatives
SDG 2 – Zero hunger	• Combat food waste; • Improve nutrition and promote sustainable agriculture.	Encouraging employees to mobilize in favor of SDG 2, as part of Common Ground, and to cooperate with customers, partners and suppliers to achieve greater impact. 50 local projects were started in 2018. See www.publicisgroupeonetable.com	Skills-sharing with some 90 NGOs since 2016
SDG 3 – Good health and well-being	• Provide medical coverage for employees; • Monitoring the well-being of staff in their agency workplace.	100% of Group employees benefit from medical and healthcare cover, with the possibility of extending it to their spouse and children. Group agencies have put in place measures designed to promote well-being at work in virtually all countries.	Improved healthcare
SDG 4 – Quality education	• Ensure equitable access to training programs; • Enhance the employability of employees; • Improve skills and expertise.	68% of employees have been trained. Over 1,300,000 training program hours took place (26 hours per capita). 80% of training programs are on digital, data and technological innovations, to continuously improve the level of employee knowledge and skills. Various measures are in place to recruit more diverse people in terms of backgrounds and professional experience.	All Group employees now enjoy access to online training
SDG 5 – Gender equality	• Proactive approach to team diversity; • Commitment to gender equality; • Continue to combat all forms of discrimination.	Increase the number of women in positions of responsibility (see diversity Table 4.1.2) with the goal of consolidating this for Agency Executive Committees Monitor the pay gap everywhere: publication in the United Kingdom of the Gender *Pay Gap Reporting* for eight agencies with action plans to reduce the gaps identified; Continuation of a raft of internal programs to encourage diversity. Reaffirmation of the "Zero Tolerance" policy on all forms of discrimination, sexual harassment and inappropriate conduct.	40.2% women on agency Executive Committees. Measures to be continued for female Head of Creation and Head of Data/ Technology.
SDG 8 – Decent work and economic growth	• Help generate direct employment; • Ensure real equal opportunity.	The Group directly employs 75,588 employees worldwide (representing a total payroll of euro 5,643 million). The principle of equal opportunity (*Rooney Rule*) was strengthened with action plans to encourage diversity (recruitment, promotion, succession, etc.).	Sustained effort in terms of equal opportunity to hire the most diverse people
SDG 10 – Reduced inequalities	• Fighting against forced labor, child labor and human trafficking by joining forces with suppliers.	Signatory of the UN Global Compact since 2003, and the seven WEPs (UN Women) since 2018. Reaffirmed commitment to fighting forced labor, child labor and human trafficking. Committed vigilance plan to improve supplier monitoring on these issues.	Strengthening of CSR Procurement Guidelines with monitoring of supplier CSR
SDG 12 – Sustainable consumption and production	• Play a role in raising awareness regarding sustainable development issues; • Help move behavior towards more sustainable consumption.	Supporting our clients in their sustainable development projects is an integral part of our service offer, in order to inform and encourage changes in consumer behavior, as citizens-consumers are increasingly aware of these issues. Raising employee awareness regarding best practices and eco-friendly behavior.	Use of eco-friendly design methods in various agencies

SDG	Amongst the goals followed	Actions taken and indicators	Trends and initiatives
SDG 13 – Actions to combat climate change	• Reduce consumption and direct impact; • Help preserve natural resources.	For the last 10 years, the Group has adopted an environmental policy to reduce its impacts "Consume less and better", aligned with the EU 2030 Climate and Energy strategy. (see summary Table 4.5.3). More local actions in certain entities designed to preserve biodiversity (Costa Rica).	Two out of the three 2030 targets on energy intensity per capita and renewables already achieved
SDG 16 – Peace, justice and strong institutions	• Promote the rule of law; • Combat corruption.	Fighting corruption, fraud and conflicts of interests has always been a central part of the Group's ethical principles with a "Zero Tolerance" approach applying. The Group is an ardent defender of human rights and fundamental individual freedoms. Training the teams on statutory changes is key. The Duty of Care Plan makes it possible to expand CSR monitoring to Group suppliers and agencies.	50,000 people received anti-corruption training in 2018, and 50,000 people received GDPR training
SDG 17 – Partnerships for the goals	• Continue cooperating with the various organizations by making our expertise available to them; • Showcase projects with positive impacts.	As part of *the Common* Ground, which brings together the six largest communications groups worldwide to further six SDGs. Publicis Groupe established a program focused on SDG 2 (*Zero Hunger*), entitled *"One Table"*. The Group is involved in various cross-company initiatives such as the Daring Circles *organized by* the *Women's* Forum, which target the SDGs.	Skills-based sponsorship, *pro bono* and volunteering in the service of 90 causes related to SDG 2 since 2016

4.9 EXTERNAL AUDIT REPORT

At the request of Publicis Groupe SGS ICS carried out an audit of the information included in the Corporate Social Responsibility (CSR) report drawn up for the year ended 2018, in accordance with

- Decree no. 2012-557 dated April 24th, 2012 relative to companies' social and environmental transparency obligations, about the application of article 225 of law no. 2010-788 dated July 12th, 2010,
- Article 12 of law no. 2012-387 dated March 22nd, 2012,
- Law no. 2015-992 dated August 17th, 2015 about energy transition for green growth,
- Law no 2016-138 dated February 11th, 2016 about the struggle against food waste,
- Law no 2016-1088 dated August 8th, 2016 about labor, social dialogue modernization and career security,
- Decree no 2016-1138 dated August 19th, 2016 pursuant to the application of article l.225-102-1 of the French commercial code concerning environment information which must be present in company management report and which amended article l. 225-102-1 of the French commercial code,
- The order of September, 14th 2018, modifying that of May 13th, 2013 determining the procedure to be used by the independent third-party organization when conducting its mission.

Accountability of the verified organizational entity

It is the responsibility of the Management Board of Publicis Groupe to draw up a Declaration in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied to the company. These risks as well as the results of these policies, including key performance indicators.

The Declaration has been established by applying the procedures of the entity, (hereinafter referred to as the 'Standard'), the significant elements of which are presented in the Declaration.

Accountability of the independent third-party body

As an independent third party, accredited by COFRAC under n ° 3-1086 (scope of accreditation available on the website www.cofrac.fr), we present to you our report on the consolidated Declaration of extra-financial performance relative the financial year ended on 2018 (hereinafter the '*Declaration*'), presented in the Group's management report in application of the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225- 105-1 of the Commercial Code.

The responsibility of SGS ICS, as an Independent Third-Party Body, is:

- On the one hand, to express a reasoned opinion on:
- Compliance of the Declaration with the requirements of article R.225-105 of the French Commercial Code,
- And on the sincerity of the information provided in application of 3° of I and II of the aforementioned article, namely the results of the policies, including key performance indicators, and the actions, relating to the main risks,
- to report, where appropriate, information omitted and not accompanied by the explanations provided for in the third paragraph of that same article,
- And, on the other hand, to indicate the diligences implemented to accomplish our verification mission.

It did not belong to us, however, to pronounce on:

- Compliance by the entity with the other legal and regulatory provisions applicable, in particular, with regard to the vigilance plan and the fight against corruption and tax evasion;
- Conformity of products and services to applicable regulations.

Statement of independence and competence

SGS is the world's leading inspection, verification, testing and certification company. We are recognized as the global benchmark for quality and integrity. With more than 97,000 employees, we operate a network of more than 2,600 offices and laboratories around the world.

SGS ICS is the French subsidiary wholly owned by the SGS Group. SGS ICS declares that its mission and opinion were developed independently and impartially vis-à-vis the company Publicis Groupe.

The independence of SGS is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the Code of Ethics of the profession. In addition, SGS ICS implemented a quality control system that includes documented policies and procedures to ensure compliance with ethical rules, professional doctrine and applicable laws and regulations. Inspection work was carried out in accordance with the Code of Ethics of the SGS Group and in accordance with the good professional practices of an ITPB.

Auditors are empowered and mandated on each assignment based on their knowledge, experience and qualifications.

Nature and scope of the audit

The SGS ICS mission consisted of :

- Taking note of the activity of all the companies included in the scope of consolidation of the company Publicis Groupe, of the presentation the main social, societal and environmental risks related to this activity,
- Appreciating the appropriateness of the Standard[1] in terms of its relevance, completeness, reliability, neutrality and comprehensibility, taking into account, where appropriate, the best practices of the sector,
- Verifying that the Declaration presents the business model and the main risks related to all the companies included in the scope of consolidation of the company Publicis Groupe, including, where relevant and proportionate, the risks created by its business relationships, products or services and policies, actions and results, including indicators performance keys
- Verifying that the Declaration contained - to the extent necessary to understand the company's situation, the evolution of its business, its economic and financial results and the impact of its activity - information relating to the main social and environmental risks related to its activity, and, if so[2], their effects as to: respect for human rights, combat against corruption and tax evasion,
- Verifying, when they were relevant to the main risks or the policies presented, that the Declaration presented the information provided for in Article R. 225-105 II,
- Verifying that the Declaration presented information on:
- The consequences for climate change of its activity and the use of the goods and services that it produces,
- Its societal commitments to sustainable development, the circular economy, the fight against food waste, the fight against food insecurity, respect for animal welfare and responsible, fair and sustainable food,
- Collective agreements concluded in the company and their impact on the economic performance of the company as well as on the working conditions of the employees,
- Actions to combat discrimination and promote diversity and measures for people with disabilities.
- Verifying that the Declaration set out the policies that resulted from the above information and their results,
- If applicable, verifying that the Declaration included an explanation of the reasons justifying the absence of the information required by the 2nd paragraph of III of Article L. 225-102-1,
- Appreciating the process of selecting and validating the main risks,
- Inquiring about the existence of internal control and risk management procedures put in place by the entity,
- Appreciating the consistency of the results and the key performance indicators selected with regard to the main risks and policies presented,
- Appreciating the collection process put in place by the entity aiming at the completeness and the sincerity of the Information,
- Verifying that the Declaration covered the consolidated perimeter, that is, all the companies included in the scope of consolidation, in accordance with Article L233-16.

SGS ICS has conducted its mission with the company Publicis Groupe including its subsidiaries within the meaning of Article L.233-1 of the French Commercial Code and the companies under its control within the meaning of Article L.233-3 of the commercial code, within an international geographic scope, the company Publicis Groupe establishing consolidated accounts.

SGS ICS notes that the company Publicis Groupe voluntarily complies with the framework: GRI – CoP by Global Compact – CDP – SASB – in social and environmental matters and took it into consideration in its verification mission.

Inspection work carried out

SGS ICS led its mission from December 17, 2018 to April 5, 2019 by conducting interviews with people involved in the collection, validation and publication of quantitative data and qualitative information from Publicis Groupe and the agencies audited on site in 8 countries: Brazil (6 agencies) – China (7 agencies) – Costa Rica (2 agencies) – France (7 agencies) – Great Britain (6 agencies) – India (6 agencies) – Poland (2 agencies) – United States (10 agencies) – representing a total of 34.47% of the workforce.

SGS ICS reviewed the reliability of the Standard: reporting framework, internal control procedures, and data and information aggregation systems at each site and at the group level.

(1) All reporting and risk identification procedures, the significant elements of which are presented in the Declaration.
(2) For entities whose securities are admitted to trading on a regulated market and entities specifically covered by Order No. 2017-1180.

11 on-site auditors including one training auditor, one consolidated scope auditor on one lead auditor were assigned, corresponding to 70.25 days of services.

For quantitative data, we proceeded on each site by surveys, presence of data, verification of calculations and formulas, data reconciliation with supporting documents on the following indicators selected in terms of their relevance (compliance with the law and taking into account the activity sector), their reliability and completeness:

- Social component: diversity (5 KPI on Women leadership) – training [share of employees trained, hours of training (total, face-to-face and e-learning), training cost] – absenteeism – work accident (frequency rate and severity rate);
- Environment component: electricity consumption (total and share of renewable) – paper consumption (total) – total volume of recycled waste – home-office commuting;
- Societal component: % of employees trained to Janus Code of conduct – Pro bono campaigns and volunteering.

Random controls were performed on the quantitative data in the final phase of consolidation throughout the entire scope of consolidation, representing 98% of the workforce.

For the qualitative information, we conducted a series of interviews with the general secretariat and the CSR department as well as the financial, audit, HR, IT and legal departments. We completed our audit with a documentary review of the procedures for auditing CSR processes, the results of these audits, as well as the actions implemented following the audit.

We believe that sampling methods and sample sizes we used allow us to make a reasonable assurance conclusion.

Conclusion

Based on the business model, the description of the main risks related to the activity of Publicis Groupe, its applied policies, and «due diligence procedures» implemented to prevent, identify and mitigate the occurrence of above-mentioned risks, the results of these policies, including key performance indicators,

Based on our work, we have not identified any material misstatement that would call into question the fact that the non-financial performance report complies with the applicable regulatory provisions and that the information, taken as a whole, is presented in a sincere manner, in accordance with the Standard.

Comments

Without calling into question the conclusion expressed above and in accordance with the provisions of Article A. 225-3 of the French Commercial Code, we make the following comments:

In a context of organizational fragmentation - 730 agencies / entities - and an on-site verification perimeter representing 34.47% of the workforce, there is still a differentiated application of procedures, presence and reliability of data according to size and maturity of agencies in a limited number of countries. Agency-level controls should be strengthened to improve coherence. These observations do not, however, affect the representativeness of the data.

Signed in Arcueil, April 5, 2019

SGS ICS France

29 avenue Aristide-Briand

F-94111 Arcueil Cedex

Inspection Manager

Olivier Audebert

CHAPTER

COMMENTARY ON THE FINANCIAL YEAR

5

5.1 INTRODUCTION 162

5.2 ORGANIC GROWTH 164

5.3 ANALYSIS OF CONSOLIDATED RESULTS 165

5.3.1 Net revenue 165

5.3.2 Operating margin and operating income 166

5.3.3 Other income statement items 166

5.4 FINANCIAL AND CASH POSITION 168

5.4.1 Cash flow 168

5.4.2 Group share capital and debt (long- and short-term) 169

5.4.3 Terms of borrowings and financing structure of the Group 170

5.4.4 Restrictions on use of capital 170

5.4.5 Sources of financing 170

5.5 PUBLICIS GROUPE SA (GROUP PARENT COMPANY) 171

5.6 DIVIDEND DISTRIBUTION POLICY 173

5.7 OUTLOOK 174

The following developments are the main elements of the management report mentioned in article L. 451-1-2 of the French Monetary and Financial Code and in article 222-3 of the General Regulation of the AMF which must include the information mentioned in articles L. 225-100, L. 5-100-2, L. 225-100-3 and in the second paragraph of article L. 225-211 of the French Commercial Code.

Other information corresponding to required elements of the management report is to be found in Section 10.6 "Cross-reference table for the management report".

The following discussion should be read in conjunction with the consolidated financial statements and related notes. They contain information concerning the Group's future objectives which imply risks and uncertainties, including, in particular, those described in Chapter 2 "Risks and risk management".

5.1 INTRODUCTION

In 2018, global economic growth was stable, at +3.7% according to the IMF, unchanged on the growth level in 2017. However, this hides a very mixed picture: US growth (+2.9%, up sharply on 2017, +2.2%) was the highest in the developed world, due in particular to the tax cuts and the powerful budgetary impulse this generates. Japan saw further weak growth (+1.1% in 2018, *vs* +1.7% in 2017). The euro zone experienced a slowdown: +2.0% in 2018, following +2.4% in 2017, as did the UK economy (+1.4% in 2018 following +1.7% in 2017). The Chinese economy grew +6.6% in 2018, as in 2017: the slowdown seems limited but it is currently deepening. The new protectionist policy in the US and the European crises (Brexit, situation in Italy and France) are key political factors in understanding the economic developments. The normalization of monetary policy in both the US and Europe also played a major role, particularly at year-end. The oil price was very strong up to October but has fallen sharply since, a further sign of a global economic slowdown. The rise in inflation is limited, and above all reflects temporary factors (energy prices). Interest rates on sovereign debt rose early in the year before falling in the final quarter to below the levels at end-2017. This indicator confirms that the global economy remains weak.

In its forecast update of December 2018, Zenith maintained its estimation of relatively sustained growth at +4.5% in advertising media investment for 2018. By region, North America is expected to grow by 3.3%, driven largely by Internet advertising (+13.0%) which is expected to account for 39% of the total media spend in 2018. Television fell a modest 0.3%. Western Europe is forecast to grow +3.4%, driven in particular by the UK (+5.9%) with the effects of Brexit not yet being felt. France is forecast to grow +3.7% compared with +2.0% in Germany, +1.7% in Italy and +1.9% in Spain. The Asia-Pacific zone is forecast to grow +6.2%, with in particular +9.5% growth in China. Latin America is forecast to grow +4.6%.

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 December 31, 2018 was euro 8,969 million, down 3.9% from 9,332 million in 2017. Growth at constant exchange rates was +0.1%. Excluding Publicis Healthcare Services (PHS), which was disposed of in January 2019, organic growth was +0.8% in 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 accelerate 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 and the "Sprint to the Future" strategic plan unveiled in March 2018 are designed to bring about a more efficient cost structure that eliminates replication. Various cost optimization programs are scheduled or already up and running: the simplification of the Group's structures subsequent to the reorganization, steps aimed at productivity gains, efforts to improve the margins of underperforming entities, measures in procurement and the continued regionalization of the Shared Services Centers. The ERP rollout, launched in France in July 2014, was finalized 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 was down 0.3% to euro 1,501 million. It grew 5.0% at constant exchange rates. The operating margin rate was 16.7%, up 60 basis points over 2017. On a comparable basis (2017 scope of consolidation and 2018 exchange rates), the percentage operating margin rate rose 30 basis points.

Net income attributable to owners of the Company amounted to euro 944 million after taking account of a euro 114 million restructuring provision relating to the real estate savings plan, compared with net income attributable to the Group of euro 862 million in 2017.

Headline EPS (diluted) rose 4.9% to euro 4.72. At constant exchange rates, it was up 10.3%.

The General Shareholders' Meeting of May 29, 2019 will be asked to approve a euro 2.12 dividend, 6% up on 2017. The payout ratio stood at 44.9%, in line with the target announced on Investor Day.

The balance sheet at December 31, 2018 showed a net positive cash position of euro 196 million compared with net debt of euro 727 million at December 31, 2017. Average net debt in 2018 was euro 1,413 million, *versus* an average of euro 1,980 million for 2017.

With the sum invested in acquisitions in 2018 being lower than the target set on Investor Day, the decision was made to establish a euro 400 million share buyback program.

Net of the impact of IFRS 16, and on identical consolidated net revenue to that pre-IFRS 16 of euro 8,969 million at December 31, 2018, the operating margin stood at euro 1,523 million. The percentage operating margin was 17.0%. Net income attributable to the Group was a positive euro 919 million. Diluted headline EPS was euro 4.61. At December 31, 2018, the balance sheet showed a net cash position of euro 288 million.

5.2 ORGANIC GROWTH

When comparing its annual performances, Publicis Groupe measures the impact on reported net revenue of changes in foreign currency exchange rates, acquisitions and disposals, and organic growth. Organic growth, which represents the increase in like-for-like revenue at constant exchange rates, is calculated as follows:

- net revenue of the previous year is recalculated applying the current year average exchange rate;
- net revenue from acquisitions (net of revenue from any divested activities) is subtracted from the current year net revenue, in order to neutralize the impact on growth of changes in Group scope.

The difference between the net revenue for the current year, after subtraction of the net revenue from acquisitions (net of that of divested activities) and the net revenue of the previous year (translated at the current exchange rate) is compared with the net revenue generated in the prior period to determine the percentage of organic growth.

The Group's management believes that the analysis of organic net revenue growth provides a better understanding of its net revenue performance and trends than reported net revenue because it allows for more meaningful comparisons of current period revenue to that of prior periods. Also, like- for-like revenue is generally used in the industry as a key performance indicator.

Organic growth is unaudited and is not a measurement of performance under IFRS. It may not be comparable with similarly titled financial data of other companies.

Publicis Groupe completed the disposal of Publicis Health Services (PHS) in early 2019. For this reason, the organic growth rates are also presented excluding the impact of PHS on Group growth.

(in millions of euros)	Total
2017 net revenue	**9,332**
Impact of exchange rates	(374)
2017 net revenue at the 2018 exchange rate (a)	**8,958**
2018 net revenue before impact of acquisitions[1] (b)	**8,964**
Net revenue of acquisitions[1]	5
2018 net revenue	**8,969**
Organic growth (b-a)/a	**+0.1%**
Organic growth excluding PHS[2]	**+0.8%**

(1) Net of disposals.
(2) The disposal, for which an agreement had been signed on December 31, 2018, was completed in January 2019.

Organic growth stood at +0.1% in 2018. It was +0.8% excluding PHS. This includes a) 28% growth in net revenue from strategic game changers, namely an organic contribution to net revenue of close to euro 240 million compared with 2017 and b) an attrition impact of circa euro 150 million.

Organic growth for each quarter in 2018 was:

- first quarter: +1.6%;
- second quarter: -2.1%;
- third quarter: +1.3%;
- fourth quarter: -0.3%.

Excluding PHS, organic growth for each quarter in 2018 was:

- first quarter: +1.9%;
- second quarter: -1.4%;
- third quarter: +2.2%;
- fourth quarter: +0.5%.

5.3 ANALYSIS OF CONSOLIDATED RESULTS

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 disposed of Publicis Health Services (PHS) in early 2019. For this reason, the organic growth rates are also presented excluding the impact of PHS on Group growth.

5.3.1 Net revenue

Publicis Groupe's net revenue in 2018 was euro 8,969 million compared with euro 9,332 million in 2017 (-3.9%). At constant exchange rates, growth was +0.1% after inclusion of the adverse effects of exchange rates (euro 374 million negative impact, *i.e.* -4.0%). Acquisitions (net of disposals) contributed euro 5 million to net revenue in 2018 including the deconsolidation of Genedigi from January 1, 2018.

Organic growth stood at +0.1% in 2018. It stood at +0.8% excluding PHS. This includes a) 28% growth in net revenue from strategic game changers, namely an organic contribution to net revenue of close to euro 240 million compared with 2017 and b) an attrition impact of circa euro 150 million.

Breakdown of 2018 net revenue by geographic region

The following table shows the changes in the breakdown of net revenue in Publicis Groupe's major markets.

	Net revenue		Organic growth	
(in millions of euros)	2018	2017	Reported	Excluding PHS
Europe	2,622	2,596	+1.4%	+1.3%
% of total	29%	28%		
North America	4,795	5,032	-0.8%	+0.5%
% of total	54%	54%		
Asia Pacific	924	1,037	-1.8%	-1.8%
% of total	10%	11%		
Latin America	347	387	+4.5%	+4.5%
% of total	4%	4%		
Africa and Middle East	281	280	+4.6%	+4.6%
% of total	3%	3%		
Total	**8,969**	**9,332**	**+0.1%**	**+0.8%**

Europe posted growth of 1.0%. With acquisitions, exchange rates and PHS factored out, organic growth stood at +1.3%. The pick-up in growth compared with end-June was mainly due to the ramp-up of accounts won in the early part of the year and in particular Daimler and Carrefour. Against this background, Germany saw a return to growth in the 2nd half (in particular +10.9% in Q4), and growth strengthened in France (+3.8% over the year following +0.7% at end-June 2018) and the United Kingdom (+3.8% excluding PHS in 2018 compared with +1.8% at end-June 2018).

North America posted organic growth of -0.8% in 2018. Excluding the impact of PHS, organic growth was +0.5%, on the back of accounts won in 2017 (including McDonald's, Diesel, Lionsgate, MolsonCoors and Southwest) and the winning of Campbell's and Marriott in early 2018, despite pressures on the traditional advertising business. The region was affected by the difficulties associated with Publicis Health Services, i.e., an impact of the circa 130 basis point decline in net revenue on 2018 growth in North America. In light of foreign exchange effects (primarily in the first half of 2018), net revenue in North America was down 4.7% compared with 2017.

Asia-Pacific saw its net revenue decline by 10.9% and its organic growth drop 1.8% over the period. This negative performance was largely attributable to Australia (-4.7%) which was impacted up to the first half by the stoppage of the Qantas call center management contract. China experienced a slight decline of -1.3% on the back of the impact of the loss of a number of accounts. Business in Singapore was up +3.9% in 2018.

Latin America reported net revenue down 10.3% but organic growth of +4.5%. In Brazil, net revenue progressed by 1.1% thanks to the winning of the Petrobras and Bradesco accounts, the slowdown in Q4 being due to the cancellation of various campaigns. Mexico continued to record sustained growth at (+5.5%).

Middle East and Africa rose 0.4% due to the stronger euro, underpinned by organic growth of 4.6% driven by the United Arab Emirates (+7.5%).

5.3.2 Operating margin and operating income

Operating Margin

Personnel costs totaled euro 5,747 million at December 31, 2018, down 3.8% (euro 5,977 million in 2017). This decline included euro 109 million in investments in the strategic game changers and the increase in variable compensation due to the very strong performance in winning new accounts in 2018, as well as savings generated through the streamlining of Group structures. Fixed personnel costs amounted to euro 4,968 million, *i.e.* 55.4% of net revenue *versus* 56.0% in 2017. Freelance costs were down to euro 367 million in 2018, after 374 million in 2017. Restructuring costs totaled euro 104 million in 2018 (euro 120 million in 2017) as the Group reorganizes around "The Power of One", reflecting greater integration of structures and activities. Savings in 2018 totaled euro 194 million. 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 2,552 million, compared with euro 2,603 million in 2017. Excluding pass-through costs, these costs accounted for 17.5% of net revenue compared with 18.1% in 2017, thanks to the first effects of the real-estate restructuring.

The Operating margin before depreciation and amortization was euro 1,652 million in 2018, down 0.8% from euro 1,666 million in 2017, *i.e.* a percentage margin of 18.4% of Net revenue (*vs*. 17.9% in 2017).

Depreciation & Amortization for the period amounted to euro 151 million in 2018, down 6.2% by comparison with H1 2017.

The Operating margin totaled euro 1,501 million, *i.e.* a 0.3% decrease from euro 1,505 million in 2017. At constant exchange rates, the Operating margin rose by 5.0%. The percentage operating margin was 16.7%, up 60 basis points over 2017. At constant exchange rates and scope of consolidation, the increase was 30 basis points. This improvement was due to the reduction in restructuring expenses of 10 basis points and to the impact of the cost savings program implemented over the last 18 months of 210 basis points (euro 194 million), opening the way for investments in the future growth of the strategic game changers of 120 basis points (euro 109 million) and the increase in variable compensation of 70 basis points.

By region, the operating margin was 16.3% in Europe, 17.3% in North America, 17.9% in Asia Pacific, 15.0% in Latin America and 9.6% in the Middle East & Africa.

Operating income

Amortization of intangibles arising on acquisitions totaled euro 69 million in 2018, *versus* euro 73 million in 2017. The euro 114 million in real estate consolidation expenses stemmed from the "All in One" real estate program commenced in early 2018. A euro 17 million impairment loss was recognized in profit or loss, including 14 million in losses on assets held for sale. In addition, a net non-current expense of euro 20 million was recognized in 2018 (compared with an expense of euro 1 million in 2017) which corresponds to a euro 18 million capital loss on the disposal of Genedigi, which was completed at the start of April 2018.

Operating income for 2018 amounted to euro 1,281 million, *versus* euro 1,316 million in 2017.

5.3.3 Other income statement items

Financial income (expense), made up of net borrowing costs and other financial income and expenses, amounted to an expense of euro 16 million in 2018 compared with an expense of euro 61 million in 2017. The cost of net financial debt was euro 22 million in 2018 compared with euro 51 million in 2017, the improvement resulting from both the reduction in the Group's debt levels and well as the increase in US dollar interest rates. Other financial income and expenses netted out at income of euro 6 million after an expense of euro 10 million in 2017. The change was mainly due to the recognition of changes in the fair value of financial assets (Venture Capital Funds) in profit or loss from 2018 (application of IFRS 9), totaling euro 9 million, where such changes were previously recognized in other comprehensive income.

The revaluation of earn-out costs totaled euro 13 million (*versus* euro 66 million in 2017).

The income tax expense was euro 293 million, representing an effective tax rate of 24.0%, compared with euro 312 million in 2017, which represented an effective tax rate of 27.2%.

The share of profit of associates was minus euro 4 million compared with minus euro 5 million the previous year. Minority interests stood at 11 million in 2018 compared with 10 million in 2017.

Overall, net income attributable to the Group amounted to euro 944 million at end-December 2018, *versus* euro 862 million at December 31, 2017.

After application of IFRS 16, the Operating margin was euro 1,523 million and the percentage margin was 17.0%. By region, the percentage margins were 16.4% in Europe, 17.7% in North America, 17.9% in Asia Pacific, 15.6% in Latin America and 10.0% in the Middle East & Africa.

The operating income amounted to euro 1,303 million in 2018.

Financial income (expense) netted out to an expense of euro 71 million in 2018 and includes a leasing expense of euro 58 million.

The income tax expense was euro 285 million, representing an effective tax rate of 24.0%.

Overall, net income attributable to the Group stood at euro 919 million at end-December 2018.

5.4 FINANCIAL AND CASH POSITION

5.4.1 Cash flow

Net cash flow from operating activities amounted to an inflow of euro 1,942 million in 2018, *versus* euro 1,525 million the previous year (following reclassification of interest to cash flows from financing activities). Income tax paid totaled euro 328 million in 2018 compared with euro 264 million for the same period the previous year. There was an improvement in working capital requirements, rising from euro 69 million in 2017 to euro 153 million in 2018.

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 investment activities was a net use of euro 448 million in 2018, after a use of euro 417 million in 2017. Net investments in property, plant and equipment and intangible assets amounted to euro 196 million (including investments relating to the "All in One" real estate plan) compared with euro 131 million in 2017. Net investment in the acquisition of subsidiaries amounted to euro 241 million compared with euro 288 million in H1 2017.

Financing activities generated a requirement of euro 815 million in 2018, after a requirement of euro 552 million the previous year. The 2018 outflow was mainly due to debt redemption for euro 159 million and lease payments for euro 374 million. In 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 (excluding interest on lease liabilities), net of interest received, totaled euro 3 million in 2018, compared with 38 million in 2017. Interest on lease liabilities amounted to euro 58 million in 2018 (for reference, IFRS 16 was applied in 2018 without the presentation of comparative information).

Overall, the Group's cash position net of positive bank balances increased by euro 812 million during the year, compared with a euro 177 million increase the previous year.

Free Cash Flow

The Group's free cash flow before changes in working capital requirements is an indicator used by the Group to measure operating cash flow net of real estate investments, but before the acquisition or disposal of long-term equity investments and before financing activities (including the funding of working capital requirements).

The Group's free cash flow, before application of IFRS 16 8.2% and excluding variations in working capital requirements, decreased by 16% compared with the previous period to stand at euro 1,182 million. At constant exchange rates it was down 2.6%. This decline was due to higher capex and the higher level of income tax paid. After application of IFRS 16, free cash flow before changes in working capital requirements stood at euro 1,158 million.

The Group's free cash flow after changes in working capital requirements, before application of IFRS 16, was 3.3% lower than the previous year but 2.4% higher at constant exchange rates.

The table below shows the calculation of the Group's free cash flow.

(in millions of euros)	2018 reported[(1)] post-IFRS 16	2018 before IFRS 16	2017
Operating margin before Depreciation & Amortization	**2,049**	**1,652**	**1,666**
Net interest paid	(3)	(14)	(38)
Refunding of lease commitments and related interest	(432)		
Taxes paid	(328)	(328)	(264)
Others	68	68	54
Cash flow from operations before changes in working capital requirements	**1,354**	**1,378**	**1,418**
Investments in fixed assets (net)	(196)	(196)	(131)
Free Cash Flow **before changes in working capital requirements**	**1,158**	**1,182**	**1,287**
Change in working capital requirements	153	129	69
Free Cash Flow	**1,311**	**1,311**	**1,356**

(1) The accounts as at December 31, 2018 were prepared using the IFRS 16 accounting standard (use of the prospective method).

It should be noted that 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.

5.4.2 Group share capital and debt (long- and short-term)

The Group's share of consolidated equity rose from euro 5,956 million at December 31, 2017 to euro 6,866 million at December 31, 2018 before the application of IFRS 16. After IFRS 16, it totaled euro 6,853 million.

Net financial debt

(in millions of euros)	12/31/2018 reported(2) after IFRS 16	12/31/2018 before IFRS 16	12/31/2017
Financial debt (long- and short-term)	2,874	2,966	3,130
Fair value of derivative hedging on the 2021 and 2024 Eurobonds(1)	46	46	(10)
Fair value of hedging derivatives on medium-term syndicated loans(1)	(3)	(3)	(3)
Fair value of derivatives hedging intra-group loans and borrowings(1)	1	1	17
Total financial liabilities including the market value of associated derivatives	**2,918**	**3,010**	**3,134**
Cash and cash equivalents	(3,206)	(3,206)	(2,407)
Net financial debt	**(288)**	**(196)**	**727**
Net debt/equity (including minority interests)	**n/a (positive net cash)**	**n/a (positive net cash)**	**0.12**

(1) Carried under "Other receivables and current assets" and/or under "Other debts and current liabilities" on the consolidated balance sheet.
(2) The accounts as at December 31, 2018 were prepared using the the IFRS 16 accounting standard (use of the prospective method).

Net cash, before application of IFRS 16, stood at euro 196 million at December 31, 2018 compared with net financial debt of euro 727 million at December 31, 2017 (*i.e.* a net financial debt/equity ratio of 0.12 in 2017).

The Group's average net debt in 2018 was euro 1,413 million pre-IFRS 16, *versus* euro 1,980 million in 2017.

After application of IFRS 16, net cash was euro 288 million at December 31, 2018 and the average net debt was euro 1,323 million.

The Group's gross debt was euro 2,874 million as at December 31, 2018, compared with euro 3,130 million as at December 31, 2017. This debt consisted of 84% long-term borrowings (see Note 24 to the consolidated financial statements in Chapter 6 for a detailed maturity schedule of Group debt).

The financial liabilities, after taking into account the interest rate swaps on the Eurobond and the medium-term syndicated loan, are essentially made up of fixed-rate borrowings (87% of the gross debt excluding debt related to long-term equity investments and commitments to buy out non-controlling interests as at December 31, 2018) with an average rate recorded for 2018 of 2.5%.

Debt breakdown by currency (after currency swaps) as at December 31, 2018 was as follows: euro 834 million denominated in euros, euro 1,925 million denominated or swapped in US dollars, and euro 115 million denominated in other currencies.

In December 2005, the Group established financial ratio targets meant to direct the Group's financial policy on such matters as acquisitions and dividends. These ratios were updated to reflect the impact of IFRS 16 applied early by the Group in 2018. The table below presents the results of the calculation of these ratios for 2017 (before the application of IFRS 16) and 2018 (following application of IFRS 16) with the reminder of the optimal ratios as defined above:

	Optimal ratio post-IFRS 16	December 31, 2018	Optimal ratio pre-IFRS 16	December 31, 2017
(Average net financial debt + average lease commitments[(1)])/operating margin before depreciation and amortization	< 2.20	1.6	< 1.50	1.2
(Net financial debt + lease commitments[(1)])/equity	< 0.8	0.26	< 0.5	0.12
Interest coverage: operating margin before depreciation and amortization/cost of net financial debt	> 7	30	> 7	33

(1) The lease commitments resulting from the application of IFRS 16 only applies to 2018.

5.4.3 Terms of borrowings and financing structure of the Group

In order to manage its liquidity risk, Publicis has substantial cash and cash equivalents amounting to euro 3,206 million and confirmed unused credit lines amounting to euro 2,681 million as of December 31, 2018. The main component of these credit lines is a multi-currency syndicated facility in the amount of euro 2,000 million, maturing in 2020.

These immediately available or almost immediately available amounts allow the Group to pay its financial debt maturing in less than one year (including non-controlling interests buyout commitments).

Group cash management continued to benefit from the introduction of local centralized cash-pooling centers in the Group's main markets. Since 2006, an international cash pooling structure has been implemented with the goal of pooling all cash for the Group as a whole.

Two financial companies established in Dublin since 2014 have been added to the Group to manage financial transactions and the short-term investing of subsidiaries' liquidity. In 2017, one of these two companies, MMS Multi Euro Services DAC, became the lynchpin of the centralization of international cash pooling for the entire Group. The other company, MMS Ireland DAC, whose functional currency is the dollar, became the lynchpin of the centralization of cash pooling for most of the Group's US entities.

The Group's cash resources are, for the most part, centralized in Ireland. Cash resources not centralized in Ireland are, for the most part, held by subsidiaries in countries where funds can be freely transferred and centralized.

Since December 2005, the Group has been rated by the two leading international credit rating agencies, Standard & Poor's and Moody's. On the date of this Registration Document, the ratings are: BBB+ for Standard & Poor's and Baa2 for Moody's.

See also Notes 24 and 29 to the consolidated financial statements (Section 6.6 "Notes to the consolidated financial statements").

5.4.4 Restrictions on use of capital

As of December 31, 2018, and the date of the closing of accounts, there were no rating triggers or financial covenants for short-term bank credit lines, syndicated loans, confirmed medium-term bilateral bank credit lines or bond debt likely to restrict the Group's liquidity.

There are no legal or economic restrictions likely to limit or significantly restrict any transfers of funds to the parent company in the near future.

5.4.5 Sources of financing

Given its cash position and its confirmed unused credit lines amounting to euro 5,887 million at December 31, 2018, the Group has the necessary cash resources to meet its operating requirements and investment plan over the next 12 months.

5.5 PUBLICIS GROUPE SA (GROUP PARENT COMPANY)

Operating income totaled euro 45 million in 2018 compared with euro 82 million the previous year. In addition to billings it consists exclusively of rental income from property, fees for services to the Group's subsidiaries, reversals of provisions and reinvoiced expenses. The reduction in income in 2018 compared with 2017 was due to the fall in personnel expenses, the bulk of which is charged back to the subsidiaries for support services. Financial income totaled euro 166 million in 2018 compared with euro 188 million the previous year. The reduction in income was mainly due to the decline in dividends received from the subsidiaries: euro 54 million in 2018 compared with euro 72 million in 2017.

Operating expenses for the year amounted to euro 50 million in 2018 compared with euro 84 million the previous year. Financial expenses totaled euro 148 million in 2018, compared with euro 153 million the previous year.

Pre-tax profit in 2018 was plus euro 13 million, compared with plus euro 34 million in 2017.

After inclusion of euro 30 million in income resulting from tax consolidation in France, Publicis Groupe, the parent company of the Group, reported a profit of euro 43 million at December 31, 2018, compared with a net profit of euro 82 million at December 31 the previous year.

/ Information on client payment terms referred to in article D. 441-4

	Invoices issued but not settled on the reporting date that are past due					
	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Late payment tranches						
Number of invoices involved	0					1
Total amount of invoices involved, inc. tax	0	0	19,514	0	0	19,514
Percentage of billings, inc. tax, for the financial year	0	0	0.04%	0	0	0.04%
(B) Invoices not included in (A) relating to bad debts and receivables or not recognized						
Number of invoices not included						0
Amount of invoices not included						0
(C) Reference payment periods used (contractual or legal - article L. 441-6 or article L. 443-1 of the French Commercial Code)						
Payment periods used to calculate late payments:	Contractual payment periods, i.e. payment at 60 days for clients outside the Group and at 30 days for Group clients.					

/ Information on supplier payment periods (article 441-6-1 of the French Commercial Code)

	Invoices received but not paid on the reporting date that are past due					
	0 days	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total (1 day or more)**
(A) Late payment tranches						
Number of invoices involved	0					10
Total amount of invoices involved, inc. tax	0	34,062	114	64,043	17,375	115,597
Percentage of total amount of purchases, inc. tax for the year	0.00%	0.26%	0.00%	0.49%	0.13%	0.89%
(B) Invoices not included in (A) relating to bad debts and receivables or not recognized						
Number of invoices not included						33
Amount of invoices not included						231,542
(C) Reference payment periods used (contractual or legal - article L. 441-6 or article L. 443-1 of the French Commercial Code)						
Payment periods used to calculate late payments:	Contractual payment periods, namely those indicated on our purchase orders, range from cash on delivery to 60 days, in line with statutory maximums.					

/ Allocation of 2018 net income and setting the dividend

The General Shareholders' Meeting called to approve the 2018 financial statements on May 29, 2019, will be asked to appropriate distributable earnings, which consist of:

- profit for 2018 — euro 42,847,687.92
- less increase to the statutory reserve — euro 184,883.04
- plus earnings brought forward at December 31, 2018 — euro 7,041,271.20

Namely total **distributable earnings** — **euro 49,704,076.08**

Plus a portion of **additional paid-in capital** — **euro 449,025,502.04**

I.e. **a total of** euro **498,729,578.12 distributed to shareholders** (based on a dividend of euro 2.12 per share and 235,249,801 shares, which figure includes treasury shares, counted at December 31, 2018).

5.6 DIVIDEND DISTRIBUTION POLICY

Dividend paid for year	Number of shares that received dividends[1]	Dividend per unit (in euros)	Total payout (millions of euros)	Share price at December 31 (in euros)	Yield
2014	209,343,987	1.20	251.8	59.64	2.01%
2015	222,234,679	1.60	355.6	61.38	2.61%
2016	223,642,509	1.85	413.7	65.55	2.82%
2017	227,064,967	2.00	454.1	56.65	3.53%
2018	**235,249,801**[1]	**2.12**[2]	**498.7**	**50.08**	**4.23%**

(1) Number of dividend-bearing shares after deducting treasury shares, except for the 2018 appropriation, which includes treasury shares existing as at December 31, 2018.
(2) Dividend proposed at the GSM of May 29, 2019.

The dividends will be time-barred after five years. They are then paid to the French state.

In 2014, the Company raised its medium-term payout ratio commitment, set at 35% until that point, to 42%, reflecting its determination to reach the average payout ratio for its industry. In order to honor this commitment, the dividend in respect of 2014, 2015 and 2016 was euro 1.20, 1.60 and then 1.85 per share, which represents a payout ratio of 33.0%, 36.4% and 41.5% respectively of diluted earnings per share. With the aim of further increasing the payout ratio in line with competitor practices, a proposal was made to increase the dividend to euro 2.00 per share for 2017, which represents a payout ratio of 44.4% of diluted headline earnings per share and an increase of 8.1% over the previous year. As part of the "Sprint to the Future" plan, the Group undertook to maintain a payout ratio of around 45%. The proposed dividend of euro 2.12 per share reflects this. Up 6%, it represents 44.9% of diluted headline EPS. Subject to the approval of the General Shareholders' Meeting of May 29, 2019 and in line with the proposals for the five previous years, the dividend will be paid in cash or in shares as the shareholder chooses.

5.7 OUTLOOK

The trends described below do not constitute forecasts or profit estimates as defined by modified European Regulation no. 809/2004 of April 29, 2004 used in application of directive 2003/71/00 of the European Parliament and Council of November 4, 2003.

The Group heads into 2019 with optimism, despite a mixed Q1 due to the continued effect over the first few months of the attrition in the consumer goods sector. Nevertheless, the increasing effect of the significant account wins at end-2018 should improve organic growth in Q2.

The growth in the revenue of strategic game changers should remain sustained in 2019 following the strong performance in 2018. At the same time, the Group anticipates a level of attrition that could remain relatively high in 2019. 2019 organic growth should outstrip that in 2018 with confirmation of an organic growth target of +4.0% in 2020.

The operating margin should continue to improve from 30 to 50 basis points, in 2019 and in 2020. Growth in diluted headline earnings per share should be between 5% and 10% at constant exchange rates, in 2019 and 2020, excluding the impact of the BEAT tax (linked to the US tax reform) from 2019.

CHAPTER

CONSOLIDATED FINANCIAL STATEMENTS 2018 YEAR

6

6.1 CONSOLIDATED INCOME STATEMENT 176

6.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 177

6.3 CONSOLIDATED BALANCE SHEET 178

6.4 CONSOLIDATED STATEMENT OF CASH FLOWS 179

6.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 180

6.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 182

6.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS 249

6.1 CONSOLIDATED INCOME STATEMENT

(in millions of euros)	Notes	2018[1]	2017[2]
Net revenue[3]		**8,969**	**9,332**
Pass-through Revenue		982	914
Revenue	**2**	**9,951**	**10,246**
Personnel expenses	5	(5,747)	(5,977)
Other operating expenses	6	(2,155)	(2,603)
Operating margin before Depreciation & Amortization		**2,049**	**1,666**
Depreciation and amortization expense (excluding intangibles arising from acquisitions)	7	(526)	(161)
Operating Margin		**1,523**	**1,505**
Amortization of intangibles arising from acquisitions	7	(69)	(73)
Impairment loss	7	(131)	(115)
Non-current income and expenses	8	(20)	(1)
Operating income		**1,303**	**1,316**
Financial expenses	9	(81)	(101)
Financial income	9	70	50
Cost of net financial debt	**9**	**(11)**	**(51)**
Revaluation of earn-out payments on acquisitions	9	(13)	(66)
Other financial income and expenses	9	(60)	(10)
Pre-tax income of consolidated companies		**1,219**	**1,189**
Income taxes	10	(285)	(312)
Net income of consolidated companies		**934**	**877**
Share of profit of associates	15	(4)	(5)
Net income		**930**	**872**
Of which:			
• Net income attributable to non-controlling interests		11	10
• Net income attributable to equity holders of the parent company		919	862

Data per share (in euros) - Net income attributable to equity holders of the parent company	**11**		
Number of shares		*229,231,677*	*226,384,707*
Earnings per share		4.01	3.81
Number of diluted shares		*234,564,382*	*230,673,578*
Diluted earnings per share		3.92	3.74

(1) The financial statements as at December 31, 2018 have been prepared by early application of IFRS 16 (use of the retrospective method without restatement of the prior financial period).
(2) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.
(3) Net revenue: Revenue less pass-through costs. Those costs are mainly production & media costs and out of pocket expenses. As these items that can be passed on to clients are not included in the scope of analysis of transactions, the net revenue indicator is the most appropriate for measuring the Group's operational performance.

6.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of euros)	2018	2017
Net income for the year (a)	**930**	**872**
Comprehensive income that will not be reclassified to income statement		
• Actuarial gains (and losses) on defined benefit plans	22	13
• Deferred taxes on comprehensive income that will not be reclassified to income statement	(2)	28
Comprehensive income that may be reclassified to income statement		
• Remeasurement of hedging instruments	6	(9)
• Consolidation translation adjustments	73	(597)
Total other comprehensive income (b)	**99**	**(565)**
Total comprehensive income for the period (a) + (b)	**1,029**	**307**
Of which:		
• Total comprehensive income for the year attributable to non-controlling interests	10	5
• Total comprehensive income for the year attributable to equity holders of the parent company	1,019	302

6.3 CONSOLIDATED BALANCE SHEET

(in millions of euros)	Notes	December 31, 2018[1]	December 31, 2017[2]
Assets			
Goodwill, net	12	8,751	8,450
Intangible assets, net	13	1,125	1,124
Right-of-use assets related to leases	25	1,732	-
Property, plant and equipment, net	14	611	590
Deferred tax assets	10	150	130
Investments in associates	15	62	64
Other financial assets	16	215	169
Non-current assets		**12,646**	**10,527**
Inventories and work in progress	17	367	385
Trade receivables	18	9,115	8,907
Assets on contracts		874	843
Other current receivables and assets	19	689	649
Cash and cash equivalents	20	3,206	2,407
Assets held for sale	4	183	62
Current assets		**14,434**	**13,253**
Total assets		**27,080**	**23,780**
Equity and Liabilities			
Share capital		94	92
Additional paid-in capital and retained earnings, Group share		6,759	5,864
Equity attributable to holders of the parent company	**21**	**6,853**	**5,956**
Non-controlling interests		0	2
Total equity		**6,853**	**5,958**
Long-term borrowings	24	2,425	2,780
Long-term lease liabilities	25	1,648	-
Deferred tax liabilities	10	446	419
Long-term provisions	22	384	415
Non-current liabilities		**4,903**	**3,614**
Trade payables		12,176	11,541
Liabilities on contracts		284	423
Short-term borrowings	24	449	350
Short-term lease liabilities	25	393	-
Income taxes payable		365	389
Short-term provisions	22	125	98
Other creditors and current liabilities	26	1,432	1,391
Liabilities held for sale	4	100	16
Current liabilities		**15,324**	**14,208**
Total equity and liabilities		**27,080**	**23,780**

(1) The financial statements as at December 31, 2018 have been prepared by early application of IFRS 16 (use of the retrospective method without restatement of the prior financial period).
(2) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

6.4 CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euros)	2018	2017[2]
Cash flow from operating activities		
Net income	930	872
Neutralization of non-cash income and expenses:		
Income taxes	285	312
Cost of net financial debt	11	51
Capital losses (gains) on disposal (before tax)	20	-
Depreciation, amortization and impairment loss	726	349
Share-based compensation	63	55
Other non-cash income and expenses	76	74
Share of profit of associates	4	5
Dividends received from associates	2	2
Taxes paid	(328)	(264)
Change in working capital requirements[1]	153	69
Net cash flows generated by (used in) operating activities (I)	**1,942**	**1,525**
Cash flow from investing activities		
Purchases of property, plant and equipment and intangible assets	(207)	(136)
Disposals of property, plant and equipment and intangible assets	11	5
Purchases of investments and other financial assets, net	(11)	2
Acquisitions of subsidiaries	(260)	(289)
Disposals of subsidiaries	19	1
Net cash flows generated by (used in) investing activities(II)	**(448)**	**(417)**
Cash flow from financing activities		
Dividends paid to holders of the parent company	(210)	(170)
Dividends paid to non-controlling interests	(10)	(10)
Proceeds from borrowings	11	19
Repayment of borrowings	(159)	(27)
Repayment of lease liabilities	(374)	-
Interest paid on lease liabilities	(58)	-
Financial interest paid[2]	(69)	(90)
Financial interest received[2]	66	52
Net purchases of non-controlling interests	(21)	(35)
Net (purchases)/sales of treasury shares and warrant	9	(291)
Net cash flows generated by (used in) financing activities (III)	**(815)**	**(552)**
Impact of exchange rate fluctuations (IV)	**133**	**(379)**
Change in consolidated cash and cash equivalents (I + II + III + IV)	**812**	**177**
Cash and cash equivalents on January 1	2,407	2,228
Bank overdrafts on January 1	(27)	(25)
Net cash and cash equivalents at beginning of year (V)	**2,380**	**2,203**
Cash and cash equivalents at closing date	3,206	2,407
Bank overdrafts at closing date	(14)	(27)
Net cash and cash equivalents at end of the year (VI)	3,192	2,380
Change in consolidated cash and cash equivalents (VI - V)	**812**	**177**

(1) Breakdown of change in working capital requirements		
Change in inventory and work in progress	42	(17)
Change in trade receivables and other receivables	(274)	(693)
Change in accounts payable, other payables and provisions	385	779
Change in working capital requirements	**153**	**69**

(2) As explained in Note 1, interest was reclassified to Net cash flows generated by (used in) financing activities.

6.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 year		
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		
306,665	Equity warrant exercise		9
(3,754,317)	(Purchases)/sales of treasury shares		
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 year		
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	0	3
322,427	(Purchases)/sales of treasury shares		
231,240,308	**December 31, 2018**	**94**	**3,926**

Reserves and earnings brought forward	Translation reserve	Fair value reserve	Equity attributable to equity holders of the parent company	Minority interests	Total equity
2,118	**255**	**163**	**6,055**	**10**	**6,065**
862			862	10	872
	(592)	32	(560)	(5)	(565)
862	**(592)**	**32**	**302**	**5**	**307**
(414)			(170)	(10)	(180)
53			53		53
7			7	(3)	4
			9		9
(300)			(300)		(300)
2,326	**(337)**	**195**	**5,956**	**2**	**5,958**
10			10		10
2,336	**(337)**	**195**	**5,966**	**2**	**5,968**
919			919	11	930
	74	26	100	(1)	99
919	**74**	**26**	**1,019**	**10**	**1,029**
(455)			(210)	(10)	(220)
63			63		63
(1)			(1)	(2)	(3)
			3		3
13			13		13
2,875	**(263)**	**221**	**6,853**	**-**	**6,853**

6.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

Note 1	Accounting policies	183
Note 2	IFRS 15 – Restatement of Income Statement and Balance sheet	194
Note 3	IFRS 16 – Impact of the first-time application on the 2018 financial statements	195
Note 4	Changes in the scope of consolidation	199
Note 5	Personnel expenses and headcount	200
Note 6	Other operating expenses	201
Note 7	Depreciation, amortization and impairment loss	201
Note 8	Non-current income and expenses	203
Note 9	Financial income and expenses	203
Note 10	Income taxes	204
Note 11	Earnings per share	207
Note 12	Goodwill	209
Note 13	Intangible assets, net	210
Note 14	Property, plant and equipment, net	211
Note 15	Investments in associates	212
Note 16	Other financial assets	212
Note 17	Inventories and work in progress	213
Note 18	Trade receivables	213
Note 19	Other receivables and current assets	214
Note 20	Cash and cash equivalents	214
Note 21	Shareholders' equity	214
Note 22	Provisions for liabilities and charges	216
Note 23	Pensions and other long-term benefits	217
Note 24	Borrowings and other financial liabilities	222
Note 25	Lease contracts	227
Note 26	Other creditors and current liabilities	228
Note 27	Commitments	228
Note 28	Financial instruments	230
Note 29	Risk management	234
Note 30	Operating segment information	237
Note 31	Publicis Groupe SA stock option and free share plans	238
Note 32	Related party disclosures	242
Note 33	Subsequent events	243
Note 34	Fees of the statutory auditors and members of their network	243
Note 35	List of main consolidated companies at December 31, 2018	244

Note 1 Accounting policies

Pursuant to Regulation (EC) 1606/2002 of July 19, 2002, the Publicis Groupe 2018 consolidated financial statements were prepared in accordance with the IAS/ IFRS international accounting standards approved by the European Union as of the reporting date and that were mandatory at that date.

The 2018 consolidated financial statements and the accompanying notes were approved by the Management Board at its February 5, 2019 meeting and reviewed by the Supervisory Board at its February 6, 2019 meeting. They will be submitted for approval by the shareholders at the General Shareholders' Meeting on May 29, 2019.

1.1 Impact of IFRS standards and IFRIC interpretations taking effect or applied early as of January 1, 2018 and impact of published IFRS standards and IFRIC interpretations not yet in force

Compliance with IFRS standards as adopted by the European Union

The accounting principles applied to prepare the annual consolidated financial statements for the financial year ended December 31, 2018 are consistent with the IFRS standards and IFRIC interpretations as adopted by the European Union as at December 31, 2018.

Application of new standards and interpretations mandatory as from January 1, 2018

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 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 approach in which revenue is recognized when control of an asset and/or service is passed to the customer and no longer on the basis of the transfer of risks and rewards.

IFRS 15 did not have a material impact over the year on revenue recognition because the Group already recognized the bulk of revenue on the basis of the stage of completion.

"Agent" vs. "Principal" considerations

The concept of control changes the Principal *versus* Agent consideration and gives rise to a significant increase in revenue through the recognition in revenue of the billing of external costs incurred on behalf of customers, which are to be immediately reimbursed by the customer, and which is part of a comprehensive service provided to customers (performance obligation). These costs primarily relate to production activities as well as other miscellaneous expenses payable by the customer, in particular travel expenses. These changes have no impact on operating income as the operating revenue and expenses are increased by the same amount, with the resulting net income unchanged. Cash flows are not impacted by these changes.

Variable considerations

Estimates for variable consideration had no effect on revenue recognition under IFRS 15. In the case of performance-based variable consideration dependent on external factors, the Group considers that there is a material risk of the revenue being reversed and it is thus not included in the transaction price as long as the uncertainty has not been removed. In other cases, variable considerations were already estimated and anticipated in the consolidated financial statements of Publicis Groupe under the previous standard.

Disaggregation of revenue

Publicis Groupe supplies a range of integrated communication services for its clients, which combine all the Group's areas of expertise. The Group enhanced its geographic approach, which best presents the manner in which revenue is affected by economic factors.

The breakdown of revenue by geographic region is similar to previous financial years and is presented in the segment information (see Note 30).

Contract balances (contract assets and liabilities)

Contract assets: Revenue recognized upon stage of completion that is subject to the customer's approval must be recognized under assets on contracts rather than Trade receivables. Therefore at December 31, 2017, euro 843 million were reclassified from Trade Receivables to assets on contracts.

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 liabilities on contracts. At December 31, 2017, euro 423 million were reclassified from Other creditors and current liabilities to liabilities on contracts.

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.

Net revenue

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.

• 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 2018 is euro 9 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.

• Other standards and interpretations

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

New standards and interpretations applied early

• IFRS 16 "Leases"

The Group decided to early apply 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 and, where applicable, repair costs. The contractual rents corresponding to low unit value assets 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. These discount rates are determined with respect to the remaining terms of leases from the date of first-time application, namely January 1, 2018.

• IFRIC 23 interpretation "Uncertainty over Income Tax Treatments"

The Group has also chosen the early application of IFRIC 23 "Uncertainty over Income Tax Treatments" from January 1, 2018. IFRIC 23 clarifies the application of IAS 12 "Income Taxes" in relation to recognition and measurement, when there is uncertainty over income tax treatments. This adoption has had no effect on the measurement of current and deferred taxes.

Uncertain tax liabilities previously presented under provisions have been reclassified under income taxes payable. The comparative information from the year 2017 has been restated.

• Change in presentation

Taking into account the application of IFRS 16 "Leases", Publicis decided to change the presentation of financial interests in the table of cash flows and present financial interests in cash flows generated by 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 interests 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 had the effect as at the December 31, 2017 reporting date of increasing "Net cash flows generated by operating activities" by euro 38 million and reducing "Cash flows provided by financing activities" by the same amount.

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 standard is not mandatory in financial years beginning on or after January 1, 2018:

- IFRS 17 "Insurance Contracts." This standard has not yet been adopted by the European Union. The Group does not expect the application of this standard to have a material impact. Nevertheless, this is currently under study.

1.2 Consolidation principles and policies

Presentation currency of the consolidated financial statements

Publicis prepares and publishes its consolidated financial statements in euros.

Investments in subsidiaries

The consolidated financial statements include the financial statements of Publicis Groupe SA and of its subsidiaries as at December 31 of each year. Subsidiaries are consolidated as of the time that the Group obtains control until the date on which control is transferred to an entity outside the Group.

Control is exercised when the Group is exposed or entitled to the variable returns and provided that it can exercise its power to influence such returns.

Investments in associates

The Group's investments in associates are accounted for under the equity method. An associate is a company over which the Group has significant influence but not control, this generally implies an ownership percentage of between 20% and 50% of the voting rights.

Investments in associates are recognized in the balance sheet at their acquisition cost and adjusted to reflect subsequent changes to the Group's share in the net assets of the associate, in accordance with the equity method. The Group's investment includes the amount of any goodwill, which is treated in accordance with the Group's accounting policy in this area, as presented in Section 1.3 below. The income statement reflects the Group's share of the associate's net income after taxes for the period.

Joint arrangements

Partnerships recognized as joint ventures are recognized under the equity method to the extent that they only give rights to the net assets of the entity.

Foreign currency transactions

Transactions in foreign currencies are recognized at the exchange rate applicable on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable at the reporting date. All differences arising are recognized in the income statement, except for differences on loans and borrowings that, in substance, form part of the net investment in a foreign entity. These differences are recognized in equity until such time as the net investment is disposed of, at which time they are recorded in the income statement.

Translation of financial statements prepared in foreign currencies

The functional currency of each Group entity is the currency of the economic environment in which it operates. The financial statements of subsidiaries located outside the euro zone presented in local currencies are translated into euros, the presentation currency of the consolidated financial statements, in the following manner:

- assets and liabilities are translated at year-end exchange rates;
- the income statement is translated at the average exchange rate over the year;
- translation adjustments resulting from the application of these rates are recognized in "Other comprehensive income items - Consolidation translation adjustments" for the Group share, with the remainder being recorded as "Non-controlling interests (minority interests)".

Goodwill and fair value adjustments of assets and liabilities recognized in the context of the acquisition of a foreign entity are expressed in the functional currency of the acquired company and translated at the exchange rate applying at the reporting date.

Elimination of intra-group transactions

Transactions between consolidated subsidiaries are fully eliminated, as are the corresponding receivables and payables. Similarly, intercompany gains or losses on sales, internal dividends, and provisions relating to subsidiaries are eliminated from consolidated results, except in the case of impairment loss.

1.3 Accounting principles and methods

Business combinations

Business combinations are treated in the following manner:

- identifiable assets acquired and liabilities assumed are recognized at their fair value on the acquisition date;
- non-controlling interests in the acquired business (minority interests) are recognized either at fair value or at the proportionate share of recognized identifiable net assets in the acquired business. This option is available on a case-by-case basis for each business combination.

Acquisition costs are recognized as an expense when incurred and are recorded under "Other operating expenses" in the consolidated income statement.

Any earn-out payments on business combinations are recognized at fair value on the acquisition date. After the acquisition date, earn-out payments are recognized at their fair value on the balance sheet date. As of the end of the period for allocating the acquisition price, which comes one year following the acquisition date at the latest, any change in this fair value is recorded in income. Within this allocation period, any changes in this fair value explicitly linked to events subsequent to the acquisition date are also recognized in income. Other changes are recognized as an offset to goodwill.

At the acquisition date, goodwill represents the difference between:

- the fair value of the transferred asset, including earn-out payments, plus the amount of non-controlling interests in the acquired company and, where a business combination occurs in several stages, the fair value at the acquisition date of the interest previously held by the buyer in the acquired company, which is adjusted through income; and
- the net residual value of identifiable assets acquired and liabilities assumed at the acquisition date and recorded at fair value.

Although deferred tax assets were not recognized at the acquisition date because their recoverability was uncertain, any subsequent recognition or utilization of these deferred taxes after the allocation period will be recorded as an offset to income (*i.e.* with no impact on the amount recorded as goodwill).

Commitments to buy out non-controlling interests made at the time of a business combination

Pending an IFRIC interpretation or a specific IFRS standard on this matter, the following accounting treatment has been adopted in accordance with currently applicable IFRS standards and the AMF recommendation:

- initially, these commitments are recognized in borrowings at the present value of the buy-out amount, with a double entry booked in diminution of equity;
- subsequent changes in the value of the commitment (including the effect of discounting) are recognized by adjusting equity on the grounds that it is a transaction between shareholders.

Additional acquisition of securities with the exclusive takeover of an entity previously under significant influence

The exclusive takeover leads to the recognition of a disposal gain or loss calculated on the entire interest at the transaction date. The previously held interest is thus remeasured at fair value through the income statement at the time of the exclusive takeover.

Additional acquisition of securities after the exclusive takeover

When additional securities are acquired in an entity that is already exclusively controlled, the difference between the acquisition price of these securities and the proportion of additional consolidated equity acquired is recognized as equity attributable to shareholders of the parent company of the Group. The consolidated value of the subsidiary's identifiable assets and liabilities, including goodwill, is thus left unchanged.

In the statement of cash flows, the acquisition of additional securities in an entity already controlled is presented as net cash flow relating to financing activities.

Sale of securities without loss of exclusive control

In the event of a partial sale of securities in an exclusively controlled entity that does not modify control of this entity, the difference between the fair value of the sale price of the securities and the proportion of consolidated equity capital that these securities represent at the date of sale is recognized as equity attributable to shareholders in the parent company of the Group. The consolidated value of the subsidiary's identifiable assets and liabilities, including goodwill, is thus left unchanged.

In the statement of cash flows, the sale of securities without loss of exclusive control is presented as net cash flow relating to financing activities.

Sale of securities with loss of exclusive control but retention of an equity interest

The loss of exclusive control leads to the recognition of a disposal gain or loss calculated on the entire interest held at the transaction date.

Any residual interest is therefore remeasured at fair value through the income statement at the time of the exclusive loss of control.

Planned disposals

In application of IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of controlled entities held for sale are presented separately on the balance sheet.

Reclassified non-current assets are no longer depreciated from the date on which they are reclassified.

Research and study costs

Publicis recognizes expenditures for studies and research as expenses attributable to the financial year in which they are incurred. This expenditure primarily relates to the following items: studies and tests relating to advertising campaigns, research programs into consumer behavior and clients' needs in various areas, and studies and modeling to optimize media buying for the Group's clients.

Development expenditures incurred for an individual project are capitalized once they are considered to be reasonably certain of being recovered in the future. Any capitalized expense is amortized over the future period during which the project is expected to generate income.

Goodwill

When a takeover takes place in a single transaction, goodwill is equal to the fair value of the consideration paid to acquire the securities (including any earn-out payments which are recorded at fair value at the takeover date), plus the value of non-controlling interests (these items are valued for each business combination either at fair value or at the proportionate share of the fair value of the net assets of the acquired business and minus the fair value of assets, liabilities and contingent liabilities identified at the acquisition date.)

Goodwill recorded in the balance sheet is not amortized but is instead subject to impairment tests on at least an annual basis. Impairment tests are performed for the cash-generating unit(s) to which goodwill has been allocated by comparing the recoverable value and the carrying amount of the cash-generating unit(s). The Group considers each agency or group of agencies to be a cash-generating unit.

The recoverable value of a cash-generating unit is the greater of its fair value (generally its market value), net of disposal costs, and its value in use. Value in use is determined on the basis of discounted future cash flows. Calculations are based on five-year cash flow forecasts, a terminal growth rate for subsequent cash flows and the application of a discount rate to all future flows. The discount rate used reflects current market assessments of the time value of money and the specific risks to which the cash-generating unit is exposed.

If the carrying amount of a cash-generating unit is higher than its recoverable value, the assets of the cash-generating unit are written down to their recoverable value. Impairment losses are allocated, firstly, to goodwill, and are recognized through the income statement and then against other assets.

Intangible assets

Separately acquired intangible assets are recognized at acquisition cost. Intangible assets acquired in the context of a business combination are recognized at their fair value on the acquisition date, separately from goodwill, if they are identifiable, *i.e.* if they meet one of the following two conditions:

- the intangible assets arise from legal or contractual rights; or
- the intangible assets can be separated from the acquired entity.

Intangible assets primarily consist of trade names, client relationships, technology, e-mail address databases and software.

Trade names, which are considered to have indefinite useful lives, are not amortized. They are subject to impairment tests, at least once a year, which involve comparing their recoverable value to their carrying amount. Any impairment loss is recorded in the income statement.

Client relationships with a finite useful life are amortized over such useful lives, which are generally between 10 and 40 years. They are also subject to impairment tests if there are any indicators that they may have been impaired.

Technology assets result from the Group's engagement in digital activities. They are amortized over a three to four-year period.

E-mail address databases are used in direct e-mailing campaigns. These databases are amortized over two years.

The method used to identify any impairment of intangible assets is based on discounted future cash flows. The Group uses the "royalty savings" method for trade names, which takes into account the future cash flows that the trade name would generate in royalties if a third party were to pay for the use of said trade name. For client contracts, the method involves discounting future cash flows generated by the client. Valuations are carried out by independent appraisers. The parameters used are consistent with those used to measure goodwill.

Capitalized softwares include in-house applications as well as commercial packages; They are measured either at their acquisition cost (if purchased externally) or at their production cost (if developed internally). They are amortized over their useful life:

- ERP: eight years;
- other: three years maximum.

Property, plant and equipment

Items of property, plant and equipment are measured at acquisition cost minus accumulated depreciation and impairment loss.

When appropriate, the total cost of an asset is broken down into its various components that have distinct useful lives. Each component is then recognized separately and depreciated over a distinct term.

Items of property, plant and equipment are depreciated on a straight-line basis over each asset's estimated useful life. The useful life of property, plant and equipment is generally assumed to be as follows (straight-line method):

- buildings: 20 to 70 years;
- fixtures, fittings and general installations: 10 years;
- office equipment and furniture: 5 to 10 years;
- vehicles: 4 years;
- IT equipment: 2 to 4 years.

If any indicators suggesting impairment loss exist for items of property, plant and equipment, the recoverable value of the property, plant and equipment or the cash-generating unit(s) to which such assets belong is compared to their carrying amount. Any impairment loss is recorded in the income statement.

Lease contracts

Leases are recognized on the Balance sheet at the outset of the lease at the present value of future payments. These leases are recognized under "Lease liabilities" on the liabilities side, offset by "Rights-of-use under leases" on the assets side. They are amortized over the term of the lease, which is typically the fixed period of the lease unless there is a stated intention to renew or terminate. In the Income Statement, depreciation and amortization expenses are recognized in the operating margin and interest expenses under net financial income (expenses). The tax effect of this restatement for consolidation purposes is accounted for through the recognition of deferred tax assets or liabilities.

Leases of low-value assets or short-term leases are immediately expensed in profit or loss.

Other financial assets

All investments are initially recognized at fair value, which corresponds either to the price paid or the value of assets given in payment, plus any transaction costs.

After the initial recognition, investments are assessed at fair value as of the reporting date. Gains and losses on investments held for trading are recognized in income. Profits and losses on other financial assets are accounted for optionally for securities representing equity instruments, either In profit and loss or in other comprehensive income or equity.

Other long-term investments held for maturity and whose sole contractual cash flow characteristics are the payment of the principal and interest, such as bonds, are then assessed at amortized cost using the effective tax rate method. For investments recognized at amortized cost, gains and losses are recognized in the income statement if they are sold or impaired, as well as through the process of amortization.

For investments that are actively traded on organized financial markets, fair value is determined by reference to the published market price at the reporting date. For investments that are not listed on an active market, fair value is determined with reference to the current market price of another substantially similar instrument, or calculated based on the cash flows that are expected from the investment.

Loans and receivables due from associates and non-consolidated companies

This includes financial receivables from associates or unconsolidated companies held by the Group.

Impairment is recognized whenever there is a risk of non-payment as a result of the financial position of the entity in question.

Inventories and work in progress

This line item mainly includes work-in-progress for the advertising business when we act as "Agent". This involves creative and production technical work (graphics, TV, radio, publishing, etc.) that can be directly passed on to the client but has not yet been billed. They are recognized on the basis of costs incurred and a provision is recorded when their net realizable amount is lower than cost. Un-billable work or costs incurred relating to new client development activities are not recognized as assets, except for tendering expenses which may be re-invoiced to the client under the terms of the contract. In order to assess the net realizable amount, inventory and work in progress are reviewed on a case-by-case basis and written down, if appropriate, on the basis of criteria such as the existence of commercial disputes with the client.

It also includes to a lesser extent, media inventories bought on own-account and not resold at the end of the reporting period.

Trade receivables

Receivables are recognized at the initial amount of the invoice. Receivables presenting a risk of non-recovery are subject to impairment. Such allowances are determined, on a case-by-case basis, using various criteria such as difficulties in recovering the receivables, the existence of any disputes and claims, or the financial position of the debtor. Impairment of trade receivables also takes into account expected losses on receivables under the simplified approach permitted by IFRS 9.

Due to the nature of the Group's activities, trade receivables are of a short-term nature. Nevertheless, any trade receivables of a longer-term nature will be recognized at their discounted value.

Contract assets

Contract assets consist of revenue recorded when a performance obligation has been satisfied but not yet invoiced. Contract assets are transferred to Trade receivables when the right to consideration becomes unconditional and the service is invoiced to the client in accordance with the terms of the contract.

Derivative financial instruments

The Group uses derivatives such as foreign currency and interest rate hedges to hedge its current or future positions against foreign exchange rate risks or interest rate risks. These derivatives are measured at fair value, determined either by reference to observable market prices at the reporting date or by the use of valuation models based on market parameters at the reporting date. Including counterparty risk in the valuation of derivatives did not have a material impact.

Whenever these financial instruments are involved in an arrangement treated as a hedge for accounting purposes, the following should be distinguished:

- fair value hedges, which are used to hedge against changes in the fair value of a recognized asset or liability;
- cash flow hedges, which are used to hedge against exposure to changes in future cash flows.

For fair value hedges related to a recognized asset or liability, all gains and losses resulting from the remeasurement of the hedging instrument at fair value are recognized immediately in the income statement. At the same time, any gain or loss on the hedged item will change the carrying amount of this item as an offset to its effect on the income statement.

For hedges used to hedge firm or highly probable future commitments and that meet the conditions for recognition as hedge accounting (future cash flow hedges), the portion of gain or loss realized on the hedging instrument deemed to be an effective hedge is recognized in other comprehensive income. The ineffective portion is recognized immediately in profit and loss. Gains and losses recognized in other comprehensive income are reported in the income statement for the period in which the hedged risk affects income; for example, when a planned sale actually occurs.

As for derivatives that do not qualify for hedge accounting, any gain or loss resulting from changes in their fair value is recognized directly in the income statement for the financial year.

Changes in the fair value of derivatives that qualify as fair value hedges are recognized in other financial income and expenses, as are changes in the value of the underlying items. The fair value of derivative instruments is recognized in other receivables and current assets and in other creditors and current liabilities.

Cash and cash equivalents

Cash and cash equivalents include sight deposits, cash, short-term deposits with an initial maturity of less than three months and UCITS and money market funds with a negligible risk of a change in value, *i.e.* that meet the following criteria: sensitivity to interest rate risk less than or equal to 0.25 and 12-month historical volatility of close to zero.

For the purposes of the statement of cash flows, "cash" includes cash and cash equivalents as defined above, net of bank overdrafts.

Treasury shares

Irrespective of their intended use, all treasury shares are recognized at their acquisition price by the Group as a deduction from equity.

Bonds

- Bonds redeemable in cash:

  The bonds are initially recognized at their fair value, which corresponds to the amount of cash received, net of issuance costs;

  Subsequent to initial recognition, bonds are recognized at their amortized cost, using the effective interest rate method, which takes into account all issuance costs and any redemption premium or discount.

- Convertible bonds and debentures redeemable for stock:

  For convertible bonds (Océane) or debentures (Orane), or debentures with warrants (OBSA), the liability and equity components are initially recognized separately. The fair value of the debt component at issuance is determined by discounting the future contractual cash flows at market rates that the Company would have had to pay on a bond instrument offering the same terms but without a conversion option.

  The equity component is measured on issuance by deducting the fair value of the debt component from the fair value of the bond as a whole. The value of the conversion option is not revised during subsequent financial years.

  Issuance costs are divided between the debt and equity components based on their respective carrying amounts at issuance.

  The debt component is subsequently measured at amortized cost.

Provisions

Provisions are funded when:

- the Group has a present obligation (legal or constructive) resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- the amount of the outflow can be estimated reliably. Where the effect of the time value of money is material, provisions are discounted to present value. Increases in the amount of provisions resulting from the unwinding of the discount are recognized as financial expenses;

  Contingent liabilities are not recognized but, if material, are disclosed in the notes to the financial statements, except in the case of business combinations where they constitute identifiable items for recognition;
- Provisions for litigation and claims :

  These concern identified risks related to litigation or claims of any kind: commercial, regulatory, tax (other than income taxes) or labor. The Group establishes a provision if it is likely that outflow will be necessary to eliminate this risk and it is possible to reliably estimate the cost related to this risk. In such cases, the amount of the provision (including any related penalties) is determined by the agencies and their experts, under the supervision of the Group's head office teams, on the basis of their best estimate of the probable costs related to the litigation or the claim;
- Restructuring provisions:

  The total cost of restructuring is recognized in the financial year that these actions were approved and announced.

  In the context of an acquisition, restructuring plans that do not constitute liabilities for the acquired company on the date of the acquisition are recognized as expenses.

  These costs consist primarily of severance and early retirement payments and notice periods that have not been worked, which are recognized in employee benefits expenses, and, in some cases, of write-downs of property, plant and equipment and other assets;
- Vacant property provisions:

  Vacant property provision valuations are made by discounting the rent payable, less income expected from sub-leasing and additionally include lease expenses and any taxes on vacant premises, where the premises are not intended for use as part of its main activities. Since January 1, 2018, in accordance with IFRS 16, only lease expenses and any taxes are included in the vacant property provisions.

  In the context of business combinations, provisions are also recorded when the acquired company has property rental contracts with less favorable terms than those prevailing on the market as of the acquisition date.

Pensions and other long-term benefits

The Group recognizes obligations relating to pensions and other post-employment benefits based on the type of plan in question:

- defined contribution plans: the amount of the Group's contribution to the plan is recognized as an expense for the year;
- defined benefit plans: the commitment in respect of defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses relating to post-employment plans and arising during the year are recorded directly in other comprehensive income. The effect of the unwinding of discounts on pension obligations net of the expected return on plan assets is recorded in "Other financial income and expenses". Various plan administrative expenses are, when directly billed to the Group, recognized under operating income.

Trade payables

This line item includes all operating payables (including notes payable and accrued supplier invoices) related to the purchase of goods and services including those related to media buying where the Company acts as agent. These payables are generally due within less than one year.

Liabilities on contracts

Liabilities on contracts correspond to deferred income. These are considerations received or invoiced to clients for which the Group has an obligation to provide goods or services.

Contract liabilities do not include client advances for external costs incurred on behalf of clients and that are directly pass-through to the clients when the Group acts as "Agent". Such advances are recorded under Trade payables.

Revenue

Group revenue mainly stems from creative and production services, direct and digital marketing, CRM (Customer Relationship Management), sales promotion and point of sale marketing, public relations, event management, institutional and financial communication, strategic media planning and media buying as well as digital business transformation consulting.

Client contracts are mainly compensated by fees, commission, performance-based bonuses, and reimbursement of third-party costs incurred on behalf of the clients or a combination of the four.

The fees agreed with clients are for the most part calculated on the basis of an hourly rate plus overheads and a margin.

Commission-based contracts are calculated on the basis of a percentage of the total sum of costs paid to third parties (repaid by the client) to carry out the contract. Commission-based contracts mainly involve: i) media services on the basis of media space bought on behalf of the clients and ii) supervision of productions done by third parties.

Virtually all our contracts are short-term, generally under one year, and the Group typically has right to payment to the end of the contract or at least for the work performed to date.

The Group recognizes revenue when (or as) the control of the promised goods or services (identified as performance obligations) is transferred to the client, in an amount that reflects the consideration to which the Group expect to be entitled in exchange for those goods or services.

▶ Performance obligations:

For each contract, the promised services (called performance obligations) are distinct only if the client can benefit from the services on its own and if the agency's promise to transfer these services is separately identifiable from other promises in the contract;

Outside of media services, performance obligations generally correspond to the various compensation set out in the contracts. In creative advertising, the Group typically considers two performance obligations, one for creative advisory services and the second for productions, which generally corresponds to the various compensation set out in the contracts;

In media services, the transaction price generally covers strategic media planning services as well as media buying. In these contracts, we consider that these two groups of services are separate and the transaction price is allocated on the basis of the employees assigned to these services.

▶ Variable considerations of the transaction price:

Some contracts include incentives that are subject to qualitative or quantitative performance criteria. These variable components are only included in the transaction price when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

Performance-based incentives are typically only recognized when they are confirmed by the client.

The Group also receives volume rebates from suppliers on transactions carried out on behalf of clients. These rebates are either remitted to clients based on contractual terms or local laws, or retained by the Group. The portion paid back to clients is recognized under liabilities and the portion retained is typically recognized under revenue when the media is broadcast, if a contract exists with the media vendor and we anticipate exceeding volume criteria.

▶ "Agent" *vs.* "Principal" Considerations:

When third party suppliers are involved in providing services to clients, The Group considers that it is acting as "Principal" if at least one of the following criteria is satisfied:

- the agency obtains control of the asset or service before transferring it to the client;
- the agency has the ability to direct the supplier(s);
- the agency incorporates or combines the work of suppliers to deliver the promised goods or services to the client.

The Group acts as "Principal" in most of its activities except for media buying services performed on behalf of clients and supervision of productions done by third parties.

With respect to productions, the Group acts as "Agent" only on contracts for which it only performs production supervision that is wholly done by an external third party. If the agency incorporates or significantly transforms the work done by a third party, the Group considers that this involves a single performance obligation for which it acts as "Principal".

When the Group acts as "Principal", the revenue is recognized for the gross amount invoiced to the client. When the Group acts as "Agent", revenue is recognized net of the costs pass-through to clients, which means that revenue recorded is solely comprised of fees or commission.

In any case, travel expenses reimbursed by clients (transport, hotels, meals, etc.) are always recognized in revenue.

▶ Revenue recognition period:

Almost all Group's revenue is recognized overtime because the client directly receives or consumes the benefit of our services or our performance generates an asset with no alternative use and for which we are entitled to payment for the work done to date.

For fixed-price projects, revenue is recognized overtime based on internal measurement which best describes the level of effort spent on the project, usually calculated on the basis of hours worked and direct external costs incurred on the project;

For retainer arrangements with a dedicated team, generally involving annual contracts, the Group considers that its performance obligation is to be ready at all times to make resources available to our client. In this instance, revenue is recognized on a straight-line basis over the term of the contract.

For commission-based media contracts, we recognize revenue when the media is broadcast.

▶ Contract modifications:

On occasion, the client may ask for changes to the scope of the services in the course of the contract. These changes are generally negotiated as new contracts encompassing the additional needs with the related compensation.

▶ Disaggregation of Revenue:

The Group supplies a range of integrated communication services for its clients, that combine all the Group's areas of expertise. The Group enhanced its geographic approach, which best presents the manner in which revenue is affected by economic factors;

The breakdown of revenue by geographic region is similar to previous financial years and is presented in the segment information (see Note 30).

- Practical expedients:

The Group decided to apply practical expedients regarding outstanding performance obligations and not to disclose information when performance obligation is part of a contract that has an original expected duration of one year or less and those for which the Group is entitled to payment for the hours worked to date.

The amounts on the remaining performance obligations on other types of contracts than those listed above are not material and are not presented in the notes.

Net revenue

Net revenue is calculated as revenue less pass-through costs which are the amounts paid to external suppliers engaged to perform a project and charged directly to clients.

Whether the Group acts as "Agent" or "Principal", the Group incurs third party costs on behalf of clients, directly re-billable to the clients. These costs mainly relate to production and media activities, as well as out-of-pocket expenses (especially travel costs) and are recorded into operational costs. As these items can be re-billed to clients, they are not included in the scope of assessment of operations, then the "net revenue" indicator used to measure the Group's operational performance excludes the re-invoicing of such costs.

Publicis Groupe stock option plans

The fair value of the options granted is recognized in employee benefits expense over the vesting period of the options. This is determined by an independent expert, generally using the Black-Scholes model. By way of exception, where the plan contains market objectives, the Monte-Carlo method is used.

For plans containing non-market performance objectives, the Group evaluates the probability that the objectives will be achieved and takes account of this estimate in its calculation of the number of shares to be delivered.

Publicis Groupe free share plans

The fair value of the free shares granted is recognized in employee benefits expense over the vesting period of the rights. This value is determined by an independent expert and is equal to the market price per share on the date of the award, adjusted to reflect the expected loss of dividend(s) during the vesting period. By way of exception, where the plan contains market objectives, the Monte-Carlo method is used.

For plans containing non-market performance objectives, the Group evaluates the probability that the objectives will be achieved and takes account of this estimate in its calculation of the number of shares to be delivered.

Non-current income and expenses

In order to facilitate the analysis of the Group's operational performance, Publicis records exceptional income and expenses under "Non-current income and expenses". This line item mainly includes gains and losses on the disposal of assets.

Operating margin before Depreciation & Amortization

The operating margin is equal to revenue after deducting personnel expenses and other operating expenses (excluding other non-current income and expenses as defined above).

Operating Margin

The operating margin is equal to revenue after deducting personnel expenses, other operating expenses (excluding other non-current income and expenses described above) and depreciation and amortization expense (excluding intangibles from acquisitions). The operating margin, which represents operating income expressed as a percentage of revenue, is an indicator used by the Group to measure the performance of cash-generating units and of the Group as a whole.

Cost of net financial debt and other financial income and expenses

The cost of net financial debt includes financial expenses on borrowings and interest income on cash and cash equivalents.

Other financial income and expenses mainly include interest expenses on lease liabilities, the effects of discounting long-term provisions for vacant properties and pension provisions (net of return on plan assets), the effect of revaluation of earn-out payments on acquisitions, changes in the fair value of financial assets and foreign exchange gains and losses.

Income tax

Net income for the period is taxed based on the tax laws and regulations in force in the respective countries where the income is reported. Deferred taxes are reported using the balance sheet liability method for temporary differences between the tax value and the carrying amount of assets and liabilities at the reporting date.

Deferred tax assets are recognized for deductible temporary differences, tax loss carryforwards and unused tax credits to the extent that it is probable that there will be taxable income for the period (either from the reversal of the temporary differences or generated by the entity) against which such items can be charged in future years.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced if it is no longer probable that there will be sufficient taxable income for the period to take advantage of all or part of this deferred tax asset. Deferred tax assets that are unrecognized are measured on every reporting date and recognized if it is likely that they will be usable against future taxable income for the period.

Deferred tax assets and liabilities are measured on the basis of tax rates expected to be applicable in the year in which the asset is realized or the liability settled. The tax rates used are those that have been enacted, or virtually enacted, at the reporting date.

Earnings per share and diluted earnings per share (EPS and diluted EPS)

The basic earnings per share is calculated by dividing the net income for the year attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing net income for the financial year attributable to ordinary shares, after cancellation of interest on bonds redeemable for, or convertible into, ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year adjusted to reflect the effect of options, free shares granted, outstanding warrants and the conversion of bonds convertible into shares (Océane). The calculation of diluted earnings per share reflects only instruments that are dilutive, *i.e.* that reduce earnings per share.

For Publicis Groupe stock options, free shares and warrants, the method applied is set forth below.

For the calculation of diluted earnings per share, all dilutive options and warrants are assumed to have been exercised and the free shares actually received.

The proceeds from the exercise of these instruments are deemed to have been received with the issue of ordinary shares at the average market price for ordinary shares during the period. That issue, which is presumed to be measured at fair value, is neither dilutive nor accretive and is not included in the calculation of diluted earnings per share. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at average market price must be treated as an issue of ordinary shares without proceeds and therefore as dilutive. This number is added to the denominator in the diluted earnings per share ratio.

Hence, options and warrants are dilutive only when the average price per share of ordinary shares during the period exceeds the options' or warrants' strike price (*i.e.* when they are "in the money").

In addition to these earnings per share (base and diluted), the Group calculates and regularly releases a "current" base and diluted EPS, similar to the one described above, except with respect to the earnings figure used, which excludes:

- the items "Impairment loss" and "Amortization expense of intangibles from acquisitions";
- the effect of the revaluation of earn-out payments on acquisitions and the change in fair value of financial assets recorded under "Other financial income and expenses";
- certain specifically designated items of exceptional income and expense generally recorded as "Non-current income and expenses".

1.4 Principal sources of uncertainty arising from the 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. Actual outcomes may, however, vary significantly from these estimates.

The characteristics of the main accounting policies, judgments and other uncertainties affecting the application of these accounting policies, together with the sensitivity of the results to changes in circumstances and assumptions associated with them are factors to be taken into consideration. The Group makes estimates and assumptions regarding the future. The accounting estimates will, by definition, rarely be exactly the same as the related actual outcomes.

The main assumptions concerning future events and other sources of uncertainty relate to the use of estimates on the reporting date, when there is a significant risk that the estimates of the net carrying amount of the assets and liabilities will be modified in future years, *i.e.*:

- the fair value allocated to assets and liabilities obtained through business combinations;
- the calculation of the recoverable value of goodwill and intangible assets used for impairment tests;
- provisions for liabilities and charges, particularly for defined benefit pension liabilities and post-employment medical care;
- impairment of doubtful receivables;
- the fair-value measurement of stock options awarded under Publicis Groupe SA's stock option plans;
- the term of leases in relation to optional lease periods as well as the determination of discount rates;
- uncertain tax positions.

Detailed disclosures concerning these matters are provided in Notes 7, 22, 23, 29 and 31 below.

6

Note 2 IFRS 15 – Restatement of Income Statement and Balance sheet

The following tables present the impacts of the application of IFRS 15 on the Group's consolidated financial statements at December 31, 2017:

/ Impacts on the consolidated income statement

(in millions of euros)	Information December 31, 2017 (12 months) published	Impact IFRS 15	Information December 31, 2017 (12 months) restated(1)
Net revenue	**9,332**	**-**	**9,332**
Pass-through Revenue	358	556	914
Revenue	**9,690**	**556**	**10,246**
Personnel expenses	(5,977)	-	(5,977)
Other operating expenses	(2,047)	(556)	(2,603)
Operating margin before Depreciation & Amortization	**1,666**	**-**	**1,666**
Depreciation and amortization expenses	(161)	-	(161)
Operating Margin	**1,505**	**-**	**1,505**
Operating income	**1,316**	**-**	**1,316**
Net income attributable to equity holders of the parent company	**862**	**-**	**862**

(1) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

/ Impacts on the consolidated balance sheet

(in millions of euros)	Information December 31, 2017 reported	Impact IFRS 15	Information December 31, 2017 restated(1)
Assets			
Trade receivables	9,750	(843)	8,907
Assets on contracts	-	843	843
Others	14,030	-	14,030
Total assets	**23,780**		**23,780**
Equity and 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**

(1) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

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 statements 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 – Impact of the first-time application on the 2018 financial statements

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(1)	First-time 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 shareholders' 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	415	(11)	404
Others	419	-	419
Non-current liabilities	**3,614**	**1,581**	**5,195**
Short-term lease liabilities		356	356
Short-term provisions	98	(4)	94
Other creditors and current liabilities	1,391	(61)	1,330
Others	12,719	-	12,719
Current liabilities	**14,208**	**291**	**14,499**
Total equity and liabilities	**23,780**	**1,882**	**25,662**

(1) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

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 reduction 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. Moreover, the remeasurement of these receivables impacts opening equity in the case of subleases for an amount in excess of that of the main contract.

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 December 31, 2018 reported	IFRS 16 impacts	Information December 31, 2018 with IAS 17	Information December 31, 2017 restated(1)
Assets				
Right-of-use assets related to leases	1,732	(1,732)	-	-
Property, plant and equipment, net	611	42	653	590
Deferred tax assets	150	(9)	141	130
Other financial assets	215	(19)	196	169
Other receivables and current assets	689	19	708	649
Assets held for sale	183	(24)	159	62
Others	23,500	2	23,502	22,180
Total assets	**27,080**	**(1,721)**	**25,359**	**23,780**
Equity and Liabilities				
Total shareholders' equity	**6,853**	**13**	**6,866**	**5,958**
Long-term borrowings	2,425	93	2,518	2,780
Long-term lease liabilities	1,648	(1,648)	-	-
Long-term provisions	384	9	393	415
Others	446	-	446	419
Non-current liabilities	**4,903**	**(1,546)**	**3,357**	**3,614**
Short-term lease liabilities	393	(393)	-	-
Short-term provisions	125	35	160	98
Other creditors and current liabilities	1,432	194	1,626	1,391
Liabilities held for sale	100	(26)	74	16
Others	13,274	2	13,276	12,703
Current liabilities	**15,324**	**(188)**	**15,136**	**14,208**
Total equity and liabilities	**27,080**	**(1,721)**	**25,359**	**23,780**

(1) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

/ Impacts on the consolidated income statement

(in millions of euros)	Information December 31, 2018 reported	IFRS 16 impacts	Information December 31, 2018 with IAS 17	Information December 31, 2017 restated[1]
Revenue	**9,951**	**-**	**9,951**	**10,246**
Personnel expenses	(5,747)	-	(5,747)	(5,977)
Amortization expense (excluding intangibles arising from acquisitions)	(526)	375	(151)	(161)
Other operating expenses	(2,155)	(397)	(2,552)	(2,603)
Operating Margin	**1,523**	**(22)**	**1,501**	**1,505**
Operating income	**1,303**	**(22)**	**1,281**	**1,316**
Cost of net financial debt	(11)	(11)	(22)	(51)
Revaluation of earn-out payments	(13)	-	(13)	(66)
Other financial income and expenses	(60)	66	6	(10)
Pre-tax income of consolidated companies	**1,219**	**33**	**1,252**	**1,189**
Income taxes	(285)	(8)	(293)	(312)
Net income of consolidated companies	**934**	**25**	**959**	**877**
Share of profit of associates	(4)	-	(4)	(5)
Net income	**930**	**25**	**955**	**872**
Of which:				
• net income from non-controlling interests	11	-	11	10
Group net income	**919**	**25**	**944**	**862**

(1) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

/ Impacts on the consolidated statement of cash flows

(in millions of euros)	Information December 31, 2018 reported	IFRS 16 impacts	Information December 31, 2018 with IAS 17[1]	Information December 31, 2017 restated[2]
December 31, 2018				
Cash flow from operating activities				
Net income	930	25	955	872
Neutralization of non-cash income and expenses:				
Income taxes	285	8	293	312
Cost of net financial debt	11	11	22	51
Depreciation, amortization and impairment loss	726	(463)	263	349
Other non-cash income and expenses	76	22	98	74
Others	(239)	-	(239)	(202)
Change in working capital requirements	153	(24)	129	69
Net cash flows generated by (used in) operating activities (I)	**1,942**	**(421)**	**1,521**	**1,525**
Cash flow from investing activities				
Net cash flows generated by (used in) investing activities(II)	**(448)**	**-**	**(448)**	**(417)**
Cash flow from financing activities				
Repayment of lease liabilities	(374)	374	-	-
Interest paid on lease liabilities	(58)	58	-	-
Financial interest paid	(69)	(11)	(80)	(90)
Others	(314)	-	(314)	(462)
Net cash flows generated by (used in) financing activities (III)	**(815)**	**421**	**(394)**	**(552)**
Impact of exchange rate fluctuations (IV)	**133**	**-**	**133**	**(379)**
Change in consolidated cash and cash equivalents (I + II + III + IV)	**812**	**-**	**812**	**177**

(1) Starting from January 1, 2018, the financial interest has been reclassified to the net cash-flow from financing activities.
(2) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

/ Reconciliation of lease liabilities on the date of transition with Off-Statement of Financial Position commitments at December 31, 2017

(in millions of euros)

Commitments given under operating leases at December 31, 2017[(1)]	**2,247**
Effects of optional periods not factored into off-statement of financial position commitments	75
Effects of delay in availability date	(223)
Effects of short-term leases not recognized under lease liabilities at January 1, 2018	(15)
Other effects	81
Lease liabilities before discounting	**2,165**
Effect of discounting	(217)
Lease liabilities after discounting	**1,948**
Existing finance leases	**89**
Lease liabilities at January 1, 2018 after first-time application of IFRS 16	**2,037**

(1) Commitments given at December 31, 2017, included €1,982 million under operating leases and €265 million in minimum fees guaranteed under advertising space agreements.

Note 4 Changes in the scope of consolidation

4.1 Acquisitions in financial year 2018

There was no significant takeover (individually or taken together) during the period.

The main acquisitions in the year were as follows:

- in July 2018, the Group acquired 100% of Payer Sciences (USA) and 100% of One Digital (Brazil);
- in September 2018, the Group acquired 100% of Kindred (Czech Republic);
- in November 2018, the Group acquired 100% of Xebia (France).

The fair value, at the acquisition date, of the consideration paid (excluding cash and cash equivalents acquired) of all entities that were fully consolidated (notably including the ones detailed above, as well as smaller acquisitions) with an exclusive takeover during the period, totaled euro 236 million. This amount mainly includes:

- euro 136 million paid out during the period;
- euro 97 million in earn-out payment commitments;
- euro 3 million in commitments to buy out non-controlling interests.

The amount paid out in 2018 for acquisitions (net of cash and cash equivalents acquired) totaled euro 260 million and includes:

- euro 136 million paid out during the period;
- euro (6) million in acquired net cash and cash equivalents;
- euro 130 million in earn-out payments paid out during the period.

Taken as a whole, all acquisitions made over the period represented less than 1% of consolidated revenue and less than 1% of net income attributable to equity holders of the parent company.

4.2 Acquisitions in 2017

There was no significant takeover (individually or taken together) during the period.

The main acquisitions in the year were as follows:

- in January 2017, the Group acquired 100% of The Abundancy and Ardent (USA);
- in July 2017, the Group acquired 85% of Translate Plus (United Kingdom) and 100% of The Herd Agency (Australia);
- in September 2017, the Group acquired 100% of Plowshare (USA) and 100% of Harbor Picture Company (USA).

The fair value, at the acquisition date, of the consideration paid (excluding cash and cash equivalents acquired) of all entities that were fully consolidated (notably including the ones detailed above, as well as smaller acquisitions) with an exclusive takeover during the year, totaled euro 159 million. This amount mainly includes :

- euro 76 million paid out during the period;
- euro 76 million in earn-out payment commitments;
- euro 7 million in commitments to buy out non-controlling interests.

The amount paid out in 2017 for acquisitions (net of cash and cash equivalents acquired) totaled euro 289 million and includes:

- euro 76 million paid out during the period;
- euro (19) million in acquired net cash and cash equivalents;
- euro 232 million in earn-out payments paid out during the period.

Taken as a whole, all acquisitions made over the period represented less than 0.2% of consolidated revenue and 0.6% of net income attributable to equity holders of the parent company.

4.3 Disposals in 2018 and 2017

No significant disposals were made during 2018 and 2017.

Companies sold contributed no more than 1% of revenue and 1% of consolidated net income attributable to equity holders of the parent company in 2018. The same was true in 2017.

4.4 Planned disposals

The Group has started a process to dispose of all the activities of Publicis Health Solutions in the United States and Europe. This process led to the signature of a disposal agreement with Altamont Capital Partners on December 31, 2018, with the sale being finalized on January 31, 2019.

Furthermore, the Group also started a process to dispose of its service activity for micro-companies and SMEs, mainly located in Belgium and France. The disposal process is being finalized and is expected to be completed in the second quarter of 2019 (see Note 32).

The combined assets and liabilities of this business are as follows:

- goodwill and intangible assets ;
- property, plant and equipment ;
- current assets ;
- cash and cash equivalents ;
- current liabilities.

At December 31, 2018, assets and liabilities were grouped together on the balance sheet under “Assets held for sale” and “Liabilities held for sale.” The value of these assets and liabilities was written down to their realizable value less disposal costs (see Note 7).

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)	2018	2017
Compensation	(4,501)	(4,698)
Social security charges, including post-employment benefits	(816)	(850)
Share-based payments	(63)	(55)
Temporary employees and freelancers	(367)	(374)
Total	**(5,747)**	**(5,977)**

/ Breakdown of headcount at December 31 by region

	2018	2017
Europe	22,285	22,589
North America	22,494	24,054
Latin America	5,945	5,661
Asia Pacific	20,750	21,583
Middle East & Africa	4,114	3,880
Total	**75,588**	**77,767**

/ Breakdown of headcount at December 31 by function (in %):

	2018	2017
Account planning and management	21%	19%
Creative	14%	13%
Media and research	18%	18%
Specialized production activities and other	33%	35%
Administration and management	14%	15%
Total	**100%**	**100%**

Note 6 Other operating expenses

Other operating expenses include all external expenses other than production and media buying when the Group acts as an agent. This includes pass-through costs amounting to euro 877 million in 2018, *versus* euro 914 million in 2017; it also includes taxes other than income taxes and increases and reversals of provisions.

Note 7 Depreciation, amortization and impairment loss

(in millions of euros)	2018	2017
Amortization of other intangible assets (excluding intangibles arising from acquisitions)	(22)	(22)
Depreciation of property, plant and equipment	(125)	(139)
Amortization of right-of-use assets	(379)(1)	-
Depreciation and amortization expense (excluding intangibles arising from acquisitions)	**(526)**	**(161)**
Amortization of intangibles from acquisitions	**(69)**	**(73)**
Impairment loss on investments in associates	-	(3)
Impairment loss on other financial assets	-	(2)
Goodwill impairment	-	(50)
Impairment loss on fixed assets	(3)	(2)
Impairment loss on assets held for sale	(14)	(58)
Impairment losses on right-of-use assets	(114)	-
Impairment losses	**(131)**	**(115)**
Total depreciation, amortization and impairment	**(726)**	**(349)**

(1) Under IFRS 16, amortization of finance leases is reclassified under amortization of right-of-use assets for euro 4 million.

Impairment losses on right-of-use assets

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 2018 reached euro 114 million, of which euro 30 million for right-of-use assets and euro 28 million for fixtures. Expenses such as lease expenses and any taxes on vacant properties in the amount of euro 56 million are included in vacant property provisions; they also include early departure penalties.

Impairment losses on assets held for sale

The value of the assets and liabilities held for sale was written down to their realizable value less disposal costs. This led the Group to recognize the following impairment losses:

- at December 31, 2018, euro 14 million on Proximedia's entire assets, mainly located in Belgium and France, for which disposal is planned (see Notes 4.4 and 32);
- at December 31, 2017, euro 58 million on activities in China, for which disposal was completed in 2018 (see Note 8).

Goodwill impairment

Impairment tests were performed on the cash-generating units, which consist of agencies or combinations of agencies.

The valuations required for the impairment tests on the most significant goodwill were conducted by an independent expert. The goodwill impairment tests were carried out on the basis of the value in use of the cash-generating units, which was determined based on five-year financial forecasts (2019-2023). Forecasts for 2019 are taken directly from the annual budget approved by management.

The after-tax discount rates used range between 9% (11.6% before tax) and 14.5% (18.8% before tax). The terminal growth rate used in the forecasts ranges from 1% to 4%.

The main assumptions used in these tests are presented in the table below:

	2018			2017		
(in millions of euros)	Carrying amount of goodwill	After-tax discount rate	Terminal growth rate	Carrying amount of goodwill	After-tax discount rate	Terminal growth rate
Publicis Communications	3,428	9.5%	1.0%	3,325	9.0%	1.5%
Publicis Media	2,244	9.0%	1.5%	1,599	8.0%	1.5%
Publicis Sapient	2,043	11.0%	3.0%(1)	2,520	11.5%	3.0%(1)
Publicis Health	541	10.5%	2%	530	9.5%	2.0%
Former Publicis One	490	10% to 14.5%	3% to 4%	460	12.0%	2.5%
Other goodwill	5	10%	2%	16	7.5 to 10.0%	2.0 to 3.0%
Total goodwill after impairment loss	**8,751**			**8,450**		

(1) As historical performance and market research forecasts have shown, growth in advertising expenditure in the United States' digital sector is particularly strong (annual growth is generally between 10% and 20% depending on the year). Consequently, it was assumed that the market will not yet be fully mature at the end of the forecast period.

The method used in the calculation of discount rates and terminal growth rates is unchanged.

The sensitivity tests performed show that there is no impact on the impairment charge of the Group's cash generating-units (CGU).

At December 31, 2017, the after-tax discount rates used ranged from 8.0% (10.2% before tax) to 12.0% (15.3% before tax). The terminal growth rate used in the forecasts ranged from 1.5% to 3%.

Following these tests, the Group recognized an impairment loss of euro 50 million in 2017 on Proximedia's entire assets, mainly located in Belgium and France.

Impairment tests on intangible assets related to acquisitions

Impairment tests were carried out on all of the Group's trade names recognized on acquisition. Client relationships were also tested for impairment. All valuations required for these impairment tests were conducted by an independent expert.

At December 31, 2018, the after-tax discount rates used in the valuations ranged from 8.5% to 14.5%. They are determined on the basis of the specific characteristics belonging to each asset undergoing impairment testing.

At December 31, 2017, the after-tax discount rates used in the valuations ranged from 8% to 13.5%.

These tests resulted in the Group not recognizing any impairment loss in 2018, unchanged from 2017.

Note 8 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)	2018	2017
Capital gains (losses) on disposal of assets	(20)	-
Non-current income and (expenses)	-	(1)
Total non-current income and (expenses)	**(20)**	**(1)**

In 2018, the disposal of Genedigi in China accounted for most of the losses.

Note 9 Financial income and expenses

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

(in millions of euros)	2018	2017
Interest expenses on loans and bank overdrafts[1]	(81)	(89)
Interest expenses on finance leases	-	(12)
Financial expenses	**(81)**	**(101)**
Financial income	70	50
Cost of net financial debt	**(11)**	**(51)**
Foreign exchange gains (losses) and change in the fair value of currency derivatives	(4)	(1)
Net financial expense related to the discounting of pension provisions	(7)	(8)
Interest expenses on lease liabilities	(58)	-
Change in fair value of financial assets	9	-
Others	-	(1)
Net financial income (expense) excluding revaluation of earn-out payments	**(71)**	**(61)**

(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)	2018	2017
Revaluation of earn-out payments	**(13)**	**(66)**

6

Note 10 Income taxes

Analysis of income tax expense

(in millions of euros)	2018	2017
Current tax expense for the period	(292)	(441)
Current tax income for previous years	2	10
Total tax income/(expense)	**(290)**	**(431)**
Deferred tax income/(expense)	(27)	131
Changes in unrecognized deferred tax assets	32	(12)
Total net deferred tax income/(expense)	**5**	**119**
Income taxes	**(285)**	**(312)**

Effective tax rate

The effective tax rate is obtained as follows:

(in millions of euros)		2018	2017
Pre-tax income of consolidated companies		**1,219**	**1,189**
Impairment loss on goodwill and assets held for sale (see Note 7)		14	115
Revaluation of earn-out payments		13	66
Loss on disposal of Genedigi		18	
Restated pre-tax income of consolidated companies	**A**	**1,264**	**1,370**
French tax rate applicable to the parent company		34.43%	34.43%
Expected tax expense on pre-tax income of consolidated companies		**(435)**	**(472)**
Impact of:			
• the difference between the French tax rate and foreign tax rates		161	96
• changes in unrecognized deferred tax assets		32	(12)
• other impacts[(1)]		(43)	76
Income tax in the income statement		**(285)**	**(312)**
Impacts of the US tax reform :			
• current tax on reserves accumulated abroad		(18)	139
• deferred taxes: decrease in the tax rate		-	(200)
• deferred tax related to impairment loss		-	-
Income tax in the restated income statement	**B**	**(303)**	**(373)**
Effective tax rate	**B/A**	**24.0%**	**27.2%**

(1) Other impacts mainly include those related to permanent differences, income taxed at reduced rates, adjustments to previous financial years.

Impacts of the US tax reform

The Group has a strong presence in the United States and is therefore subject to changes in US tax regulations. The Tax Cuts and Jobs Act (TCJA) signed by the United States in 2017 had two effects on the Group's financial statements in 2017:

- the reduction in the federal corporate income tax rate from 2018, from 35% to 21%, generating deferred tax income of euro 200 million;
- the spreading over eight years of a tax expense (on accumulated reserves) in the amount of euro 139 million.

The amount of tax payable was recorded at its nominal value and is not discounted. Some of the Group's subsidiaries located outside the United States are partially owned by two subsidiaries located in the United States. As a result of this situation and the TCJA, the Group will be taxed on reserves accumulated abroad by some of these subsidiaries.

In 2018, the tax return on accumulated reserves was filed. The final tax effects were calculated taking into account the interpretations and clarifications provided by the US tax authorities on the TCJA. The amount of tax payable has been revised downward by euro 18 million, *i.e.* a reduction of euro 40 million in tax on accumulated reserves and an increase of euro 22 million for taxes due on internal transactions designed to reduce or remove the investment of US subsidiaries in Group subsidiaries located outside the US. The reduction in the federal income tax rate in 2018 is reflected in the impact of differences between the French tax rate and foreign tax rates (see table of effective tax rates).

Tax effect on other comprehensive income

	December 31, 2018			December 31, 2017		
(in millions of euros)	Gross	Tax	Net	Gross	Tax	Net
Fair value adjustments to available-for-sale investments	-	-	-	(9)	-	(9)
Actuarial gains (and losses) on defined benefit plans	22	(6)	16	13	14	27
Effect of translation and other	79	4	83	(597)	14	(583)
Total	**101**	**(2)**	**99**	**(593)**	**28**	**(565)**

Schedule of deferred taxes recognized in the balance sheet

(in millions of euros)	December 31, 2018	December 31, 2017
Short-term (less than one year)	(69)	54
Long-term (over one year)	(227)	(343)
Net deferred tax assets (liabilities)	**(296)**	**(289)**

6

Source of deferred taxes

(in millions of euros)	December 31, 2018	December 31, 2017
Deferred tax on adjustment of asset and liability valuations due to acquisitions	(185)	(301)
Deferred tax arising on the restatement of the Champs-Élysées building	(43)	(43)
Deferred tax on pensions and other post-employment benefits	51	57
Deferred tax arising on tax loss carryforwards	277	176
Deferred tax on other temporary differences	(130)	(18)
Gross deferred tax assets (liabilities)	**(30)**	**(129)**
Unrecognized deferred tax assets	(266)	(160)
Net deferred tax assets (liabilities)	**(296)**	**(289)**

As of December 31, 2018, deferred tax liabilities included the tax on the revaluation of intangible assets made at the time of the acquisition of Zenith (euro 12 million), Bcom3 (euro 96 million), Digitas (euro 34 million) and Sapient (euro 95 million), as well as the deferred tax linked to the fair value being deemed as the cost of the Champs-Élysées land and building on the date of transition to IFRS.

Tax loss carryforwards

The Group also had tax loss carryforwards that had not been recognized as deferred tax assets in the consolidated balance sheet because of uncertainty as to their availability for use:

(in millions of euros)	December 31, 2018	December 31, 2017
Amount in unrecognized tax loss carryforwards	**889**	**476**
Of which carried forward indefinitely	*340*	*374*

Tax provisions

The Group's tax positions are based on its interpretations of tax regulations and past experience. Each position is assessed individually without offsetting or aggregation with other positions and gives rise to the recognition of a liability when an outflow of resources is deemed probable. The assessment of these tax liabilities corresponds to the best estimate of risk at the reporting date and, where appropriate, includes late-payment interest and any penalties.

Liabilities relating to tax risks and litigation are recognized as tax liabilities for the companies for euro 200 million at December 31, 2018, *versus* euro 185 million at December 31, 2017.

Note 11 Earnings per share

Earnings per share (basic and diluted)

(in millions of euros, except for share data)		2018	2017
Net income used for the calculation of earnings per share			
Group net income	**A**	**919**	**862**
Impact of dilutive instruments:			
• savings in financial expenses linked to the conversion of debt instruments, net of tax		-	-
Group net income – diluted	**B**	**919**	**862**
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 year		2,426,498	2,529,801
Treasury shares to be deducted (average for the year)		(3,822,546)	(2,090,481)
Average number of shares used for the calculation	**C**	**229,231,677**	**226,384,707**
Impact of dilutive instruments:			
• free shares and dilutive stock options[1]		4,815,491	3,682,435
• equity warrants[1]		517,214	606,436
Number of diluted shares	**D**	**234,564,382**	**230,673,578**
(in euros)			
Earnings per share	**A/C**	**4.01**	**3.81**
Diluted earnings per share	**B/D**	**3.92**	**3.74**

(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. At December 31, 2018 and 2017, all stock options and warrants not yet exercised at the reporting date had a dilutive impact on earnings per share.

Headline earnings per share (basic and diluted)

(in millions of euros, except for share data)		2018	2017
Net income used to calculate headline earnings per share[1]			
Group net income		919	862
Items excluded:			
• Amortization of intangibles from acquisitions, net of tax		55	55
• Impairment loss[2], net of tax		103	115
• Main capital gains and losses on disposals of asset and change in fair value of financial assets, net of tax		10	-
• Net effect of the tax reform in the United States		(18)	(61)
• Revaluation of earn-out payments		13	66
Headline Group net income	**E**	**1,082**	**1,037**
Impact of dilutive instruments:			
• Savings in financial expenses related to the conversion of debt instruments, net of tax		-	-
Headline Group net income, diluted	**F**	**1,082**	**1,037**
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 year		2,426,498	2,529,801
Treasury shares to be deducted (average for the year)		(3,822,546)	(2,090,481)
Average number of shares used for the calculation	**C**	**229,231,677**	**226,384,707**
Impact of dilutive instruments:			
• free shares and dilutive stock options		4,815,491	3,682,435
• equity warrants		517,214	606,436
Number of diluted shares	**D**	**234,564,382**	**230,673,578**
(in euros)			
Headline earnings per share[1]	**E/C**	**4.72**	**4.58**
Headline earnings per share - diluted[1]	**F/D**	**4.61**	**4.50**

(1) EPS after elimination of the impairment losses, amortization of intangibles from acquisitions, the main capital gains and losses on disposal of assets, the change in the fair value of financial assets and the revaluation of earn-out payments.
(2) At December 31, 2018, this amount corresponds to impairment losses on right-of-use assets related to leases for euro 114 million and impairment losses on available-for-sale assets for euro 14 million.

Note 12 Goodwill

Changes in goodwill

(in millions of euros)	Gross value	Impairment[2]	Net amount
January 1, 2017	**10,687**	**(1,537)**	**9,150**
Acquisitions	198	-	198
Impairment loss	-	(50)	(50)
Changes related to the recognition of commitments to buy out non-controlling interests[1]	(12)	-	(12)
Disposals and planned disposals	(63)	-	(63)
Change	(942)	169	(773)
December 31, 2017	**9,868**	**(1,418)**	**8,450**
Acquisitions	237	-	237
Impairment loss	-	-	-
Changes related to the recognition of commitments to buy out non-controlling interests[1]	(36)	-	(36)
Disposals and planned disposals	(67)	-	(67)
Change	222	(55)	167
December 31, 2018	**10,224**	**(1,473)**	**8,751**

(1) See Note 1.3 for the accounting treatment of commitments to purchase non-controlling interests.
(2) See Note 7.

Goodwill by geographic area is described in Note 30, and by Solution hub in Note 7.

Note 13 Intangible assets, net

Changes in intangible assets

(in millions of euros)	Intangible assets with a finite useful life		Intangible assets with an indefinite useful life	
	Client relationships	Software, technology and other	Brands	Total intangible assets
Gross value at January 1, 2017	**1,195**	**352**	**1,045**	**2,592**
Acquisitions	-	23	-	23
Disposals and derecognition	-	(17)	-	(17)
Translation adjustments and other	(116)	(27)	(123)	(266)
Gross value at December 31, 2017	**1,079**	**331**	**922**	**2,332**
Acquisitions	-	49	-	49
Disposals and derecognition	-	(9)	-	(9)
Translation adjustments and other	36	9	42	87
Gross value at December 31, 2018	**1,115**	**380**	**964**	**2,459**
Accumulated depreciation on December 31, 2017	**(774)**	**(249)**	**(185)**	**(1,208)**
Depreciation & amortization	(67)	(29)	-	(96)
Impairment loss	-	-	-	-
Disposals and derecognition	-	9	-	9
Translation adjustments and other	(27)	(4)	(8)	(39)
Accumulated depreciation on December 31, 2018	**(868)**	**(273)**	**(193)**	**(1,334)**
Net value at December 31, 2018	**247**	**107**	**771**	**1,125**

Valuation of intangible assets

Valuation tests carried out by an independent expert at the end of the 2017 and 2018 financial years resulted in the Group recognizing no impairment losses in 2018 and 2017 (see Note 7).

Note 14 Property, plant and equipment, net

(in millions of euros)	Land and buildings	Fixtures and fittings	IT equipment	Others	Total
Gross value at January 1, 2017	**282**	**565**	**413**	**554**	**1,814**
Increases	-	30	40	45	115
Decreases	(1)	(95)	(47)	(43)	(186)
Changes to consolidation scope	-	3	-	6	9
Translation adjustments and other	(13)	5	(30)	(76)	(114)
Gross value at December 31, 2017	**268**	**508**	**376**	**486**	**1,638**
First application of IFRS 16	(90)	-	-	-	(90)
Reclassification	-	119	-	(119)	-
Increases	-	146	38	36	220
Decreases	(11)	(67)	(35)	(35)	(148)
Changes to consolidation scope	-	(1)	(1)	-	(2)
Translation adjustments and other	1	10	4	2	17
Gross value at December 31, 2018	**168**	**715**	**382**	**370**	**1,635**
Accumulated depreciation on December 31, 2017	**(67)**	**(338)**	**(301)**	**(342)**	**(1,048)**
First application of IFRS 16	47	-	-	-	47
Reclassification	-	(60)	-	60	-
Increases	-	(60)	(36)	(29)	(125)
Impairment loss	-	(31)	-	-	(31)
Decreases	5	67	35	32	139
Changes to consolidation scope	-	(1)	1	-	-
Translation adjustments and other	(2)		(5)	1	(6)
Accumulated depreciation on December 31, 2018	**(17)**	**(423)**	**(306)**	**(278)**	**(1,024)**
Net value at December 31, 2018	**151**	**292**	**76**	**92**	**611**

Land and buildings

At December 31, 2018, the net value of the property assets directly owned by Publicis listed on the balance sheet was euro 151 million.

The Group's main property asset is its corporate headquarters located at 133, avenue des Champs-Élysées, in Paris, France. This seven-story building includes around 12,000 sq.m. of office space occupied by Group companies, and 1,500 sq.m. of commercial space, occupied by Publicis Drugstore and two public movie theaters.

Fixtures and fittings

The euro 31 million impairment loss in 2018 includes euro 28 million in respect of fittings for leased properties (see Note 7) and euro 3 million for fittings for a freehold building.

Other property, plant and equipment

The Group owns a considerable array of IT equipment used for the creation and production of advertising, the management of media buying and administrative work.

Note 15 Investments in associates

Investments accounted for using the equity method amounted to euro 62 million on December 31, 2018 (*versus* euro 64 million on December 31, 2017).

(in millions of euros)	Value in balance sheet
Amount at January 1, 2017	**87**
Share of profit of associates	(5)
Dividends paid	(2)
Impairment loss	(3)
Effect of translation and other	(13)
Amount at December 31, 2017	**64**
Acquisitions	1
Share of profit of associates	(4)
Dividends paid	(2)
Effect of translation and other	3
Amount at December 31, 2018	**62**

The Group's main investments in associates are Matomy Media Group, Jana Mobile, Burrell Communications and Somupi. As of December 31, 2018, the carrying amounts of these four companies were euro 21 million, euro 13 million, euro 7 million and euro 4 million, respectively.

Note 16 Other financial assets

(in millions of euros)	December 31, 2018	December 31, 2017
Other financial assets at fair value through profit and loss		
• Venture Capital Funds[1]	88	73
• Other	20	17
Security deposits	32	31
Loans to associates and non-consolidated companies	28	16
Sub-lease receivables	19	-
Others	43	47
Gross value	**230**	**184**
Impairment	(15)	(15)
Net amount	**215**	**169**

(1) These Venture Capital Funds are dedicated to investments in companies that belong to the digital economy.

Note 17 Inventories and work in progress

(in millions of euros)	December 31, 2018	December 31, 2017
Gross value	**368**	**417**
Impairment of inventories and work in progress	(1)	(32)
Net amount	**367**	**385**

Note 18 Trade receivables

(in millions of euros)	December 31, 2018	December 31, 2017[1]
Trade receivables[2]	9,185	8,988
Notes receivable	10	9
Gross value	**9,195**	**8,997**
Opening impairment	(91)	(85)
Impairment over the year	(13)	(27)
Reversals during the year	11	17
Changes to consolidation scope	11	2
Translation adjustments and other	2	3
Closing impairment	**(80)**	**(90)**
Net amount	**9,115**	**8,907**

(1) In accordance with IFRS 15, the comparative information for 2017 has been restated.
(2) Including invoiced trade receivables of euro 6,954 million as of December 31, 2018 and euro 6,799 million as of December 31, 2017

Note 19 Other receivables and current assets

(in millions of euros)	December 31, 2018	December 31, 2017
Taxes and levies	264	252
Advances to suppliers	172	170
Prepayments	75	115
Derivatives hedging current assets and liabilities	12	12
Derivatives on intercompany loans and borrowings	18	21
Other receivables and other current assets	154	86
Gross value	**695**	**656**
Impairment	(6)	(7)
Net amount	**689**	**649**

Note 20 Cash and cash equivalents

(in millions of euros)	December 31, 2018	December 31, 2017
Cash and bank balances	933	1,017
Short-term liquid investments	2,273	1,390
Total	**3,206**	**2,407**

Short-term liquid investments included UCITS (French Undertakings for Collective Investment in Transferable Securities) funds classified by the AMF as *monétaire court terme* and subject to a very low risk of a change in value, and short-term deposits.

Note 21 Shareholders' equity

Share capital of the parent company

(in shares)	December 31, 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 year	(4,009,493)	(4,331,920)
Shares outstanding at the end of the period	**231,240,308**	**226,295,805**

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

- 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 December 31, 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 December 31, 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 2017 and 2018:

	Number of shares
Treasury shares held on January 1, 2017[1]	**577,603**
Disposals (exercise of stock options) and deliveries of free shares	(1,470,130)
Buyback of treasury shares	5,000,000
Movements as part of the liquidity contract	224,447
Treasury shares held on December 31, 2017[1]	**4 331,920**
Disposals (exercise of stock options) and deliveries of free shares	(343,427)
Movements as part of the liquidity contract	21,000
Treasury shares held on December 31, 2018[1]	**4,009,493**

(1) Including 286,000 shares held as part of the liquidity contract, on December 31, 2018, and 265,000 on December 31, 2017.

Dividends proposed and voted

	Per share (in euros)	Total (in millions of euros)
Dividends paid in 2018 (for the 2017 financial year)	2.00	454[1]
Dividends proposed to the General Shareholders' Meeting (for the 2018 financial year)	2.12	499[2]

(1) Amount paid, depending on shareholder option, in cash or shares. Dividends paid in shares amounted to euro 245 million, resulting in the creation of 4,323,480 shares.
(2) Amount for all shares outstanding on December 31, 2018, including treasury shares.

Capital management and buyback of treasury shares

The Group's policy is to maintain a solid capital base in order to maintain the confidence of investors, creditors and the market and to support future activity development. The Group's management pays particular attention to the debt-to-equity ratio, which is defined as net debt (financial debt less cash and cash equivalents) divided by equity (including non-controlling interests) and has calculated that the ideal debt-to-equity ratio is less than 0.50. At December 31, 2018, the Group had a positive cash position, so the debt-to-equity ratio was not applicable. As at December 31, 2017 the debt-to-equity ratio was 0.12.

Management also pays close attention to the pay-out ratio, defined as dividends per share divided by earnings per share. To be able to monitor the change in this rate over time, we have opted for a calculation based on the diluted headline earnings per share. Based on the dividend amount (euro 2.12 per share) to be proposed at the next General Shareholders' Meeting, this ratio will be 44.9% for the 2018 financial year, *versus* 44.4% for the 2017 financial year.

Note 22 Provisions for liabilities and charges

(in millions of euros)	Restructuring	Vacant property commitments	Pensions and other long-term benefits	Risks and litigation[2]	Others provisions	Total
January 1, 2017	**23**	**21**	**330**	**94**	**75**	**543**
Increases	55	4	28	13	16	116
Releases with usage	(32)	(6)	(36)	(1)	(16)	(91)
Other releases	(5)	(2)	(1)	(10)	(1)	(19)
Changes to consolidation scope	-	-	4	-	-	4
Actuarial losses (gains)	-	-	(13)	-	-	(13)
Translation adjustments and other	(3)	(1)	(18)	(12)	7	(27)
December 31, 2017	**38**	**16**	**294**	**84**	**81**	**513**
Reclassification[1]	-	(15)	-	-	-	(15)
Increases	50	56	30	14	21	171
Releases with usage	(38)	(24)	(28)	(14)	(14)	(118)
Other releases	(3)	(1)	-	(5)	(11)	(20)
Changes to consolidation scope	-	-	(2)	-	(2)	(4)
Actuarial losses (gains)	-	-	(22)	-	-	(22)
Translation adjustments and other	-	-	4	-	-	4
December 31, 2018	**47**	**32**	**276**	**79**	**75**	**509**
Of which short-term	42	10	30	32	11	125
Of which long-term	5	22	246	47	64	384

(1) Following the first-time application of IFRS 16, provisions for real estate leases have been reclassified as a deduction from right-of-use assets.
(2) In accordance with IFRIC 23, applied since January 1, 2018, the comparative information for 2017 has been restated.

Restructuring provisions

These include an estimate of the closure or restructuring costs of certain activities resulting from plans that were announced but not yet executed at the end of 2018 (mainly severance pay). The plans are detailed by project and by type, and are approved in advance by Senior management. They are managed centrally to ensure that the provision is applied based on the actual costs incurred and to justify the remaining balance at the year-end on the basis of the outstanding cost to be incurred.

Vacant property provisions

Vacant property provision valuations are made by discounting the rent payable, less income expected from sub-leasing and additionally include lease expenses and any taxes on vacant premises, where the premises are not intended for use as part of its main activities. Since January 1, 2018, in accordance with IFRS 16, only lease expenses and any taxes are included in the vacant property provisions.

Provisions for risks and litigation

Provisions for risks and litigation (euro 79 million) include a short-term component (euro 32 million) and a long-term component (euro 47 million). They relate to litigation of any type with third parties, including commercial and tax litigation but excluding risks relating to uncertain tax positions.

Obligations in respect of employee benefits

The obligations for employee benefits (see Note 23) include:

- defined benefit pension plans;
- post-employment medical cover;
- long-term benefits such as deferred compensation and long-service rewards.

Note 23 Pensions and other long-term benefits

Defined benefit pension plans

The Group has obligations for a number of defined benefit pension plans, mainly split between:

- pension funds (74% of the Group's obligations): these are rights to which employees have earned entitlement, with external pre-funding requirements predominantly in the US and the UK;
- other mandatory and legal pension plans, such as retirement-type indemnities (23% of the Group's obligations), in France in particular: the rights have not vested so payment is uncertain and notably dependent on employees still being employed by the Company when they retire;
- medical coverage plans for retirees (3% of the Group's obligations) consisting of an effective liability vis-à-vis current pensioners and a provision for current workers (future pensioners), in particular in the US and the UK.

The largest plans are therefore the pension funds in the United Kingdom (32% of the Group's obligations) and in the United States (30% of the Group's obligations).

- In the United Kingdom, the Group's obligations are managed through six pension funds administered by independent Boards of trustees. These independent Boards are made up of representatives of the Group, employees and retirees and in some instances an independent expert. These Boards are required by regulation to act in the best interests of plan beneficiaries, notably by ensuring that the pension funds are financially stable, as well as by monitoring their investment policy and management.

  Four of the six pension funds are closed and frozen. All existing entitlements (based on salary and number of years of service to the Group) were frozen: beneficiaries still working will not earn any further entitlement under these defined benefit plans.
- The pension fund obligations in the United Kingdom relate to retirees (71%), beneficiaries with deferred entitlement who have not yet drawn down their pension entitlements (23%) and employees still working (6%).
- In the United States, the Group's obligations are basically limited to a closed and frozen pension fund. The obligations relate to beneficiaries with deferred entitlement who have not yet drawn down their pension entitlements (33% of obligations), retirees (36% of obligations) and employees still working (30%).

Defined benefit pension plan valuations were carried out by independent experts. The main countries concerned are the United States, the United Kingdom, Germany, France, Switzerland, Belgium, the United Arab Emirates, Saudi Arabia, Bahrain, South Korea, the Philippines, Japan and India.

No material events occurred during the reporting period to affect the value of the Group's liabilities under these plans (significant plan change).

Surplus (deficit)

Publicis Groupe sets aside financial assets to cover these liabilities, primarily in the UK and the US, in order to comply with its legal and/or contractual obligations and to limit its exposure to an increase in these liabilities (interest and inflation rate volatility, longer life expectancy, etc.).

The policy to cover the Group's liabilities is based on regular asset-liability management reviews to ensure optimal asset allocation, designed both to limit exposure to market risks by diversifying asset classes on the basis of their risk profile, and to better reflect the payment of benefits to beneficiaries, having regard to plan maturity. These reviews are performed by independent advisers and submitted to the Trustees for approval. Investments are made in compliance with legal constraints and the criteria governing the deductibility of such covering assets in each country. Funding requirements are generally determined on a plan-by-plan basis and as a result surplus assets in over-funded plans cannot be used to cover under-funded plans.

Risk exposure

The principal risks to which the Group is exposed through its pension funds in the United Kingdom and the United States are as follows:

- volatility of financial assets: the financial assets in the plans (shares, bonds, etc.) often have a return higher than the discount rate over the long term, but are more volatile in the short term, especially since they are measured at their fair value for the Group's annual accounting needs. The asset allocation is determined so as to ensure the financial viability of the plan over the long term;
- variation of bond rates: a decrease in private bond rates leads to an increase in obligations under the plans as recognized by the Group, even where this increase is partially reduced by a growth in value of the financial assets in the plans (for the portion of first category private bonds);
- longevity: the largest part of benefits guaranteed by the plans is retirement benefits. An extended life expectancy therefore leads to an increase in these plans;
- inflation: a significant portion of the benefits guaranteed by the pension funds in the United Kingdom is indexed to inflation. A rise in inflation leads to an increase in the obligation (even when thresholds have been set for most of them in order to protect the plan from hyper-inflation). Most of the financial assets are either not impacted by inflation or linked very little with inflation, therefore inferring that a rise in inflation would lead to an increase of the plan's deficit from an accounting perspective. The American pension funds do not expose the Group to a significant inflation risk as the benefits are not indexed to inflation.

Actuarial gains and losses

Actuarial gains and losses reflect unforeseen increases or reductions in the present value of a defined benefit obligation or of the fair value of the corresponding plan assets. Actuarial gains and losses resulting from changes in the present value of liabilities under a defined benefit plan stem, firstly, from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and, secondly, from the effect of changes in actuarial assumptions.

Other long-term benefits

Publicis Groupe also recognizes various long-term benefits, primarily seniority payments, long-service awards, in France in particular, and certain multi-year plans for which the deferred compensation is linked to continued employment.

Change in the actuarial benefit obligation

	December 31, 2018			December 31, 2017		
(in millions of euros)	Pension plans	Medical cover	Total	Pension plans	Medical cover	Total
Opening actuarial benefit obligation	**(701)**	**(24)**	**(725)**	**(722)**	**(25)**	**(747)**
Cost of services rendered during the year	(24)	-	(24)	(26)	-	(26)
Benefits paid	42	2	44	44	2	46
Interest expense on benefit obligation	(19)	(1)	(20)	(19)	(1)	(20)
Effect of remeasurement	40	4	44	(12)	(3)	(15)
Experience gains (losses)	11	2	13	4	-	4
Gains (losses) arising from a change in economic assumptions	28	2	30	(16)	(1)	(17)
Gains (losses) arising from other changes in demographic assumptions	1	-	1	-	(2)	(2)
Acquisitions, disposals	2	-	2	(7)	-	(7)
Foreign exchange differences	(8)	(2)	(10)	41	3	44
Actuarial benefit obligation at year-end	**(668)**	**(21)**	**(689)**	**(701)**	**(24)**	**(725)**

Change in the fair value of plan assets

(in millions of euros)	December 31, 2018 Pension plans	December 31, 2018 Medical cover	December 31, 2018 Total	December 31, 2017 Pension plans	December 31, 2017 Medical cover	December 31, 2017 Total
Fair value of plan assets at start of year	**491**	**-**	**491**	**490**	**-**	**490**
Actuarial return on plan assets	(15)	-	(15)	45	-	45
Employer contributions	24	2	26	27	1	28
Administrative fees	(1)	-	(1)	(1)	-	(1)
Acquisitions, disposals	-	-	-	3	-	3
Benefits paid	(41)	(2)	(43)	(44)	(1)	(45)
Changes to consolidation scope	1	-	1	-	-	-
Foreign exchange differences	16	-	16	(29)	-	(29)
Fair value of plan assets at year-end	**475**	**-**	**475**	**491**	**-**	**491**
Surplus (deficit)	**(193)**	**(21)**	**(214)**	**(210)**	**(24)**	**(234)**
Effect of ceiling on value of assets	(49)	-	(49)	(44)	-	(44)
Effect of minimum financing requirement	-	-	-	(1)	-	(1)
Net provision for obligations for defined benefit pension liabilities and post- employment medical care	**(242)**	**(21)**	**(263)**	**(255)**	**(24)**	**(279)**
Provision for other long-term benefits	**(13)**	**-**	**(13)**	**(15)**	**-**	**(15)**
Total provisions for retirement benefit obligations, other post-employment and long-term benefits	**(255)**	**(21)**	**(276)**	**(270)**	**(24)**	**(294)**

Pension expenses and other post-employment benefits

(in millions of euros)	December 31, 2018 Pension plans	December 31, 2018 Medical cover	December 31, 2018 Total	December 31, 2017 Pension plans	December 31, 2017 Medical cover	December 31, 2017 Total
Cost of services rendered during the year	(24)	-	(24)	(26)	-	(26)
Financial expenses	(6)	(1)	(7)	(7)	(1)	(8)
Defined benefit plan expense	**(30)**	**(1)**	**(31)**	**(33)**	**(1)**	**(34)**
Cost of other plans (including defined contribution plans) and other benefits	(109)	-	(109)	(105)	-	(105)
Administrative fees excluding plan management fees	(1)	-	(1)	(1)	-	(1)
Total retirement costs recognized in the income statement	**(140)**	**(1)**	**(141)**	**(139)**	**(1)**	**(140)**

Breakdown of plan assets

The table below provides a breakdown of plans by asset type and by fair value hierarchy. The various fair value hierarchy levels are defined in Note 28.

	December 31, 2018				December 31, 2017			
(in millions of euros)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Shares	81	-	-	81	102	-	-	102
Bonds	-	140	-	140	-	121	-	121
Treasury bonds	-	198	-	198	-	204	-	204
Real Estate	-	-	11	11	-	-	13	13
Others	16	-	29	45	12	-	39	51
Total	**97**	**338**	**40**	**475**	**114**	**325**	**52**	**491**

Estimate of employer contributions and of future benefits payable

(in millions of euros)	Pension plans	Medical cover	Total
Estimated employer contributions in 2019	**23**	**2**	**25**

(in millions of euros)	Pension plans	Medical cover	Total
Estimated future benefits payable			
2019	46	2	48
2020	44	2	46
2021	42	2	44
2022	41	2	43
2023	40	2	42
Exercices 2024 to 2028	199	8	207
Total over the next 10 financial years	**412**	**18**	**430**

The average duration of plans at end-December 2018 was 12 years.

Actuarial assumptions (weighted average rates)

Discount rates are calculated using the 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 Aon AA-AAA Bond Universe in the United States.

	Pension plans				Post-employment medical cover	
December 31, 2018	**United States**	**United Kingdom**	**Euro zone**	**Others countries**	**United States**	**United Kingdom**
Discount rate	3.98%	2.80% - 2.90%	1.55%	0.40% - 7.30%	3.98%	2.80% - 2.90%
Future wage increases	n/a	3.95% - 4.20%	2.25%(1)	1.00% - 8.00%	5.00%	n/a
Future pension increases	n/a	1.90% - 3.60%	1.70%(1)	n/a	n/a	n/a

	Pension plans				Post-employment medical cover	
December 31, 2017	**United States**	**United Kingdom**	**Euro zone**	**Others 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%
Future wage increases	n/a	3.95% - 4.20%	2.25%(1)	1.50% - 8.00%	5.00%	n/a
Future pension increases	n/a	1.90% - 3.60%	1.70%(1)	n/a	n/a	n/a

(1) For Germany only.

The rate of increase in medical expenses used for 2018 is 6.9% with a gradual decrease to 4.5%.

Sensitivity analysis

	0.5% increase				
Pension plans (in millions of euros)	**United States**	**United Kingdom**	**Euro zone**	**Other countries**	**Total**
Change in discount rate Effect on actuarial benefit obligation at year-end	(9)	(14)	(6)	(7)	(36)
Change in the increase rate of salaries Effect on actuarial benefit obligation at year-end	-	-	4	5	9

	0.5% decrease				
Pension plans (in millions of euros)	**United States**	**United Kingdom**	**Euro zone**	**Other countries**	**Total**
Change in discount rate Effect on actuarial benefit obligation at year-end	10	16	7	7	40
Change in the increase rate of salaries Effect on actuarial benefit obligation at year-end	-	-	(4)	(4)	(8)

Post-employment medical cover (in millions of euros)	0.5% increase United States	United Kingdom	Total	0.5% decrease United States	United Kingdom	Total
Change in discount rate						
Effect on actuarial benefit obligation at year-end	(1)	-	(1)	1	-	1
Change in the increase rate of salaries						
Effect on actuarial benefit obligation at year-end	-	-	-	-	-	-

Note 24 Borrowings and other financial liabilities

(in millions of euros)	December 31, 2018	December 31, 2017
Bonds (excl. accrued interest)	1,794	1,792
Other debt	1,080	1,338
Total borrowings and other financial liabilities	**2,874**	**3,130**
Of which short-term	**449**	**350**
Of which long-term	**2,425**	**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	December 31, 2018
Eurobond 1.125% – December 2021 (EIR 1.261%)(1)	696	-	-	-	1	-	697
Eurobond 0.5% – November 2023 (EIR 0.741%)(1)	493	-	-	-	1	-	494
Eurobond 1.625% – December 2024 (EIR 1.732%)(1)	603	-	-	-	-	-	603
Bonds (excl. accrued interest)	**1,792**	**-**	**-**	**-**	**2**	**-**	**1,794**
Medium-term syndicated loan	**909**	**(149)**	**-**	**22**	**-**	**-**	**782**
Debt related to acquisitions of shareholdings	**247**	**(129)**	**97**	**3**	**-**	**-**	**218**
Debt related to commitments to purchase non-controlling interests	**39**	**(10)**	**3**	**-**	**-**	**-**	**32**
Accrued interest	6	-	-	-	3	-	9
Other borrowings and credit lines	21	4	-	-	-	-	25
Bank overdrafts	27	(12)	-	(1)	-	-	14
Debt related to finance leases	89	-	-	3	-	(92)	0
Other financial liabilities	**143**	**(8)**	**-**	**2**	**3**	**(92)**	**48**
Total borrowings and other financial liabilities	**3,130**	**(296)**	**100**	**27**	**5**	**(92)**	**2,874**
Fair value of derivative hedging on the 2021 and 2024 Eurobonds(2)	(10)	-	-	-	56	-	46
Fair value of hedging derivatives on medium-term syndicated loans(2)	(3)	-	-	-	-	-	(3)
Fair value of derivative hedging on intra-group loans and borrowings(2)	17	-	-	-	(16)	-	1
Total liabilities related to financing activities	**3,134**	**(296)**	**100**	**27**	**45**	**(92)**	**2,918**

(1) Net of issuance costs. The number of securities at December 31, 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.

			Changes excl. cash and cash equivalents			
(in millions of euros)	December 31, 2016	Cash flow	Acquisitions	Exchange rate fluctuations	Changes in fair value	December 31, 2017
Eurobond 1.125% – December 2021 (EIR 1.261%)(1)	695	-	-	-	1	696
Eurobond 0.5% – November 2023 (EIR 0.741%)(1)	492	-	-	-	1	493
Eurobond 1.625% – December 2024 (EIR 1.732%)(1)	604	-	-	-	(1)	603
Bonds (excl. accrued interest)	**1,791**	**-**	**-**	**-**	**1**	**1,792**
Medium-term syndicated loan	**972**	**-**	**-**	**(63)**	**-**	**909**
Debt related to acquisitions of shareholdings	**316**	**(232)**	**76**	**(24)**	**111**	**247**
Debt related to commitments to purchase non-controlling interests	**62**	**(32)**	**7**	**(1)**	**3**	**39**
Accrued interest	4	-	-	-	2	6
Other borrowings and credit lines	40	(19)	-	-	-	21
Bank overdrafts	25	5	-	(3)	-	27
Debt related to finance leases	101	-	-	(12)	-	89
Other financial liabilities	**170**	**(14)**	**-**	**(15)**	**2**	**143**
Total borrowings and other financial liabilities	**3,311**	**(278)**	**83**	**(103)**	**117**	**3,130**
Fair value of derivative hedging on the 2021 and 2024 Eurobonds(2)	164	-	-	-	(174)	(10)
Fair value of hedging derivatives on medium-term syndicated loans(2)	-	-	-	-	(3)	(3)
Fair value of derivative hedging on intra-group loans and borrowings(2)	(3)	-	-	-	20	17
Total liabilities related to financing activities	**3,472**	**(278)**	**83**	**(103)**	**(40)**	**3,134**

(1) Net of issuance costs. The number of securities at December 31, 2017 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 46 million as at December 31, 2018 (euro (10) million as of 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.

Medium-term syndicated loan

In 2017, Publicis Groupe introduced an interest rate swap to hedge itself against interest rate fluctuations in the US dollar component (dollar 555 million) of the variable-rate medium-term syndicated loan.

Analysis by date of maturity

	December 31, 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)	1,794	-	-	697	-	494	603
Medium-term syndicated loan	782	313	469	-	-	-	-
Debt related to acquisitions of shareholdings	218	87	55	43	30	3	-
Debt related to commitments to purchase non-controlling interests	32	11	12	7	2	-	-
Other financial liabilities	48	38	10	-	-	-	-
Total financial liabilities	**2,874**	**449**	**546**	**747**	**32**	**497**	**603**
Fair value of derivatives	44	(2)	-	37	-	-	9
Total liabilities related to financing activities	**2,918**	**447**	**546**	**784**	**32**	**497**	**612**

	December 31, 2017						
		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)	1,792	-	-	-	696	-	1,096
Medium-term syndicated loan	909	149	306	454	-	-	-
Debt related to acquisitions of shareholdings	247	138	50	38	15	6	-
Debt related to commitments to purchase non-controlling interests	39	17	4	11	3	4	-
Other financial liabilities	143	46	8	-	-	-	89
Total financial liabilities	**3,130**	**350**	**368**	**503**	**714**	**10**	**1,185**
Fair value of derivatives	4	14	-	-	7	-	(17)
Total liabilities related to financing activities	**3,134**	**364**	**368**	**503**	**721**	**10**	**1,168**

Analysis by currency

(in millions of euros)	December 31, 2018	December 31, 2017
Euros*	2,134	2,263
US dollars	625	713
Other currencies	115	154
Total	**2,874**	**3,130**

* Including euro 1,300 million in Eurobonds swapped to USD as of December 31, 2018 (euro 1,299 million at December 31, 2017).

Analysis by interest rate type

See Note 29. Risk management - "Exposure to interest rate risk".

Exposure to liquidity risk

Future payments related to financial debt before the impact of discounting (excluding debt linked to finance leases) are as follows:

	December 31, 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)	1,894	21	21	719	11	512	610
Medium-term syndicated loan	782	313	469	-	-	-	-
Debt related to acquisitions of shareholdings	218	87	55	43	30	3	-
Debt related to commitments to purchase non-controlling interests	32	11	12	7	2	-	-
Other financial liabilities	48	38	10	-	-	-	-
Total financial liabilities	**2,974**	**470**	**567**	**769**	**43**	**515**	**610**
Fair value of derivatives	44	(2)	-	37	-	-	9
Total liabilities related to financing activities	**3,018**	**468**	**567**	**806**	**43**	**515**	**619**

	December 31, 2017						
		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)	1,914	21	21	21	719	12	1,120
Medium-term syndicated loan	909	149	306	454	-	-	-
Debt related to acquisitions of shareholdings	247	138	50	38	15	6	-
Debt related to commitments to purchase non-controlling interests	39	17	4	11	3	4	-
Other financial liabilities	54	46	8	-	-	-	-
Total financial liabilities	**3,163**	**371**	**389**	**524**	**737**	**22**	**1,120**
Fair value of derivatives	4	14	-	-	7	-	(17)
Total liabilities related to financing activities	**3,167**	**385**	**389**	**524**	**744**	**22**	**1,103**

In order to manage its liquidity risk, Publicis holds a substantial amount of cash (cash and cash equivalents) for a total of euro 3,206 million as of December 31, 2018 and undrawn confirmed credit lines representing a total of euro 2,681 million as of December 31, 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.

6

Note 25 Lease contracts

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

(in millions of euros)	Real Estate	Concession agreements	Others assets	Total
December 31, 2017	-	-	-	-
First application of IFRS 16	1,616	248	42	1,906
Addition of assets	364	-	2	366
Impairment losses	(30)	-	-	(30)
Lease inducements	(92)	-	-	(92)
Amortization expense	(260)	(105)	(14)	(379)
Terminations	(35)	-	-	(35)
Changes to consolidation scope	(8)	-	(16)	(24)
Translation adjustments and other	19	-	1	20
December 31, 2018	**1,574**	**143**	**15**	**1,732**

Analysis of maturities of lease liabilities

/ At December 31, 2018

(in millions of euros)	Total	-1 year	1-2 years	2-3 years	3-4 years	+4 years
Lease obligations	**2,041**	**393**	**279**	**234**	**202**	**933**

For 2018, the interest expense on lease liabilities was euro 58 million.

Note 26 Other creditors and current liabilities

(in millions of euros)	December 31, 2018	December 31, 2017[1]
Advances and deposits received	350	329
Liabilities to employees	614	586
Tax liabilities (excl. income tax)	250	238
Derivatives backed by current assets or liabilities	16	11
Eurobond 2021 and 2024 derivatives	46	(10)
Derivatives on intercompany loans and borrowings	20	38
Other current liabilities	136	199
Total	**1,432**	**1,391**

(1) In accordance with IFRS 15, the comparative information for 2017 has been restated.

Note 27 Commitments

Other commitments

	December 31, 2018			
		Maturity		
(in millions of euros)	Total	-1 year	1-5 years	+5 years
Commitments given				
Guarantees[1]	187	52	25	110
Other commitments[2]	173	121	51	1
Total	**360**	**173**	**76**	**111**
Commitments received				
Undrawn confirmed credit lines	2,681	215	2,466	-
Undrawn unconfirmed credit lines	241	241	-	-
Other commitments	18	7	8	3
Total	**2,940**	**463**	**2,474**	**3**

(1) At December 31, 2018, guarantees included undertakings to pay euro 61 million into innovation mutual funds by 2027. They also included guarantees of approximately euro 13 million relating to media-buying operations.
(2) These included euro 163 million of minimum fees guaranteed under advertising space usage contracts.

	December 31, 2017			
		Maturity		
(in millions of euros)	Total	-1 year	1-5 years	+5 years
Commitments given				
Guarantees[1]	195	39	36	120
Other commitments[2]	274	120	154	-
Total	**469**	**159**	**190**	**120**
Commitments received				
Undrawn confirmed credit lines	2,678	528	2,150	-
Undrawn unconfirmed credit lines	249	249	-	-
Other commitments	19	4	9	6
Total	**2,946**	**781**	**2,159**	**6**

(1) At December 31, 2017, guarantees included undertakings to pay euro 70 million into innovation mutual funds by 2027. They also included guarantees of approximately euro 13 million relating to media-buying operations.
(2) This includes euro 265 million of minimum fees guaranteed under advertising space usage contracts.

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 December 31, 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 of December 31, 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 accounting standards.

Note 28 Financial instruments

Change in category of financial instruments as a result of the application of IFRS 9

/ At December 31, 2018

		IFRS 9 categories		
(in millions of euros)	Value in balance sheet	Fair value through profit and loss	Amortized cost	Fair value through OCI
IAS 39 categories				
Available-for-sale assets				
Other financial assets				
• FCPR	88	88	-	-
• unconsolidated securities	13	13	-	-
Loans and receivables				
Other financial assets	85	-	85	-
Trade receivables	9,115	-	9,115	-
Other receivables and current assets(1)	148	-	148	-
Assets held to maturity				
Other financial assets				
• loans to associates and non-consolidated companies	29	-	29	-
Derivative instruments				
Other receivables and current assets(1)				
• derivatives hedging current assets and liabilities	12	12	-	-
• derivatives on intercompany loans and borrowings	18	18	-	-
Assets	**9,508**	**131**	**9,377**	**-**
Other financial liabilities at amortized cost				
Trade payables	12,176	-	12,176	-
Other creditors and current liabilities(2)	137	-	137	-
Borrowings				
Long-term borrowings	2,425	-	2,425	-
Short-term borrowings	449	-	449	-
Derivative instruments				
Other creditors and current liabilities(2)				
• derivatives hedging current assets and liabilities	16	16	-	-
• derivatives on intercompany loans and borrowings	20	20	-	-
• Eurobond 2021 and 2024 derivatives	46	-	-	46
Equity and Liabilities	**15,269**	**36**	**15,187**	**46**

(1) Excluding tax claims, advances to suppliers and prepayments (see Note 19).
(2) Excluding advances and deposits received, liabilities to employees, tax liabilities and deferred income (see Note 26).

/ At December 31, 2017

		IFRS 9 categories		
(in millions of euros)	Value in balance sheet	Fair value through profit and loss	Amortized cost	Fair value through OCI
IAS 39 categories				
Available-for-sale assets				
Other financial assets				
• FCPR	73	73	-	-
• unconsolidated securities	10	10	-	-
Loans and receivables				
Other financial assets	69	-	69	-
Trade receivables	9,750	-	9,750	-
Other receivables and current assets(1)	79	-	79	-
Assets held to maturity				
Other financial assets				
• loans to associates and non-consolidated companies	17	-	17	-
Derivative instruments				
Other receivables and current assets(1)				
• derivatives hedging current assets and liabilities	12	12	-	-
• derivatives on intercompany loans and borrowings	21	21	-	-
Assets	**10,031**	**116**	**9,915**	**-**
Other financial liabilities at amortized cost				
Trade payables	11,541	-	11,541	-
Other creditors and current liabilities(2)	171	-	171	-
Borrowings				
Long-term borrowings	2,780	-	2,780	-
Short-term borrowings	350	-	350	-
Derivative instruments				
Other creditors and current liabilities(2)				
• derivatives hedging current assets and liabilities	11	11	-	-
• derivatives on intercompany loans and borrowings	38	38	-	-
• Eurobond 2021 and 2024 derivatives	(10)	-	-	(10)
Equity and Liabilities	**14,881**	**49**	**14,842**	**(10)**

(1) Excluding tax claims, advances to suppliers and prepayments (see Note 19).
(2) Excluding advances and deposits received, liabilities to employees, tax liabilities and deferred income (see Note 26).

Financial instruments – assets

(in millions of euros)	December 31, 2018	December 31, 2017
Derivatives qualified as hedging instruments		
• derivatives hedging current assets and liabilities	12	12
• derivatives on intercompany loans and borrowings	18	21
Instruments at fair value through profit and loss		
• FCPR	88	73
• unconsolidated securities	13	10
Instruments at amortized cost		
• loans and receivables	9,348	9,898
• assets held to maturity	29	17
Total financial instruments - assets	**9,508**	**10,031**

Financial instruments – liabilities

(in millions of euros)	December 31, 2018	December 31, 2017
Derivatives qualified as hedging instruments		
• derivatives hedging current assets and liabilities	16	11
• derivatives on intercompany loans and borrowings	20	38
• Eurobond 2021 and 2024 derivatives	46	(10)
Instruments at amortized cost		
• other debts	12,315	11,712
• short-term borrowings	449	350
Total financial instruments - current liabilities	**12,846**	**12,101**
Instruments at amortized cost		
• Long-term borrowings	2,425	2,780
Total financial instruments - non-current liabilities	**2,425**	**2,780**

Fair value

The carrying amount of financial assets and liabilities recognized at amortized cost approximates fair value, except for those financial liabilities with a fair value of euro 2,979 million at December 31, 2018 (*versus* a carrying amount of euro 2,874 million). At December 31, 2017, the fair value of financial liabilities was euro 3,319 million (*versus* a carrying amount of euro 3,130 million).

The fair value of Eurobonds, bonds with a convertible option on the debt portion, has been calculated by discounting the expected future cash flows at market interest rates (fair value Level 2).

Fair value hierarchy

The table below breaks down financial instruments recognized at fair value according to the measurement method used. The different levels of fair value have been defined as follows:

- Level 1: quoted prices in active markets for identical instruments;
- Level 2: observable data other than quoted prices for identical instruments in active markets;
- Level 3: significant unobservable data.

December 31, 2018 (in millions of euros)	Level 1	Level 2	Level 3	Total
Short-term liquid investments	2,273	-	-	2,273
Available-for-sale financial assets	88	-	20	108
Derivative instruments - Assets	-	30	-	30
	2,361	**30**	**20**	**2,411**
Derivative instruments - Liabilities	-	(82)	-	(82)
Total	**2,361**	**(52)**	**20**	**2,329**

December 31, 2017 (in millions of euros)	Level 1	Level 2	Level 3	Total
Short-term liquid investments	1,390	-	-	1,390
Available-for-sale financial assets	73	-	17	90
Derivative instruments - Assets	-	33	-	33
	1,463	**33**	**17**	**1,513**
Derivative instruments - Liabilities	-	(39)	-	(39)
Total	**1,463**	**(6)**	**17**	**1,474**

Note 29 Risk management

Exposure to interest rate risk

Group management determines the allocation of debt between fixed and variable-rate debt, which is periodically reviewed in terms of interest rate trend forecasts.

At the end of 2018, the Group's gross borrowings, excluding debt related to the acquisition of shareholdings and debt relating to commitments to buy out non-controlling interests (minority interests), consisted of:

- 87% in fixed-rate loans with an average interest rate for 2018 of 2.5%;
- 13% in variable-rate loans.

The table below sets out the carrying amount by maturity on December 31, 2018 of the Group's financial instruments exposed to interest rate risk:

(in millions of euros)	Total at December 31, 2018	Maturities		
		-1 year	1-5 years	+5 years
Fixed rate				
Eurobond 2021[(2)(3)]	697	-	697	-
Eurobond 2023[(3)]	494	-	494	-
Eurobond 2024[(1)(3)]	603	-	-	603
Medium-term syndicated loan[(4)]	485	16	469	-
Net fixed-rate liabilities (assets)	**2,279**	**16**	**1,660**	**603**
Variable rate				
Medium-term syndicated loan	297	297	-	-
Bank borrowings	25	15	10	-
Bank overdrafts	14	14	-	-
Cash and cash equivalents	(3,206)	(3,206)	-	-
Other financial assets	(215)	(215)	-	-
Net variable-rate liabilities (assets)	**(3,085)**	**(3,095)**	**10**	**-**

(1) The Eurobond 2024 swaps have the following characteristics:
- euro 300 million equivalent, 10-year, fixed rate at 2.994%;
- euro 300 million equivalent, 10-year, fixed rate at 2.965%.

(2) The Eurobond 2021 swaps have the following characteristics:
- euro 350 million equivalent, 7-year, fixed rate at 2.921%;
- euro 350 million equivalent, 7-year, fixed rate at 2.918%.

(3) Net of issuance costs.
(4) Variable rate to fixed rate interest rate swaps purchased in 2017 on the US dollar component (USD 555 million) (see Note 24).

Exposure to exchange rate risk

Net assets

The table below shows the Group's net assets at December 31, 2018 broken down by principal currencies:

(in millions of euros)	Total at December 31, 2018	Euros(1)	US dollar	Pound Sterling	Brazilian Real	Yuan	Others
Assets	27,080	4,397	14,305	1,857	478	1,577	4,466
Equity and Liabilities	(20,227)	(4,494)	(10,344)	(1,210)	(221)	(1,039)	(2,919)
Net assets	**6,853**	**(97)**	**3,961**	**647**	**257**	**538**	**1,547**
Effect of foreign exchange hedges(2)	-	**2,991**	**(3,233)**	**247**	**-**	**2**	**(7)**
Net assets after hedging	**6,853**	**2,894**	**728**	**894**	**257**	**540**	**1,540**

(1) Currency used to present consolidated financial statements.
(2) The financial instruments used to hedge foreign exchange risk are mainly currency swaps.

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

Revenue and operating margin

The breakdown of Group revenue by the currency in which it is earned is as follows:

	2018	2017
Euros	17%	15%
US dollar	50%	52%
Pound Sterling	10%	9%
Others	24%	24%
Total revenue	**100%**	**100%**

The impact of a drop of 1% in the euro exchange rate against the US dollar and the Pound sterling would be (favorable impact):

- euro 59 million on 2018 consolidated revenue;
- euro 10 million on the 2018 operating margin.

The majority of our commercial dealings are done in the local currencies of the countries in which they are transacted. As a result, exchange rate risk relating to such transactions is not very significant and is occasionally hedged through currency hedging agreements.

As regards intercompany loans/borrowings, these are subject to appropriate hedges if they present a significant net exposure to exchange rate risk.

Derivatives used are generally forward currency contracts or currency swaps.

Exposure to client counterparty risk

The Group analyzes its trade receivables, focusing in particular on improving the time taken to recover such receivables, in the context of the management of its working capital requirements. The Group Treasury Department monitors overdue receivables for the entire Group. In addition, the Group periodically reviews the list of its main clients in order to determine exposure to client counterparty risk at Group level and, if necessary, it puts in place specific monitoring in the form of a weekly summary of the Group's exposure to certain clients.

Any impairments required are assessed on an individual basis and take into account different criteria such as the client's situation and delays in payment. No general provisions are recorded on an overall basis.

The following table shows the period overdue of trade receivables invoiced over the last two financial years:

(in millions of euros)	2018	2017
Amounts not yet due	**6,390**	**6,023**
Overdue receivables:		
• Up to 30 days	323	418
• 31 to 60 days	118	120
• 61 to 90 days	36	68
• 91 to 120 days	24	29
• More than 120 days	121	141
Total overdue receivables	**622**	**776**
Invoiced trade receivables	**7,012**	**6,799**
Impairment	(86)	(90)
Invoiced trade receivables net	**6,926**	**6,709**

Disclosures regarding major clients

% of revenue	2018	2017
Five largest clients	12%	13%
Ten largest clients	18%	19%
Twenty largest clients	28%	30%
Thirty largest clients	34%	36%
Fifty largest clients	42%	44%
One hundred largest clients	53%	55%

Exposure to bank counterparty risk

Publicis has established a group-wide policy for selecting authorized banks as counterparties for all its subsidiaries. This policy requires that deposits be made in authorized banks and that in general all banking services be provided exclusively by these banks. The list of authorized banks is reviewed periodically by the Group Treasury Department. Exceptions to this policy are handled centrally for the entire Group by the treasury office.

Additionally, studies are carried out in order to ensure that almost all cash and cash equivalents are deposited in authorized banks.

Note 30 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 is provided by geographic region.

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

/ 2018 Financial year

(in millions of euros)	Europe	North America	Asia Pacific	Latin America	Middle East & Africa	Total
Income statement items						
Net revenue[(1)]	2,622	4,795	924	347	281	8,969
Revenue[(1)]	3,065	5,132	1,024	353	377	9,951
Depreciation and amortization expense (excluding intangibles arising from acquisitions and right-of-use assets)	(55)	(67)	(21)	(4)	(4)	(151)
Operating Margin before application of IFRS 16	**427**	**830**	**165**	**52**	**27**	**1,501**
Operating Margin after application of IFRS 16	429	847	165	54	28	1,523
Amortization of intangibles from acquisitions	(10)	(57)	(1)	(1)	0	(69)
Impairment loss	(45)	(75)	(9)	(1)	(1)	(131)
Non-current income and expenses	(1)	0	(19)	0	0	(20)
Operating income after impairment	**371**	**698**	**136**	**50**	**26**	**1,281**
Balance sheet items						
Goodwill, net	2,475	4,630	1,094	362	190	8,751
Intangible assets, net	94	1,020	2	7	2	1,125
Right-of-use assets related to leases	717	822	139	31	23	1,732
Property, plant and equipment, net	306	229	49	14	13	611
Other financial assets	122	56	29	5	3	215
Disclosures in respect of the statement of cash flows						
Purchases of property, plant and equipment and intangible assets	(47)	(126)	(21)	(5)	(8)	(207)
Purchases of investments and other financial assets, net	(6)	(4)	-	-	(1)	(11)
Acquisitions of subsidiaries	(100)	(94)	(36)	(22)	(8)	(260)

(1) Because of the way this indicator is calculated (difference between billings and cost of billings), there are no eliminations between the different zones.

See Note 29 for information by currency on the exposure to exchange rate risk presented by liabilities.

6

/ 2017 Financial year

(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 arising 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 loss	(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.

Note 31 Publicis Groupe SA stock option and free share plans

Three types of free share plans were created in 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 2016-2018 Plan: the targets set for 2016 were 75% achieved.

Publicis Groupe share subscription or purchase option plans

/ Characteristics of the Publicis Groupe stock option plans as at December 31, 2018

Plans	Type[1]	Date of grant	Exercise price of options (in euros)	Options outstanding at January 1, 2018	Options canceled, lapsed or transferred[2] in 2018	Options exercised in 2018	Options outstanding at December 31, 2018	Of which exercisable at December 31, 2018	Expiry deadline	Remaining contract life (in years)
Co-investment 2013 options (France and Outside France)	A	04/30/2013	52.76	1,387,537	(81,606)	(99,689)	1,206,242	1,206,242	04/30/2023	4.33
Total of all tranches				**1,387,537**	**(81,606)**	**(99,689)**	**1,206,242**	**1,206,242**		

(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.

The vesting period for the above plans has been completed, but the exercise of options remains subject to a continued presence condition until the date of exercise of the options.

/ Movements in Publicis Groupe stock option plans over the last two financial years

	2018		2017	
	Number of options	Average exercise price (in euros)	Number of options	Average exercise price (in euros)
Options at January 1	1,387,537	52.76	2,225,152	51.69
Options exercised[1]	(99,689)	52.76	(758,812)	50.46
Cancelled or lapsed options	(81,606)	52.76	(78,803)	44.60
Options outstanding at December 31	**1,206,242**	**52.76**	**1,387,537**	**52.76**
Of which exercisable	1,206,242	52.76	1,387,537	52.76
(1)Average share price on exercise (in euros)		55.78		61.88

Publicis Groupe free share plans

/ Characteristics of Publicis Groupe free share plans outstanding at December 31, 2018

Plans	Date of initial grant	Grants as of January 1, 2018 (or if later: date of grant)	Shares canceled, lapsed or transferred[(1)] in 2018	Shares vesting in 2018[(2)]	Shares yet to vest at December 31, 2018	Vesting date of shares	Remaining contract life (in years)
LTIP 2014 Plan – Outside France	03/20/2014	212,858	(35,028)	(177,830)	-	03/20/2018	-
LTIP 2015 Plan – France	04/17/2015	35,282	(2,750)	(32,532)	-	04/17/2018	-
LTIP 2015 Plan – Outside France	04/17/2015	228,563	(43,616)	-	184,947	04/17/2019	0.29
Sapient 2015 Plan (4 years)	04/17/2015	112,950	1,772	(60,931)	53,791	04/17/2019	0.29
Sapient 2015 Plan (3 years)	04/17/2015	6,263	8,413	(14,676)	-	04/17/2018	-
LTIP 2016 Plan	06/23/2016	317,500	(17,600)	-	299,900	06/23/2019	0.48
LTIP 2016-2018 Plan "Directoire" & "Directoire +"	06/23/2016	120,000	-	-	120,000	06/23/2019	0.48
LionLead3 2016-2018 Plan – France	06/16/2016	550,474	(30,155)	-	520,319	06/16/2019	0.46
LionLead3 2016-2018 Plan – International	06/16/2016	2,810,202	(380,427)	-	2,429,775	06/16/2020	1.46
LionLead3 2016-2018 Plan – "Directoire" & "Directoire +"	06/16/2016	660,231	-	-	660,231	06/23/2019	0.48
Sapient 2016 Plan (4 years)	04/15/2016	226,782	(7,517)	(83,464)	135,801	04/15/2020	1.29
Sapient 2016 Plan (3 years)	04/15/2016	7,980	11,056	(11,056)	7,980	04/15/2019	0.29
LTIP 2017 Plan	05/18/2017	666,900	(360,800)	-	306,100	05/18/2020	1.38
Sapient 2017 Plan (4 years)	06/15/2017	227,910	(19,074)	(52,229)	156,607	06/15/2021	2.46
Sapient 2017 Plan (3 years)	06/15/2017	262,350	(21,117)	-	241,233	06/15/2020	1.46
LTIP 2018 Plan	04/17/2018	746,800	(31,300)	-	715,500	04/17/2021	2.30
Sapient 2018 Plan (4 years)	04/17/2018	230,201	(12,674)		217,527	04/17/2022	3.30
Sapient 2018 Plan (3 years)	04/17/2018	286,171	(16,467)	-	269,704	04/17/2021	2.30
Sprint to the Future 2018-2020 – Excluding "Directoire"	05/18/2018	773,440	-	-	773,440	06/01/2021	2.42
Sprint to the Future 2018-2020 – "Directoire"	06/01/2018	306,156	-	-	306,156	06/01/2021	2.42
Total of free share plans		**8,789,013**	**(957,284)**	**(432,718)**	**7,399,011**		

(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 over the last two financial years

	2018	2017
Provisional share grants at January 1	**6,446,245**	**7,650,957**
Provisional grants during the year	2,342,768	1,206,450
Grants vesting (deliveries)	(432,718)	(1,121,323)
Grants lapsed	(957,284)	(1,289,839)
Provisional grants at December 31	**7,399,011**	**6,446,245**

/ Fair value of free Publicis Groupe shares granted during financial year 2018

Free shares	LTIP 2018(1)	Sprint to the future 2018-2020(2) excl. "Directoire"	Sprint to the Future 2018-2020(2) "Directoire"	Sapient 2018 (3-year)(2)	Sapient 2018 (4 years)
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.

6

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

The total impact of these plans on the 2018 income statement was euro 63 million (excluding taxes and social security charges), compared to euro 55 million in 2017 (see Note 5 "Personnel expenses").

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 December 31, 2018, the probability of the targets set in respect of the financial statements for 2018 being met has been estimated as follows:

- LTIP 2018 Plan - Performance for 2018: 50%;
- Lionlead3 2016-2018 Plan (Excluding "*Directoire*" and "*Directoire +*") - Performance for 2018: 75%;
- Sapient 2016, 2017 and 2018 performance plans - Performance for 2018: 60%;
- LTIP "*Directoire*" and "*Directoire +*" 2016-2018 Plan - Performance for the 2016-2018 period: 50%;
- Lionlead3 2016-2018 plan ("*Directoire*" and "*Directoire +*") - Performance for the 2016-2018 period: 75%;
- Sprint to the Future 2018-2020 plan ("*Directoire*" and "*Directoire +*") - Performance for the 2018-2020 period: 100%.

Note 32 Related party disclosures

Transactions with associates

	December 31, 2018		December 31, 2017	
	Revenue	Expenses	Revenue	Expenses
Viva Tech[1]	9	-	8	-
Burrell Communications Group	-	3	-	-
Total	**9**	**3**	**8**	**-**

(1) Joint-venture between Publicis and Les Echos Solutions.

	December 31, 2018		December 31, 2017	
	Receivables	Liabilities	Receivables	Liabilities
On Point	12	-	7	-
Viva Tech[1]	1	5	-	-
ZAG	6	-	5	-
I7 Sapient	1	-	-	-
Etoile Restauration	1	-	1	-
Others	1	-	-	1
Total	**22**	**5**	**13**	**-**

(1) Joint-venture between Publicis and Les Echos Solutions.

Planned Proximedia disposal

In the second half of 2018, Publicis Groupe started a process to dispose of all the activities of Proximedia. Present in France, Belgium, the Netherlands and Spain, Proximedia assists micro-companies, SMEs, retailers and craftspeople with their digital communication. On December 18, 2018, the Group companies holding Proximedia's activities received a firm acquisition offer for all the companies forming Proximedia and the Spanish activity. In return, the companies in question signed an exclusivity agreement with Ycor S.C.A. to negotiate the final terms and conditions of this operation. Mr. Maurice Lévy, Chair of the Publicis Groupe Supervisory Board, holds interests in Ycor S.C.A. Some 10 investors, out of the 60 approached, showed an interest in the full or partial takeover of Proximedia. Ycor S.C.A.'s offer, covering the entire scope, was the highest offer financially and was also the most compelling in terms of development prospects for the companies sold and support of the teams. This planned disposal, on which the competent employee representative bodies will be informed or consulted, is expected to be finalized in the first half of 2019 (see Note 4.4).

Compensation of managers

Managers include individuals who were members of the Supervisory Board or Management Board, at the reporting date or during the year ended.

(in millions of euros)	2018	2017
Total gross compensation[(1)]	(11)	(10)
Post-employment benefits[(2)]	-	-
Other long-term benefits[(3)]	-	6
Share-based payments[(4)]	(6)	(2)

(1) Compensation, bonuses, indemnities, attendance fees and benefits in kind paid during the year.
(2) Change in pension provisions (net impact on Income Statement).
(3) Increase/release of provisions for deferred compensation and contingent bonuses.
(4) Expense recognized in the Income Statement under the Publicis Groupe stock option and free share plans.

In addition, the total accounting provision as of December 31, 2018 for retirement and other long-term benefits for senior management amounted to euro 1 million. This figure was euro 1 million on December 31, 2017.

Note 33 Subsequent events

The Group sold it pharmaceutical marketing units, combined under the Publicis Health Solutions name, to Altamont Capital Partners on January 31, 2019 (see Note 4.4).

6

Note 34 Fees of the statutory auditors and members of their network

The fees paid by the Group for each of the statutory auditors of Publicis Groupe SA for the 2018 and 2017 financial years were:

	Ernst & Young				Mazars				Total			
	Amount (excl. taxes)		%		Amount (excl. taxes)		%		Amount (excl. taxes)		%	
(in millions of euros)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Statutory auditors												
Publicis Groupe SA (parent company)	0.8	0.9	13%	13%	0.4	0.4	9%	8%	1.2	1.3	11%	11%
Account certification	0.7	0.8			0.4	0.4			1.1	1.2		
Other services	0.1	0.1			0	0			0.1	0.1		
Subsidiaries	0.7	0.2	11%	3%	0.7	0.6	15%	12%	1.4	0.8	13%	7%
Account certification	0.5	0.2			0.7	0.6			1.2	0.8		
Other services	0.2	0			0	0			0.2	0		
Subtotal	**1.5**	**1.1**	**24%**	**16%**	**1.1**	**1.0**	**24%**	**20%**	**2.6**	**2.1**	**24%**	**18%**
Network												
Account certification	4.1	5.3	66%	78%	3.4	3.7	74%	74%	7.5	9.0	69%	76%
Other services	0.6	0.4	10%	6%	0.1	0.3	2%	6%	0.7	0.7	7%	6%
Subtotal	**4.7**	**5.7**	**76%**	**84%**	**3.5**	**4.0**	**76%**	**80%**	**8.2**	**9.7**	**76%**	**82%**
Total	**6.2**	**6.8**	**100%**	**100%**	**4.6**	**5.0**	**100%**	**100%**	**10.8**	**11.8**	**100%**	**100%**

Note 35 List of main consolidated companies at December 31, 2018

A) Fully consolidated companies

The companies listed below are our operating companies with 2018 revenue of at least euro 10 million.

Name	Voting rights	Shareholding	Country
Metrobus Publicité SA	67.00%	67.00%	France
Mediagare SNC	100.00%	67.00%	France
MediaRail SNC	100.00%	67.00%	France
Drugstore Champs-Élysées SNC	100.00%	100.00%	France
Marcel SAS	100.00%	99.99%	France
Publicis Conseil SA	99.99%	99.99%	France
Publicis Consultants France SARL	99.99%	99.99%	France
Publicis Activ France SA	100.00%	99.97%	France
Leo Burnett SAS	100.00%	100.00%	France
Publicis Life Brands SA	100.00%	100.00%	France
Saatchi & Saatchi SAS	100.00%	100.00%	France
Publicis Media France SA	100.00%	100.00%	France
PublicisLive France SAS(1)	100.00%	100.00%	France
Publicis Sapient SAS(1)	100.00%	100.00%	France
Independence Media SAS	100.00%	100.00%	France
World Advertising Movies SAS	100.00%	100.00%	France
Publicis Webformance SAS	100.00%	100.00%	France
Publicis ETO SAS	100.00%	100.00%	France
Prodigious SARL(1)	100.00%	100.00%	France
Société Métropolitaine de Publicité et d'Affichage SAS(2)	67.00%	67.00%	France
The Creative Counsel Pty Ltd	100.00%	70.35%	South Africa
MMS Communication South Africa Pty Ltd	100.00%	70.35%	South Africa
AKM3 GmbH	100.00%	100.00%	Germany
MetaDesign GmbH	100.00%	100.00%	Germany
CNC AG	100.00%	100.00%	Germany
Zenithmedia Dusseldorf GmbH	100.00%	100.00%	Germany
Saatchi & Saatchi GmbH	100.00%	100.00%	Germany
Leo Burnett GmbH	100.00%	100.00%	Germany
Media Solutions GmbH(1)	100.00%	100.00%	Germany
Starcom MediaVest Group Germany GmbH	100.00%	100.00%	Germany
Sapient GmbH	100.00%	100.00%	Germany
Publicis Pixelpark GmbH	100.00%	100.00%	Germany
Publicis Media GmbH	100.00%	100.00%	Germany
Pixelpark GmbH	100.00%	100.00%	Germany

Name	Voting rights	Shareholding	Country
FUEL at Publicis Media GmbH[2]	100.00%	100.00%	Germany
Abdulkader Suleiman El Khereiji & Brothers Advertising Company	100.00%	100.00%	Saudi Arabia
MMS Comunicaciones Argentina SRL	100.00%	100.00%	Argentina
Match Media Australia Ltd	100.00%	100.00%	Australia
Saatchi & Saatchi Australia Pty Ltd	100.00%	100.00%	Australia
Leo Burnett (VIC) Pty Ltd	100.00%	100.00%	Australia
Leo Burnett Pty Ltd	100.00%	100.00%	Australia
Starcom MediaVest Group Pty Ltd	100.00%	100.00%	Australia
Publicis Australia Pty Ltd	100.00%	100.00%	Australia
Sapient Razorfish Australia Pty Limited	100.00%	100.00%	Australia
ZenithOptimedia Australia Pty Ltd	100.00%	100.00%	Australia
Proximedia SA	100.00%	100.00%	Belgium
DPZ&T Communicaçâo Ltda	100.00%	100.00%	Brazil
PBC Comunicaçao Ltda	100.00%	100.00%	Brazil
F/Nazca S&S Publicidade Ltda	98.00%	98.00%	Brazil
Talent Marcel Comunicaçâo e Planejamento Ltda	99.78%	99.78%	Brazil
Leo Burnett Neo Comunicaçao Ltda[1]	98.00%	98.00%	Brazil
Leo Burnett Company Ltd	100.00%	100.00%	Canada
TMG MacManus Canada Inc.	100.00%	100.00%	Canada
Publicis Canada Inc.	100.00%	100.00%	Canada
Saatchi & Saatchi Advertising Inc.	100.00%	100.00%	Canada
Sapient Canada Inc.	100.00%	100.00%	Canada
GB/2 Inc.	100.00%	100.00%	Canada
Nurun Inc.	100.00%	100.00%	Canada
MMS Communications Chile SA	100.00%	100.00%	Chile
Publicis Advertising Co. Ltd	100.00%	100.00%	China
Saatchi & Saatchi Great Wall Advertising Co. Ltd	100.00%	100.00%	China
Leo Burnett Shanghai Advertising Co. Ltd	100.00%	100.00%	China
Manning Selvage & Lee Public Relations Consultancy Beijing Co Ltd	100.00%	100.00%	China
Publicis Sapient China Co. Ltd	100.00%	100.00%	China
Publicis Modem Wangfan[2]	100.00%	100.00%	China
MMS Communicaciones Colombia SAS	100.00%	100.00%	Colombia
Leo Burnett Inc.	100.00%	100.00%	South Korea
Publicis Sapient FZ LLC[1]	100.00%	100.00%	United Arab Emirates
Leo Burnett FZ LLC	100.00%	100.00%	United Arab Emirates
Publicis Middle East FZ LLC	100.00%	100.00%	United Arab Emirates
Publicis Media FZ LLC	100.00%	100.00%	United Arab Emirates
MMS Communications FZ LLC[2]	100.00%	100.00%	United Arab Emirates

Name	Voting rights	Shareholding	Country
Zenith FZ LLC[(2)]	100.00%	100.00%	United Arab Emirates
Starcom MediaVest Group Iberia SL	100.00%	100.00%	Spain
Publicis Comunicacion Espana SL	100.00%	100.00%	Spain
Zenith Media SL	100.00%	100.00%	Spain
Vertiba LLC	100.00%	100.00%	United States
Run Inc.	100.00%	100.00%	United States
Rokkan Media LLC	100.00%	100.00%	United States
Moxie Marketing Services LLC	100.00%	100.00%	United States
Martin Retail Group	70.00%	70.00%	United States
Kekst & Company Inc.	100.00%	100.00%	United States
Publicis Hawkeye Inc.	100.00%	100.00%	United States
Leo Burnett Company Inc.	100.00%	100.00%	United States
Publicis USA Production Solutions Inc.[(1)]	100.00%	100.00%	United States
Publicis Health LLC	100.00%	100.00%	United States
Publicis Healthcare Solutions Inc.	100.00%	100.00%	United States
MSLGROUP Americas Inc.	100.00%	100.00%	United States
Publicis, Inc.	100.00%	100.00%	United States
Publicis Media Inc.	100.00%	100.00%	United States
VNC Communications Inc.	100.00%	100.00%	United States
Blue 449 Inc.	100.00%	100.00%	United States
MediaVest Worldwide Inc.	100.00%	100.00%	United States
Saatchi & Saatchi North America Inc.	100.00%	100.00%	United States
Digitas Inc.	100.00%	100.00%	United States
Zenith Media Services Inc.	100.00%	100.00%	United States
Conill Advertising Inc.	100.00%	100.00%	United States
Saatchi & Saatchi X Inc.	100.00%	100.00%	United States
Leo Burnett Detroit Inc.	100.00%	100.00%	United States
Starcom Worldwide Inc.	100.00%	100.00%	United States
Apex Exchange LLC	100.00%	100.00%	United States
Sapient Corporation	100.00%	100.00%	United States
Sapient Government Services Inc.	100.00%	100.00%	United States
La Communidad Corporation	100.00%	100.00%	United States
Fallon Group Inc.	100.00%	100.00%	United States
Bartle Bogle Hegarty Inc.	100.00%	100.00%	United States
3 Share Inc.	100.00%	100.00%	United States
Publicis Health Media LLC	100.00%	100.00%	United States
Alpha 245 Inc.	100.00%	100.00%	United States
LVL Sunset LLC	100.00%	100.00%	United States

Name	Voting rights	Shareholding	Country
MRY US LLC(2)	100.00%	100.00%	United States
Plowshare(2)	100.00%	100.00%	United States
Harbor Picture Company(2)	100.00%	100.00%	United States
GroupeConnect LLC(2)	100.00%	100.00%	United States
Payer Science(2)	100.00%	100.00%	United States
Denuo Ltd	100.00%	100.00%	Hong Kong
MMS Communications Hungary Kft	100.00%	100.00%	Hungary
TLG India Pvt Ltd	100.00%	100.00%	India
Sapient Consulting Pvt Ltd	100.00%	100.00%	India
PT. Star Reachers Indonesia	100.00%	51.00%	Indonesia
Super Push (Marketing Systems) Ltd	100.00%	98.04%	Israel
BBR Baumann Ber Rivnay Ltd	100.00%	98.04%	Israel
Zenith Italy Srl	100.00%	100.00%	Italy
Leo Burnett Company Srl	100.00%	100.00%	Italy
Publicis Srl	100.00%	100.00%	Italy
Publicis Sapient Italy Srl	100.00%	100.00%	Italy
Prodigious Italy S.r.l.(2)	100.00%	100.00%	Italy
Starcom MediaVest Group Italia S.R.L.(2)	100.00%	100.00%	Italy
Beacon Communications KK	66.00%	66.00%	Japan
MMS Communications KK	100.00%	100.00%	Japan
Star Reacher Advertising (M) Sdn Bhd	100.00%	100.00%	Malaysia
MMS Communication Mexico SA de CV	100.00%	100.00%	Mexico
Lion Communications Mexico SA de CV	100.00%	100.00%	Mexico
Starcom Worldwide SA de CV	100.00%	100.00%	Mexico
MMS New Zealand Ltd	100.00%	100.00%	New Zealand
Publicis Media Norway AS	100.00%	90.10%	Norway
MMS Communications Netherlands BV	100.00%	100.00%	Netherlands
DMX Media BV	100.00%	100.00%	Netherlands
Publicis Asociados S.A.C.	100.00%	100.00%	Peru
Publicis Jimenez Basic Inc.	100.00%	81.44%	The Philippines
Saatchi & Saatchi IS sp. Zoo(1)	100.00%	100.00%	Poland
Starcom Sp z o.o	100.00%	100.00%	Poland
Badillo Saatchi & Saatchi, Inc.(2)	100.00%	100.00%	Puerto Rico
Lions Communications s.r.o.(1)	100.00%	100.00%	Czech Republic
Walker Media Ltd	75.87%	75.87%	United Kingdom
MSL Group London Ltd	100.00%	100.00%	United Kingdom
Publicis Ltd	100.00%	100.00%	United Kingdom
Saatchi & Saatchi Group Ltd	100.00%	100.00%	United Kingdom

Name	Voting rights	Shareholding	Country
ZenithOptimedia Ltd	100.00%	100.00%	United Kingdom
Leo Burnett Ltd	100.00%	100.00%	United Kingdom
PG Media Services Ltd	100.00%	100.00%	United Kingdom
Publicis Healthcare Communications Group Ltd	100.00%	100.00%	United Kingdom
Prodigious UK Ltd	100.00%	100.00%	United Kingdom
ZenithOptimedia International Ltd	100.00%	100.00%	United Kingdom
Sapient Limited UK	100.00%	100.00%	United Kingdom
DigitasLBi Ltd	100.00%	100.00%	United Kingdom
CNC Communications & Network Consulting Ltd	100.00%	100.00%	United Kingdom
BBH Partners LLP	100.00%	100.00%	United Kingdom
APX Trading Ltd(2)	100.00%	100.00%	United Kingdom
Translate Plus UK(2)	85.37%	85.37%	United Kingdom
Star Reachers LLC	100.00%	100.00%	Russia
Publicis Groupe Media Eurasia LLC	100.00%	100.00%	Russia
MMS Communications Singapore Pte Ltd	100.00%	100.00%	Singapore
BBH Communications (Asia Pacific) Pte Ltd	100.00%	100.00%	Singapore
Publicis Media Sweden AB	100.00%	100.00%	Sweden
Publicis Media Switzerland AG	100.00%	100.00%	Switzerland
Sapient Switzerland GmbH	100,00%	100,00%	Switzerland
Publicis Communications Lausanne S.A.(1)	100.00%	100.00%	Switzerland
Publicis Communications Schweiz AG	100.00%	100.00%	Switzerland
Publicis Live Switzerland(2)	100.00%	100.00%	Switzerland
Leo Burnett Company Ltd	100.00%	100.00%	Taiwan
Denuo Ltd Taiwan Branch	100.00%	100.00%	Taiwan
Star Reachers Group Company Ltd	100.00%	100.00%	Thailand
Lion Communications Turkey(2)	100.00%	100.00%	Turkey

(1) Change in corporate name.
(2) Companies on the 2018 list but not on the 2017 list.

B) Principal associates

Name	Voting rights	Shareholding	Country
Burrell Communications Group	49.00%	49.00%	United States
Jana Mobile Inc.	21.00%	21.00%	United States
OnPoint Consulting Inc.(1)	100.00%	100.00%	United States
Somupi SA	34.00%	34.00%	France
Matomy Media Group Ltd	24.90%	24.90%	Israel
Insight Redefini Ltd	25.00%	25.00%	Nigeria

(1) Although this company is wholly-owned, it is not, however, controlled by the Group, which only has a significant influence.

6.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Annual General meeting of Publicis Groupe

I. Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Publicis Groupe for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

II. Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

III. Emphasis of Matter

We draw attention to the following matter described in note 1.1 of the consolidated financial statements presenting the changes in accounting policy related to the first adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" accounting standards, to the early adoption of IFRS 16 "Leases" accounting standard , to IFRIC 23 interpretation "Uncertainty over income tax treatments" and to change of presentation related to financial interests in the statement of cash in the light of the adoption of IFRS 16. Our opinion is not modified in respect of this matter.

IV. Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Revenue recognition

(Note 1.1 "IFRS 15", note 1.3 "Revenue" and note 2 "IFRS 15 – adjustment of Profit & Loss and Balance Sheet" to the consolidated financial statements)

Risk identified	Service contracts between the Group and its clients include specific contractual terms. Accounting standards related to the recording of this type of contracts require a detailed analysis of contractual obligations and criteria when control of a service is passed to the customer, particularly in case of complex contracts. Total revenue amounts to €9,951m as of December 31, 2018 in the consolidated financial statements. An error in the analysis of contractual obligations and terms for determine when control of a service is passed to the customer may lead to an error in revenue recognition. Moreover, as stated in note 2, the first implementation, according to the retrospective method, of IFRS15 "Revenue from contracts with customers" led to an restatement of 2017 net income of € 556m. The evolution of revenue recognition method following the implementation of IFRS15 standard may lead to incorrect recognition of income in the first year of application. Consequently, we consider revenue recognition to be a key audit matter.
Our response	• For each type of contract, we obtained an understanding of the revenue recognition process established by the management, from the conclusion of the agreement, through the performance of the services, invoicing and booking the corresponding entries in the accounts, to the receipt of payment. • We evaluated the key controls concerning the processes and information systems relating to revenue. • We assessed the appropriateness and correct application of the accounting principles and methods relating to revenue recognition. • More specifically, following the first adoption of IFRS 15, we considered the conditions of application of the standard, the assessment of agent or principal status for each type of contract and the financial information given (note 2 of the consolidated financial statements). • We performed tests of details on accounting for revenue by reference to the signed agreements as well as other external supporting evidence. We also assessed the proper cut-off of accounting periods. • We assessed the recoverability of trade receivables.

Valuation of goodwill and intangible assets

(Note 1.3 "Goodwill", note 7 "Depreciation, amortization and impairment loss", note 12 "Goodwill" and note 13 "Net intangibles assets" to the consolidated financial statements)

Risk identified	The business development of Publicis Groupe notably involves external growth transactions. These acquisitions have resulted in the recording of significant goodwill and intangible assets in the consolidated balance sheet. As of December 31, 2018, net goodwill amounts to €8,751m in the consolidated balance sheet and net intangible assets amount to €1,125m. Impairment losses based on impairment tests amount to €14m for the year 2018. Publicis Groupe performs impairment tests at least once a year. An impairment loss is recognized whenever the recoverable amount is below the carrying amount, the recoverable amount being the higher of value in use and fair value less transaction costs. The valuation of the recoverable amount of these assets involves the use of numerous estimates and judgments from the management, in particular the assessment of the competitive, economic and financial environment in the countries where the Group operates, the Group's ability to generate operating cash flow as a result of strategic plans, in particular the levels of revenue and operating margin, and the determination of discount and growth rates. We consider that the valuation of goodwill and intangible assets constitutes a key audit matter, given the sensitivity of these items to the assumptions used by the management and the materiality of the amount in the financial statements.

Our response	• We obtained an understanding of the procedure and key controls set up by the management to perform the impairment tests and notably for the determination of the cash flows used to calculate the recoverable amount.
	• In order to assess the reliability of the business plan data used to calculate the recoverable amount:
	  • we compared the 2019 financial projections with the previous financial projections and with the actual results for the fiscal years concerned;
	  • we conducted interviews with the independent expert engaged by Publicis Groupe for impairment tests' purposes and with the financial and operational managers of Publicis Groupe to evaluate the main assumptions used in the business plans and compare these assumptions with the explanations obtained;
	  • we compared the main assumptions used by the management of Publicis Groupe concerning revenue, operating margin and investments with external data when available, such as market studies or analysts' reports;
	  • we evaluated the sensitivity analyses performed by the independent expert and carried out our own sensitivity analyses on the key assumptions in order to assess the potential impacts of these assumptions on the conclusions of the impairment tests.
	• Concerning the models used to determine the recoverable amounts, we involved our valuation experts in order to:
	  • test the mathematical reliability of the models and re-calculate the amounts;
	  • evaluate the methods used to determine the discount and infinite growth rates, compare these rates with market data or external sources and re-compute these rates using our own data sources.
	• We also assessed the appropriateness of the information set out in Note 7 to the consolidated financial statements, which discloses the main key assumptions used to determine the recoverable amounts.

Provisions for liabilities and charges & Uncertainty over income tax treatments

(Note 1.1 "IFRIC 23", note 1.3 "Provisions", note 10 "Income tax" and note 22 "Provisions for contingencies and losses" to the consolidated financial statements).

Risk identified	Publicis Groupe operates in more than 100 countries and is therefore subject to varying, complex and constantly changing laws and regulations (including tax legislation). Furthermore, within the framework course of its activity, Publicis Groupe, its subsidiaries or its clients may face, on its own or jointly with other parties, legal actions brought by third parties, by competitors of its clients, by an administrative or regulatory authority or by a consumer association. Management's evaluation of the associated risks has led Publicis Groupe to recognize provisions for risks and litigation the amount of €79m as at December 31, 2018 (compared to €84m as at December 31, 2017), and to recognize some uncertain income tax liability in the amount of €200m as at December 31, 2018 (compared to €185m as at December 31, 2017). Moreover, the Group has decided to early adopt the IFRIC 23 interpretation "Uncertainty over Income Tax Treatments" in advance, from January 1, 2018. Uncertain income tax liabilities previously displayed in provisions and liabilities accounts have been reclassified in company tax debt accounts. In view of the materiality of these provisions, the uncertainty regarding the outcome of the proceedings initiated and the high degree of judgment used by the management to estimate the risks and the amounts recognized, we consider the risks and litigations and the understatement of the corresponding provisions to be a key audit matter.

Our response	• We assessed the procedures implemented by the management in order to identify and list all the risks related to lawsuits or to commercial, regulatory or uncertainty over income tax treatments.
	• We obtained an understanding of the internal reports on the disputes prepared by the local teams and compiled by the legal department.
	• We assessed the estimate of costs related to these risks:
	  • by considering the risk analysis performed by Publicis Groupe and by discussing each significant dispute, whether at the litigation or pre-litigation stage, with the legal department and, when applicable, the tax department of the Company and its subsidiaries;
	  • by inquiring the external advisers of Publicis Groupe or by obtaining legal advice on the most significant disputes.
	• We have assessed the appropriateness of the information provided in the notes to the consolidated financial statements concerning the risks related to a lawsuit or a commercial, regulatory or tax dispute.

First application of IFRS16 standard "Leases"

(Note 1.1 "IFRS16", note 3 "IFRS16 – Impacts on the 2018 financial statements from the first application" and note 25 "Lease contracts" to the consolidated financial statements)

Risk identified	Publicis Groupe decided to early adopt IFRS16 standard "Leases" as of January 1, 2018. Terms of this adoption are detailed in note 3 to the consolidated financial statements. On December 31, 2018, right-of-use related to leases are accounted in Publicis Groupe assets for a net value of €1,732m, and rental obligations accounted as lease liabilities for a net value after discount of €2,041m. As stated in note 25 "Lease contracts" to the consolidated financial statements, these leases are related for €1,574m to real estate assets and for €143m to advertising concession contracts. We consider that the right-of-use lease values, and rental obligations pertaining to them constitute a key audit matter, given the materiality of the amount in the balance sheet of Publicis Groupe and the sensitivity of these items to the assumptions used by the management, for the hypothesis related to contract length and their pertaining actualization rates.
Our response	• We obtained an understanding of the procedure and controls set up by the management for the application of the standard • We performed tests of details on the quality of input data in the IT systems, related to lease contracts • We analysed the methodology used by management to determine the discount rates used in rental obligations calculation • We assessed the assumptions of length contract chosen by management to calculate the lease liabilities, in accordance with the group real estate restructuring plan • We assessed the appropriateness of the information provided in the notes to the consolidated financial statements concerning the standard and the financial information given on the first application (Note 3 to the consolidated financial statements)

V. Verification of the information pertaining to the Group presented in the management report

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information given in the Group's management report.

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

We attest that the consolidated non-financial statement provided for by Article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the Group's management report, it being specified that, in accordance with article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained in this statement which has to be subject to a report by an independent third party.

VI. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Publicis Groupe by the Annual General Meeting held on June 25, 1981 for Mazars and on June 4, 2007 for ERNST & YOUNG et Autres.

As at December 31, 2018 Mazars and ERNST & YOUNG et Autres were in the 38th year and 12th year of total uninterrupted engagement respectively (ERNST & YOUNG Audit having served as statutory auditor of Publicis Groupe previously, from 2001 to 2006).

VII. Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

VIII. Statutory auditors' responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, February 7, 2019

The Statutory Auditors

French original signed by

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

CHAPTER

2018 ANNUAL FINANCIAL STATEMENTS

7

7.1 INCOME STATEMENT 258

7.2 BALANCE SHEET AT DECEMBER 31 259

7.3 STATEMENT OF CASH FLOWS 261

7.4 NOTES TO THE FINANCIAL STATEMENTS OF PUBLICIS GROUPE SA 262

7.5 RESULTS OF PUBLICIS GROUPE S.A. FOR FINANCIAL YEARS 2018, 2017, 2016, 2015 AND 2014 281

7.6 STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 282

7.1 INCOME STATEMENT

(in thousands of euros)	Note	2018	2017
Billings (goods and services)	3	19,549	11,604
Reversal of provisions and expense transfers	4	25,290	70,463
Other income		0	170
Total operating income		**44,839**	**82,237**
Other purchases and external charges		(12,750)	(11,428)
Taxes other than income taxes		(1,613)	(1,818)
Personnel expenses	5	(29,011)	(64,502)
Amortization and increases in provisions		(3,145)	(2,892)
Other expenses		(3,930)	(2,920)
Total operating expenses		**(50,449)**	**(83,560)**
Operating income (expense)		**(5,610)**	**(1,323)**
Investment income		159,987	183,332
Interest and other financial income		1,138	2,816
Reversal of financial provisions		5,100	1,981
Total financial income		**166,225**	**188,129**
Amortization and increases in provisions		(11,700)	(9,279)
Interest and other financial expenses		(135,993)	(143,700)
Total financial expenses		**(147,693)**	**(152,979)**
Financial income (expense)	**6**	**18,532**	**35,150**
Pre-tax profit		**12,922**	**33,827**
Exceptional expenses on capital transactions		(2)	-
Total exceptional expenses		**(2)**	**-**
Exceptional items	**7**	**(2)**	**-**
Income taxes	**8**	**29,928**	**48,522**
Net income for the year		**42,848**	**82,349**

7.2 BALANCE SHEET AT DECEMBER 31

(in thousands of euros)	Note	December 31, 2018	December 31, 2017
ASSETS			
Intangible assets:	**9.1**		
Concessions and business goodwill		2,991	2,991
Other intangible assets		507	507
Depreciation & Amortization		(1,346)	(1,306)
Property, plant and equipment:	**9.2**		
Land		2,291	2,291
Buildings		3,044	3,044
Machinery and equipment		1,133	1,133
Others		35,651	34,629
Depreciation		(27,612)	(24,645)
Investments and other financial assets:			
Long-term equity investments	9.3	5,637,897	5,637,897
Impairment on investments	9.3	(98,115)	(98,115)
Loans and receivables due from associates and non-consolidated companies	9.4	1,935,156	2,724,631
Other non-current securities	9.5	1,093	1,093
Loans and other financial assets		232	232
Impairment on investments and other financial assets		(31)	(31)
Non-current assets		**7,492,891**	**8,284,351**
Trade receivables		13,673	55,269
Other receivables		18,376	22,540
Marketable securities	10	252,113	276,888
Cash and cash equivalents		12	12
Current assets		**284,174**	**354,709**
Prepayments		435	456
Deferred expenses	11	5,457	8,033
Bond redemption premiums	12	9,124	11,089
Unrealized foreign exchange losses	13	106,398	42,770
TOTAL ASSETS		**7,898,479**	**8,701,408**

(in thousands of euros)	Note	December 31, 2018	December 31, 2017
EQUITY AND LIABILITIES			
Share capital		94,100	92,251
Additional paid in capital		3,793,361	3,728,617
Statutory reserve		9,225	9,038
Earnings brought forward		7,042	198,682
Equity before net income		**3,903,728**	**4,028,588**
Net income for the year		42,848	82,349
Shareholders' equity	**15**	**3,946,576**	**4,110,937**
Provisions for liabilities and charges	**16**	**59,606**	**57,910**
Bonds	17	1,802,192	1,802,061
Bank borrowings and overdraft	18	297,603	446,225
Borrowings and other financial liabilities	19	1,552,889	2,162,614
Trade payables		3,299	5,110
Income tax and social security liabilities		19,602	27,309
Other creditors	21	107,840	43,628
Deferred income	22	2,475	2,891
Liabilities		**3,785,900**	**4,489,838**
Unrealized foreign exchange gains	23	106,397	42,723
TOTAL EQUITY AND LIABILITIES		**7,898,479**	**8,701,408**

7.3 STATEMENT OF CASH FLOWS

(in thousands of euros)	2018	2017
Cash flow from operating activities		
Net income for the year	**42,848**	**82,349**
Losses on disposals	(40)	2,393
(Reversals)/increases, net of increases/reversals	6,779	24,494
Transfer to deferred expenses, net of amortization	2,576	2,652
Amortization of redemption premiums on the Eurobond issue	1,965	1,944
Cash flow	***54,128***	***113,832***
Change in working capital requirements	30,939	(78,891)
Net cash flows generated by (used in) operating activities (I)	**85,067**	**34,941**
Cash flow from investing activities		
Purchases of property, plant and equipment and intangible assets	(1,022)	(1,447)
Acquisitions of subsidiaries	-	-
Disposals of subsidiaries	-	-
Net cash flows generated by (used in) investing activities (II)	**(1,022)**	**(1,447)**
Cash flow from financing activities		
Dividends paid to holders of the parent company	(209,853)	(169,655)
Capital increase	2,643	9,215
New bonds	-	-
Increases in other borrowings/(loans)	-	-
Decreases in loans/(other borrowings)	243,426	345,840
Sale of treasury shares	6,071	24,145
Net cash flows generated by (used in) financing activities (III)	**42,287**	**209,545**
Change in cash and cash equivalents (I + II + III)	**126,332**	**243,039**
Net cash and cash equivalents at beginning of year	(164,654)	(407,693)
Net cash and cash equivalents at end of year	(38,322)	(164,654)
Change in cash and cash equivalents	**126,332**	**243,039**

7.4 NOTES TO THE FINANCIAL STATEMENTS OF PUBLICIS GROUPE SA

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

Note 1	Significant events during the financial year	263
Note 2	Accounting policies, rules and methods	263
Note 3	Revenue	264
Note 4	Reversal of provisions and expense transfers	264
Note 5	Personnel expenses	264
Note 6	Financial income (expense)	265
Note 7	Exceptional items	265
Note 8	Income taxes	266
Note 9	Non-current assets	266
Note 10	Marketable securities	267
Note 11	Deferred expenses	268
Note 12	Bond issue and repayment premiums	268
Note 13	Unrealized foreign exchange losses	268
Note 14	Average headcount	268
Note 15	Equity	269
Note 16	Provisions for liabilities and charges	270
Note 17	Bonds	271
Note 18	Bank borrowings and overdrafts	271
Note 19	Borrowings and other financial liabilities	272
Note 20	Maturity schedule for receivables and liabilities	272
Note 21	Other creditors	272
Note 22	Deferred income	273
Note 23	Unrealized foreign exchange gains	273
Note 24	Off-balance-sheet commitments	273
Note 25	Subsequent events	278
Note 26	Fees paid to the statutory auditors	278
Note 27	Statement of subsidiaries and investments at December 31, 2018	279

The Company's primary business consists in managing its investments and providing services to Group companies.

Additionally, and to a lesser extent, the Company receives rental income from leasing the building it owns in Paris, at 133 avenue des Champs-Élysées.

Note 1 Significant events during the financial year

On December 20, 2018, Publicis Groupe was repaid a dollar 977,250,000 loan it had given to MMS USA Holdings. The funds received were used to pay down a loan for the same amount arranged with the Publicis Finance Services subsidiary.

Note 2 Accounting policies, rules and methods

The parent company's financial statements for the 2018 financial year have been prepared in accordance with the French Chart of Accounts (*plan comptable général*) and in compliance with applicable legal and regulatory texts in France.

Comparability of financial statements

The valuation methods used to prepare the 2018 financial statements are unchanged from those used to prepare the financial statements for the previous financial year.

Intangible assets

Intangible assets subject to amortization consist of the concession of parking spaces, amortized over 75 years (length of the concession), and the goodwill of Publicis Cinema, already fully amortized.

Property, plant and equipment

Property, plant and equipment are recognized at net acquisition cost and are subject to annual depreciation calculated on a straight-line basis over the following periods:

- 50 years Building on avenue des Champs-Élysées, Paris
- 10 to 20 years Fixtures, fittings and general installations
- 10 years Machinery and equipment
- 7 years Carpets
- 4 years Vehicles
- 3 years IT equipment

Investments and other financial assets

The gross amount of long-term equity investments is composed of the acquisition price of the securities excluding ancillary expenses. Foreign currency-denominated securities are recognized at their acquisition price translated into euros at the exchange rate applicable on the date of the transaction.

Impairment is recognized whenever the investment's value in use is lower than its carrying amount. Value in use is determined on the basis of objective criteria, such as revalued net assets, capitalized earnings or market capitalization, associated where necessary with more subjective criteria, such as specific industry indicators or ratios determined, in the context of economic assumptions and the Company's growth forecasts, on the basis of the present value of projected future cash flows, and the strategic nature of the investment for the Group.

Marketable securities

Marketable securities primarily include treasury shares, which are classified according to their intended purpose.

A provision for liabilities is recognized for treasury shares allocated to stock option or free share plans in order to reflect the loss resulting from the difference between the subscription price (zero for the free shares) and their cost price.

A provision is recognized for treasury shares that are not allocated to such a plan, as well as for other marketable securities, whenever their current value at the end of year is lower than their carrying amount. The current value of publicly traded securities equals the average quoted price for the final month of the financial year; and for non-listed securities, the probable selling price.

Bonds

Bonds are recognized at their par value.

In cases where a redemption premium exists, the liability is increased by the total amount of such a premium. This premium is offset by the recognition of an asset, which is amortized over the life of the bond on an actuarial basis.

In cases where an issue premium exists, the liability is recognized at par value and the issue premium is recognized as an asset; the issue premium is amortized over the life of the bond.

Provisions for liabilities and charges

Provisions are funded when:

- the Company has a (legal or constructive) present obligation as a result of a past event;

- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- the amount of the outflow can be estimated reliably.

Where the effect of the time value of money is material, provisions are discounted, with the increase in the amount of the provision resulting from the unwinding of the discounting being recognized under financial expenses.

Contingent liabilities are not recognized but, where material, are disclosed in the Notes to the financial statements.

Financial instruments

In principle, the derivatives established by the Company are subscribed for hedging purposes only. The accounting treatment of these instruments is:

- derivatives purchased to hedge foreign currency receivables, debts, loans or borrowings are revalued in the balance sheet as part of their foreign exchange component in order to embody the symmetry effect at the level of the "Unrealized foreign exchange – Gains/Losses" on the balance sheet;
- realized gains and losses are recorded symmetrically on the hedged item.

Financial income (expense)

Financial income is recognized by applying the usual rules, namely:

- dividends: on the date the distribution is approved by the General Shareholders' Meeting;
- financial income on current accounts, time deposits and bonds: as, and when, income is acquired;
- interest and dividends on marketable securities: on the date of receipt.

Financial expenses relating to the Eurobond 2021 and 2024 are presented, where applicable, inclusive of the interest income (expense) arising from the interest rate swaps.

It should, moreover, be noted that the swaps connected with the two aforementioned bonds are treated as hedges of loans in dollars recognized as assets.

Exceptional items

These include capital gains and losses on the sale of property, plant and equipment, and intangible and financial assets.

Note 3 Revenue

Billings are mainly composed of:

- rent received from the building at 133 avenue des Champs-Élysées in Paris, France;
- services invoiced to Group companies.

Note 4 Reversal of provisions and expense transfers

Expense transfers primarily include the re-invoicing of Group companies with respect to the awarding of Publicis Groupe free share grants to certain key Group executives as part of the co-investment programs (free share portion and stock options).

Note 5 Personnel expenses

2018 personnel expenses include the compensation of the Chairman of the Management Board and related expenses. They also include the costs related to 2018 free share plans and stock options amounting to euro 25,290,031, the delivery of which in existing shares does result in a charge to the income statement. In 2017, the costs associated with these plans amounted to euro 63,822,943.

Note 6 Financial income (expense)

(in thousands of euros)	2018	2017
Dividends	53,895	71,629
Other income from investments	106,092	111,703
Investment income	**159,987**	**183,332**
Other financial income	911	2,783
Foreign exchange gains	227	33
Interest and other financial income	**1,138**	**2,816**
Amortization of the Eurobond 2024 balancing payment	416	416
Reversal of provision for liabilities on treasury shares	-	1,530
Reversal of impairment for equity investments	-	-
Reversal of impairment for marketable securities	4,671	-
Reversal of other financial provisions	13	35
Reversal of financial provisions & expense transfers	**5,100**	**1,981**
Total financial income	**166,225**	**188,129**
Bond-related amortization	(4,541)	(4,596)
Increases in provisions for foreign exchange losses	(3)	(12)
Increase in provisions for impairment of marketable securities	(7,156)	(4,671)
Amortization and increases in provisions	**(11,700)**	**(9,279)**
Bond-related expenses	(45,226)	(47,619)
Other financial expenses	(90,521)	(96,081)
Foreign exchange losses	(246)	-
Interest and other financial expenses	**(135,993)**	**(143,700)**
Total financial expenses	**(147,693)**	**(152,979)**
Financial income (expense)	**18,532**	**35,150**

7

Note 7 Exceptional items

There were no exceptional items in financial year 2018. This was nil in 2017.

Note 8 Income taxes

The income statement shows a tax income amount of euro 29,928,688. This amount mainly corresponds to the tax consolidation gain recognized as income in the financial statements of the tax group's parent company, in accordance with the tax consolidation agreements signed with the member companies, totaling euro 23,281,713.

The Company, which is the parent company of the French tax group (comprising 29 entities including Publicis Groupe SA), recorded a Tax loss of euro 32,847,544 in 2018.

Tax loss carryforwards of the French tax group, which can be carried forward without any time limit, amounted to euro 185,096,281 at December 31, 2018.

Moreover, the provision for deferred tax on capital gains on the disposal of securities, funded in financial year 2000 following the transfer of shares in US subsidiaries to the US holding company, which was partly reversed in 2008 for euro 33,220,000, saw the reversal of the remaining euro 6,646,975 in 2018.

Note 9 Non-current assets

9.1 Intangible assets

There were no acquisitions or disposals during financial year 2018. The balance at December 31, 2018 stands at euro 3,498,498, the same as at December 31 of the previous financial year.

9.2 Property, plant and equipment

In the 2018 financial year, euro 1,021,647 were invested in fixtures.

In 2017, this figure amounted to euro 1,447,212.

9.3 Long-term equity investments

At December 31, 2018, long-term equity investments amounted to euro 5,637,897,223. This was unchanged from December 31, 2017. The same applies to provisions for impairment, which stood at euro 98,115,000 at December 31, 2018.

9.4 Loans and receivables owed by associates and non-consolidated companies

(in thousands of euros)	December 31, 2018	December 31, 2017
Loans to MMS USA Holdings	-	814,850
Loan to MMS Multi Market Services Ireland	1,406,393	1,342,717
Loan to MMS France Holdings	30,249	30,249
Loan to Publicis Groupe Investments BV	491,980	491,980
Multi Market Services Ireland current account	-	537
MMS France Holdings current account	-	31,976
Interest receivable	6,534	12,322
Total	**1,935,156**	**2,724,631**

The dollar 977,250,000 loan granted to MMS USA Holdings was repaid on December 20, 2018. The funds received were used to pay down a loan for the same amount arranged with the Publicis Finance Services subsidiary (see Note 19).

9.5 Other non-current securities

This account contains treasury shares held for exchange in external growth operations.

It broke down as follows at December 31, 2018:

	December 31, 2018	December 31, 2017
Number of treasury shares	23,328	23,328
Value of treasury shares (in thousands of euros)	1,093	1,093

Note 10 Marketable securities

Marketable securities broke down as follows at December 31, 2018:

(in thousands of euros)	December 31, 2018	December 31, 2017
Excluding liquidity contract:		
• Treasury shares	242,069	264,399
Held under the liquidity contract:		
• Money mutual funds	2,661	1,849
• Treasury shares	14,539	15,311
Provisions for impairment:		
• Excluding liquidity contract	(6,794)	(4,372)
• Held under the liquidity contract	(362)	(299)
Total marketable securities (net amount)	**252,113**	**276,888**

The movements for the financial year and position at the reporting date for available-for-sale securities (excluding the liquidity contract) are summarized in the table below:

(in thousands of euros, except for share data)	Number of shares	Gross carrying amount	Impairment[1]	Net value in balance sheet
Treasury shares held as available-for-sale securities (excluding the liquidity contract) as at December 31, 2017	**4,043,592**	**264,398**	**(4,372)**	**260,026**
Disposals (exercise of options) and delivery of free shares to employees	(243,738)	(16,150)	-	(16,150)
Exercise of options	(99,689)	(6,179)	-	(6,179)
Additional impairment in 2018			(2,422)	(2,422)
Treasury shares held as available-for-sale securities (excluding the liquidity contract) as at December 31, 2018	**3,700,165**	**242,069**	**(6,794)**	**235,275**

(1) The impairment only relates to treasury shares not allocated to free share or stock option plans.

In 2018, the liquidity contract with Kepler Cheuvreux was continued.

At December 31, 2018, 286,000 shares were held under this contract (compared to 265,000 at December 31, 2017).

7

Note 11 Deferred expenses

This line item includes costs associated with the bond issue and the arrangement of the syndicated and other credit lines, for the portion still to be amortized over the remaining period to maturity of the bonds and to expiry of the credit lines.

Deferred expenses at December 31, 2018 were composed of:

(in thousands of euros)	December 31, 2018	December 31, 2017
Bond issuance costs	3,526	4,340
Costs of arranging credit lines	1,931	3,693
Total	**5,457**	**8,033**

Note 12 Bond issue and repayment premiums

The amounts on this line item represent the amounts still to be amortized over the remaining period to maturity of the bonds in question.

At December 31, 2018, the issue premiums break down as follows:

(in thousands of euros)	December 31, 2018	December 31, 2017
Eurobond 2021	1,818	2,419
Eurobond 2024	2,562	2,967
Eurobond 2023	4,744	5,703
Total	**9,124**	**11,089**

Note 13 Unrealized foreign exchange losses

Unrealized foreign exchange losses break down as follows:

(in thousands of euros)	December 31, 2018	December 31, 2017
Unrealized foreign exchange losses – hedging derivatives (see Note 21)	106,393	42,717
Unrealized foreign exchange losses – other	5	53
Total	**106,398**	**42,770**

Note 14 Average headcount

The Company's average headcount was one employee and two persons seconded by other Publicis Groupe entities.

Note 15 Equity

The Publicis Groupe SA share capital has changed as follows over the past five financial years:

		Changes in capital				
		Shares with a par value of euro 0.4				
Dates	**Capital transactions**	**Number of shares**	**Par value** (in thousands of euros)	**Additional paid-in capital** (in thousands of euros)	**Successive capital amounts** (in thousands of euros)	**Total number of Company shares**
Position at January 1, 2014					**86,409**	**216,023,378**
2014	Creation of shares as a result of the exercise of 674,652 warrants	684,773	274	20,303	86,683	216,708,151
	Issue of shares as part of the free share plans for Group employees	815,623	326	-	87,009	217,523,774
	Issue of shares as settlement of the dividends based on 2013 earnings	2,094,672	838	118,119	87,847	219,618,446
	Orane redemptio^{n} (10th tranche)	1,585,411	634	47,003	88,482	221,203,857
2015	Creation of shares as a result of the exercise of 517,819 warrants	517,819	207	15,353	88,689	221,721,676
	Issue of shares as settlement of the dividends based on 2014 earnings	163,082	65	11,347	88,754	221,884,758
	Issue of shares as part of the free share plans for Group employees	655,982	262	-	89,016	222,540,740
2016	Creation of new shares as a result of the exercise of 196,669 warrants	199,619	80	5,919	89,096	222,740,359
	Issue of shares as settlement of the dividends based on 2015 earnings	2,742,448	1,097	161,229	90,193	225,482,807
	Issue of shares as part of the free share plans for Group employees	462,580	185	-	90,378	225,945,387
2017	Creation of new shares as a result of the exercise of 302,135 warrants	306,665	123	9,092	90,501	226,252,052
	Issue of shares as settlement of the dividends based on 2016 earnings	3,992,216	1,597	242,487	92,098	230,244,268
	Issue of shares as part of the free share plans for Group employees	383,457	153	-	92,251	230,627,725
2018	Creation of new shares as a result of the exercise of 86,688 warrants	87,984	36	2,609	92,287	230,715,709
	Issue of shares as settlement of the dividends based on 2017 earnings	4,323,480	1,729	242,547	94,016	235,039,189
	Issue of shares as part of the free share plans for Group employees	210,612	84	-	94,100	235,249,801
	Position at December 31, 2018				**94,100**	**235,249,801**

Shareholder's equity changed as follows between January 1, 2018 and December 31, 2018:

(in thousands of euros)	January 1, 2018	Allocation of 2017 net income	Exercise of stock options and creation of shares	Distribution of dividends in shares	Distribution of dividends in cash	2018 income	December 31, 2018
Share capital	92,251	-	120	1,729	-	-	94,100
Additional paid-in capital	3,728,617	(180,412)	2,609	242,547	-	-	3,793,361
Statutory reserve	9,038	187	-	-	-	-	9,225
Earnings brought forward	198,682	262,574	(85)	(244,276)	(209,853)	-	7,042
Subtotal	**4,028,588**	**82,349**	**2,644**	**-**	**(209,853)**	**-**	**3,903,728**
Net income for the year	82,349	(82,349)	-	-	-	42,848	42,848
Total	**4,110,937**	**-**	**2,644**	**-**	**(209,853)**	**42,848**	**3,946,576**

Note 16 Provisions for liabilities and charges

(in thousands of euros)	Amount at January 1, 2018	2018 increase	2018 reversal (provision used)	2018 reversal (provision not used)	Amount at December 31, 2018
Provisions for taxes(1)	6,647	-	-	(6,647)	-
Provision for risks on treasury shares and free share grants not yet vested(2)	49,246	9,139	(920)	-	57,465
Other provisions for risks	2,017	136	-	(12)	2,141
Total	**57,910**	**9,275**	**(920)**	**(6,659)**	**59,606**

(1) This amount represents the balance of the provision for tax on capital gains on the transfer of shares to Publicis USA Holdings in March 2000, in respect of which taxation is deferred in accordance with article 210-A of the French General Tax Code, which stood at euro 6,646,975 and was reversed in 2018. It had already been partially reversed in 2008.

(2) This provision is made on the one hand to cover the loss resulting from the difference between the subscription price and the cost price of the treasury shares when they have been allocated to the share purchase plans for Group employees, and on the other hand to cover the future loss on existing shares under free share plans.
It should also be noted that provisions and provision reversals relating to costs borne by Publicis Groupe SA in relation to these plans are presented in the income statement under personnel expenses in accordance with Notice no. 2008-17 from the French National Accounting Council.

Note 17 Bonds

Number of securities (in thousands of euros)	Category of bond	December 31, 2018	December 31, 2017
7,000	Eurobond 2021 – 1.125%	700,000	700,000
6,000	Eurobond 2024 – 1.625%	600,000	600,000
5,000	Eurobond 2023 – 0.5%	500,000	500,000
	Total excluding accrued interest	**1,800,000**	**1,800,000**
	Accrued interest	2,192	2,061
	Balance sheet total	**1,802,192**	**1,802,061**

Eurobond 2021 – 1.125% and 2024 – 1.625%

This euro 1.3 billion loan issued on December 16, 2014 as part of the financing for the acquisition of Sapient, which took place in February 2015, comprises two tranches:

Eurobond 2021 – 1.125%: this euro 700 million tranche has a seven-year maturity and a fixed rate of 1.125%. It is fully redeemable at par upon maturity on December 16, 2021.

Eurobond 2024 – 1.625%: this euro 600 million tranche has a ten-year maturity and a fixed rate of 1.625%. It is fully redeemable at par upon maturity on December 16, 2024.

The two tranches were subject to the following cross currency interest rate swaps:

- the first tranche of euro 700 million was swapped for a fixed-rate loan of dollar 869 million (half at 2.921% and half at 2.918%);
- the second tranche of euro 600 million was initially swapped in 2014 for a variable-rate loan of dollar 741 million, and then converted into a fixed-rate loan on January 2, 2015 (half at 2.965% and half at 2.994%).

Eurobond 2023 – 0.5%

On November 3, 2016, Publicis Groupe SA issued a fixed-rate bond for euro 500,000 million, maturing in November 2023 (seven years), with a 0.5% annual coupon rate.

Note 18 Bank borrowings and overdrafts

This relates to a syndicated, variable-rate, medium-term loan, in euros, taken out in 2015 to finance the acquisition of Sapient.

Euro 148,595,630 of this loan was repaid in January 2018. It was carried at euro 297,235,845 at December 31, 2018 (*versus* euro 445,831,476 at December 31, 2017).

Note 19 Borrowings and other financial liabilities

(in thousands of euros)	December 31, 2018	December 31, 2017
Long-term borrowings from Publicis Finance Services[(1)]	-	814,850
Long-term borrowings from MMS Multi euro services[(2)]	930,000	930,000
Current account, short-term borrowings from subsidiaries and accrued interest[(3)]	622,365	417,240
Other creditors	524	524
Total	**1,552,889**	**2,162,614**

(1) The dollar 977,250,000 loan by Publicis Finance Services to Publicis Groupe SA was repaid on December 20, 2018.
(2) The 55-year subordinated participating loans, for euro 300 million and euro 630 million, respectively, originally granted by Publicis Groupe Holdings in 2007 and Publicis Groupe Investments in 2012, were transferred by the latter to MMS Multi euro services on December 11, 2014.
(3) At December 31, 2018 it included a current account of euro 567,742,476 vis-à-vis MMS Multi euro services, as well as interest payable of euro 48,510,542 on the two loans mentioned in Note (2).

Note 20 Maturity schedule for receivables and liabilities

All receivables included in current assets are due to be settled within less than one year.

The maturity schedule for liabilities is presented below:

(in thousands of euros)	Total	Less than 1 year	1 to 5 years	More than 5 years
Bonds	1,802,192	2,192	1,200,000	600,000
Bank borrowings and overdraft	297,603	148,963	148,640	-
Borrowings and other financial liabilities	1,552,889	622,365	-	930,524
Trade payables	3,299	3,299	-	-
Income tax and social security liabilities	19,602	19,602	-	-
Deferred income	2,475	416	2,059	-
Other creditors	107,840	1,447	58,996	47,397
Total liabilities	**3,785,900**	**798,284**	**1,409,695**	**1,577,921**

Note 21 Other creditors

Pursuant to ANC regulation 2015-05, the foreign exchange value of the derivatives hedging the loans granted to MMS Multi Market Services Ireland (for principal amounts of dollar 869,050,000 and dollar 741,270,000, respectively) was recognized in other liabilities for euro 106,393,013 at December 31, 2018 (*versus* euro 42,716,585 as at December 31, 2017). The counterparty to these derivatives is unrealized foreign exchange losses-hedging derivatives (see Note 13).

(in thousands of euros)	December 31, 2018	December 31, 2017
Hedging derivatives	106,393	42,717
Other creditors	1,447	911
Total	**107,840**	**43,628**

Note 22 Deferred income

At December 31, 2018 and at December 31, 2017, this line item was exclusively comprised of the payment received when arranging the hedging swaps. This payment is staggered over the term of the hedging.

Note 23 Unrealized foreign exchange gains

The unrealized foreign exchange gains stemmed from the remeasurement of the following two assets:

- euro 58,995,633 on the dollar 869,050,000 loan granted to MMS Multi Market Services Ireland (compared to euro 24,631,035 at December 31, 2017);
- euro 47,397,380 on the dollar 741,270,000 loan granted to MMS Multi Market Services Ireland (compared to euro 18,085,550 at December 31, 2017).

Note 24 Off-balance-sheet commitments

24.1 Off-balance-sheet commitments given

24.1.1 Commitments related to bonds

Eurobond 2021

When issued in December 2014, this new euro 700 million bond at a fixed rate of 1.125% was the subject of a cross-currency interest rate swap transforming it from euro fixed rate to dollar fixed rate. Two contracts, each for euro 350 million, were agreed for 2.921% and 2.918%, respectively.

Eurobond 2024

When issued in December 2014, this new euro 600 million bond at a fixed rate of 1.625% was the subject of a cross-currency interest rate swap transforming it from euro fixed rate to dollar variable rate. Two contracts, each for euro 300 million, were originally concluded in December 2014, then converted on January 2, 2015 into fixed rates of 2.965% and 2.994%, respectively.

24.1.2 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 December 31, 2018, committed to issuing (in the event that the 1,074,821 outstanding stock warrants are exercised) 1,104,916 shares with a par value of euro 0.40 par value and a euro 30.10 premium.

24.1.3 Description of the stock option and free share plans implemented during the financial year

Three types of free share plans were created during 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 2016-2018 Plan: the targets set for 2017 were 75% achieved.

Publicis Groupe share subscription or purchase option plans

/ Characteristics of the Publicis Groupe stock option plans as at December 31, 2018

Plans	Type(1)	Date of grant	Options' exercise price (in euros)	Options outstanding at January 1, 2018	Options canceled, lapsed or transferred(2) in 2018	Options exercised in 2018	Options outstanding at December 31, 2018	Of which exercisable at December 31, 2018	Expiry date	Remaining contract life (in years)
Co-investment 2013 options (France and Outside France)	A	04/30/2013	52.76	1,387,537	(81,606)	(99,689)	1,206,242	1,206,242	04/30/2023	4.33
Total of all tranches				**1,387,537**	**(81,606)**	**(99,689)**	**1,206,242**	**1,206,242**		

(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.

The vesting period for the above plans has been completed, but the exercise of options remains subject to a continued presence condition until the date of exercise of the options.

/ Movements in Publicis Groupe stock option plans over the last two financial years

	2018		2017	
	Number of options	**Average exercise price** (in euros)	**Number of options**	**Average exercise price** (in euros)
Options at January 1	**1,387,537**	**52.76**	**2,225,152**	**51.69**
Options exercised[1]	(99,689)	52.76	(758,812)	50.46
Cancelled or lapsed options	(81,606)	52.76	(78,803)	44.60
Options outstanding at December 31	**1,206,242**	**52.76**	**1,387,537**	**52.76**
Of which exercisable	1,206,242	52.76	1,387,537	52.76
(1) Average share price on exercise (in euros)		55.78		61.88

7

Publicis Groupe free share plans

/ Characteristics of Publicis Groupe free share plans outstanding at December 31, 2018

Plans	Date of initial grant initial	Shares yet to vest as of January 1, 2018 or shares granted in 2018	Shares canceled, lapsed or transferred[1] in 2018	Shares vesting in 2018[2]	Shares yet to vest at December 31, 2018	Vesting date of shares	Remaining contract life (in years)
LTIP 2014 Plan – Outside France	03/20/2014	212,858	(35,028)	(177,830)	-	03/20/2018	-
LTIP 2015 Plan – France	04/17/2015	35,282	(2,750)	(32,532)	-	04/17/2018	-
LTIP 2015 Plan – Outside France	04/17/2015	228,563	(43,616)	-	184,947	04/17/2019	0.29
Sapient 2015 Plan (4 yrs)	04/17/2015	112,950	1,772	(60,931)	53,791	04/17/2019	0.29
Sapient 2015 Plan (3 yrs)	04/17/2015	6,263	8,413	(14,676)	-	04/17/2018	-
LTIP 2016 Plan	06/23/2016	317,500	(17,600)	-	299,900	06/23/2019	0.48
LTIP 2016-2018 Plan “Directoire” & “Directoire +”	06/23/2016	120,000	-	-	120,000	06/23/2019	0.48
LionLead3 2016-2018 Plan – France	06/16/2016	550,474	(30,155)	-	520,319	06/16/2019	0.46
LionLead3 2016-2018 Plan – International	06/16/2016	2,810,202	(380,427)	-	2,429,775	06/16/2020	1.46
LionLead3 2016-2018 Plan – “Directoire” & “Directoire +”	06/16/2016	660,231	-	-	660,231	06/23/2019	0.48
Sapient 2016 Plan (4 years)	04/15/2016	226,782	(7,517)	(83,464)	135,801	04/15/2020	1.29
Sapient 2016 Plan (3 years)	04/15/2016	7,980	11,056	(11,056)	7,980	04/15/2019	0.29
LTIP 2017 Plan	05/18/2017	666,900	(360,800)	-	306,100	05/18/2020	1.38
Sapient 2017 Plan (4 years)	06/15/2017	227,910	(19,074)	(52,229)	156,607	06/15/2021	2.46
Sapient 2017 Plan (3 years)	06/15/2017	262,350	(21,117)	-	241,233	06/15/2020	1.46
LTIP 2018 Plan	04/17/2018	746,800	(31,300)	-	715,500	04/17/2021	2.30
Sapient 2018 Plan (4 years)	04/17/2018	230,201	(12,674)		217,527	04/17/2022	3.30
Sapient 2018 Plan (3 years)	04/17/2018	286,171	(16,467)	-	269,704	04/17/2021	2.30
Sprint to the Future 2018-2020 – Excluding “Directoire”	05/18/2018	773,440	-	-	773,440	06/01/2021	2.42
Sprint to the Future 2018-2020 – “Directoire”	06/01/2018	306,156	-	-	306,156	06/01/2021	2.42
Total free share plans		**8,789,013**	**(957,284)**	**(432,718)**	**7,399,011**		

(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 over the last two financial years

	2018	2017
Provisional share grants at January 1	**6,446,245**	**7,650,957**
Provisional grants during the year	2,342,768	1,206,450
Grants vesting (deliveries)	(432,718)	(1,121,323)
Grants lapsed	(957,284)	(1,289,839)
Provisional share grants at December 31	**7,399,011**	**6,446,245**

24.1.4 Contractual guarantees given

- Guarantee until 2020 on behalf of ZenithOptimedia Ltd (UK) to the owner of the premises at 24 Percy Street, London, for a maximum of pound sterling 8,651,209 in respect of rental payments and a maximum amount of pound sterling 680,232 in respect of rental charges related to the building.
- Joint and several guarantee of the debts of Publicis Groupe Holdings, Publicis Holdings and Publicis Groupe Investments.
- Guarantee given to SNCF Réseau (formerly RFF) for advertising space provided to Média Rail, for euro 31,887,333.
- Counter-guarantee given to CACIB for the first demand guarantee given by the latter on behalf of Metrobus to RATP in the amount of our share (67%), or euro 46,900,000.
- Autonomous first demand guarantee given to BNP Paribas in the amount of dollar 555,000,000 until February 4, 2020 in favor of MMS Multi Market Services Ireland.
- Guarantee given to OPG Bastille on behalf of Resources France and MMS France Holdings for euro 104,000,000 for the "Parisquare" building in the Bastille district.

Commitments given as part of the hedging of foreign currency loans granted to certain subsidiaries:

Forward **Amount in currency** (in thousands of units)	**USD 887**	**USD 1,387**
Type of contract	Seller's hedge	Seller's hedge
Currency	USD/EUR	USD/EUR
Maturity date	12/16/2019	01/22/2019
Forward rate	1.178768	1.145266
Equivalent (in thousands of euros)	752	1,212
Market value at December 31, 2018 (in thousands of euros)	775	1,212

Cross-currency **swaps Amount in currency** (in thousands of units)	**USD 435,190**	**USD 433,860**	**USD 370,710**	**USD 370,560**
Type of contract	Buyer's hedge	Buyer's hedge	Buyer's hedge	Buyer's hedge
Currency	USD/EUR	USD/EUR	USD/EUR	USD/EUR
Maturity date	12/16/2021	12/16/2021	12/16/2024	12/16/2024
Forward rate	1.2434	1.2396	1.2357	1.2352
Equivalent (in thousands of euros)	350,000	350,000	300,000	300,000
Market value at December 31, 2018 (in thousands of euros)	364,563	364,563	326,690	326,690

24.2 Off-balance-sheet commitments received

- Multi-currency syndicated credit lines for euro 2 billion maturing in July 2020:
  This line was not used at December 31, 2018.
- Confirmed bilateral credit lines for euro 681 million:
  These lines were not used at December 31, 2018.

Note 25 Subsequent events

None.

Note 26 Fees paid to the statutory auditors

The fees paid by the Group for each of the statutory auditors of Publicis Groupe SA for the 2018 and 2017 financial years were:

	Ernst & Young		Mazars		Total	
	Amount (excl. taxes)		Amount (excl. taxes)		Amount (excl. taxes)	
(in millions of euros)	2018	2017	2018	2017	2018	2017
Statutory auditors						
Publicis Groupe SA (parent company)	0.8	0.9	0.4	0.4	1.2	1.3
Account certification	0.7	0.8	0.4	0.4	1.1	1.2
Other services	0.1	0.1	0	0	0.1	0.1

Note 27 Statement of subsidiaries and investments at December 31, 2018

(in thousands of euro, except % interest)

A) Subsidiaries and other investments whose carrying amount exceeds 1% of Publicis Groupe's share capital[1]

Companies	Share capital	Reserves and earnings brought forward	% interest	Gross carrying amount	Net carrying amount	Loans and receivables	Revenue	Net income	Dividends received
1 - Subsidiaries									
Publicis Groupe Investments B.V.	68,709	10,372,285	100.00	5,344,146	5,344,146	492,558	-	22,707	-
Prof. W.H. Keesomlaan 12 1183 DJ Amstelveen Netherlands									
MMS France Holdings	3,500	10,729	100.00	274,801	176,686	33,641	-	(14,258)	-
133, avenue des Champs-Élysées 75008 Paris France SIREN 444 714 786									
Metrobus	1,840	4,677	32.30	17,508	17,508	-	177,887	12,000	1,626
1 Rond-Point Victor Hugo 92137 Issy-les-Moulineaux SIREN 327 096 426									

(1) Based on preliminary non-audited financial statements.

B) General information with regard to all subsidiaries and long-term equity investments

	Subsidiaries		Long-term equity investments	
	French	Foreign	French	Foreign
Carrying amount of shares held				
• gross	292,535	5,345,362	2	-
• net	194,420	5,345,362	2	-
Amount of dividends received	53,895	-	-	-

7

Detail of marketable securities at December 31, 2018

	% interest	Net carrying amount (in thousands of euros)
I - Long-term equity investments		
A. Long-term equity investments in French companies		
11,665,471 shares in MMS France Holdings	100.00%	176,686
37,146 shares in Metrobus	32.30%	17,508
9,100 shares in Publicis Finance Services	100.00%	186
3,700 shares in Publicis Groupe Services	100.00%	37
Investments with a carrying amount less than euro 15,000 aggregate		3
Total French investments		**194,420**
B. Long-term equity investments in foreign companies		
151,343 shares in Publicis Groupe Investments	100.00%	5,344,146
MMS Communications Saudi Arabia (under creation)	99.00%	1,216
Investments with a carrying amount less than euro 15,000 aggregate		-
Total foreign investment		**5,345,362**
Total investments		**5,539,782**
II - Other non-current securities		
C. French securities		
23,328 Publicis Groupe SA treasury shares[1]	0.01%	1,093
Total other non-current securities		**1,093**
III - Other securities		
D. Other securities of French companies		
3,986,165 Publicis Groupe SA treasury shares[1]	1.69%	249,452
Money mutual funds		2,661
Investments with a carrying amount less than euro 15,000 aggregate		5
E. Other foreign securities		**14**
Total other securities		**252,132**
Total securities		**5,793,007**

(1) Shares held under share buyback program.

7.5 RESULTS OF PUBLICIS GROUPE S.A. FOR FINANCIAL YEARS 2018, 2017, 2016, 2015 AND 2014

(Articles 133, 135 and 148 of the decree on trading companies)

Information type	2018	2017	2016	2015	2014
I – Share capital at year-end					
Share capital (in thousands of euros)	94 100	92 251	90 378	89 016	88 482
Number of shares in issue	235 249 801	230 627 725	225 945 387	222 540 740	221 203 857
Maximum number of future shares to be issued:					
• under free share plans	2 706 043	5 602 010	8 937 201	8 092 893	8 865 073
• as a result of stock options awarded			0	0	0
• as a result of the exercise of warrants	1 104 916	1 178 932	1 485 599	1 685 218	2 203 033
• as a result of the conversion of bonds(1)	0	0	0	0	12 684 488
II – Operations and results for the year					
Pre-tax revenue	19 549	11 604	26 722	9 608	52 838
Net income before taxes, depreciation, amortization and provisions	22 797	37 376	190 577	(209 565)	(14 347)
Income tax (credit)	(29 928)	(48 522)	(17 299)	(49 113)	(31 980)
Net income after taxes, depreciation, amortization and provisions	42 848	82 349	220 372	(154 752)	(3 007)
Income distributed for the financial year(2)(3)	498 730	461 255	413 739	355 575	251 212
III – Earnings per share (in euros)					
Net income after taxes, but before depreciation, amortization and provisions	0,22	0,37	0,92	(0,72)	0,08
Net income after taxes, depreciation, amortization and provisions	0,18	0,36	0,98	(0,70)	(0,01)
Dividend per share	2,12	2,00	1,85	1,60	1,20
IV – employees					
Average headcount	2	2	1	1	38
Payroll expense	1 780	4 175	3 968	2 895	11 680
Benefits (social security, other employee benefits, etc.)	517	795	795	634	4 466

(1) It was assumed that new shares would be issued to redeem the Oranes.
(2) Estimate on the basis of existing shares at December 31, 2018, including treasury shares.
(3) Subject to the approval of the General Shareholders' Meeting to be held on May 29, 2019. Payment will be made in cash or shares.

7.6 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

To the Annual General meeting of Publicis Groupe SA,

Opinion

In compliance with the engagement entrusted to us by your annual general meetings, we have audited the accompanying financial statements of Publicis Groupe for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of investments and loans and receivables owed by associates and non-consolidated companies

(Note 2 « Investments », note 9.3 and note 9.4 « Loans and receivables owed by associates and non-consolidated companies » to the financial statements)

Risk identified	Our response

As of December 31, 2018, Investments are accounted for at a net book value of 5,540 million euros, or 70% of the total assets. They are accounted for at the acquisition price of the securities excluding ancillary expenses. The loans and receivables owed by associates and non-consolidated companies amount to 1 935 million euros, or 24% of the total assets.
We believe that the valuation of Investments and Loans receivables owed by associates and non-consolidated companies constitutes a key audit matter, given their materiality in the assets of Publicis Groupe SA, and because the valuation of their recoverable amount, often based on projected discounted future cash flows, involves judgements from management, and the use of numerous economic assumptions related to the Company's growth forecasts.
	• We assessed the process used to value the recoverable amount of the Company's Investments and Loans and receivables owed by associates and non-consolidated companies as well as the valuations carried out by the Company, and supported by an independent expert; we ensured that the assumptions and estimates used in the reporting were based on an appropriate assessment of the valuation method, and of the figures retained.
	• We involved our valuation experts in order to assess the consistency of the assumptions used with the economic environment at closing and on the date the financial statements were prepared.
	• We also compared the figures used for the impairment tests on Investments with the entities' source data, as well as the result of our audit work or analytical procedures on these entities. We have examined:
	  • The compliance of shareholders' equity with the financial statements of the entities subject to audit or analytical procedures, and the evidence related to adjustments made, when applicable, on such shareholders 'equity;
	  • The consistency of projected future cash flows for the relevant entities' activities, as prepared by their operational management, with the companies' growth forecasts taken from the latest strategic plans;
	  • The adjustments made to the present value of projected future cash flows to account for the indebtedness of the relevant entities.
	• We have assessed the recoverability of Loans and receivables owed by associates and non-consolidated companies in the light of the analyses performed on the Investments.
	• We have assessed the appropriateness of the information related to Investments and Loans and receivables owed by associates and non-consolidated companies, as set out in the Notes to the financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to Shareholders

We have no matters to report as to its fair presentation and its consistency with the financial statements of the information given in the management report of the Management Board and in the other documents with respect to the financial position and the financial statements provided to shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-4 of the French Commercial Code (*Code de commerce*).

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Publicis Groupe SA by the Annual General Meetings held on June 25, 1981 for Mazars and on June 4, 2007 for ERNST & YOUNG et Autres.

As at December 31, 2018 Mazars and ERNST & YOUNG et Autres were in the 38th year and 12th year of total uninterrupted engagement respectively (ERNST & YOUNG Audit having served as statutory auditor of Publicis Groupe SA previously, from 2001 to 2006).

Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Management Board.

Statutory auditors' responsibilities for the audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, April 3, 2019
The Statutory Auditors
French original signed by

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

CHAPTER

COMPANY INFORMATION AND CAPITAL STRUCTURE

8

8.1 INFORMATION ABOUT THE COMPANY 288
8.1.1 Company name and trading name 288
8.1.2 Registration place and number 288
8.1.3 Date of incorporation and term 288
8.1.4 Registered office, legal structure, applicable legislation, jurisdiction, address and telephone number of registered office, website 288
8.1.5 Deeds of incorporation and bylaws 288

8.2 OWNERSHIP STRUCTURE 291
8.2.1 Major shareholders and voting rights 291
8.2.2 Control of the Company 292
8.2.3 Agreements concerning a possible change of control or that might influence a takeover bid 292

8.3 INFORMATION ON THE SHARE CAPITAL 293
8.3.1 Subscribed capital and classes of share 293
8.3.2 Existence of non-representative shares, their amount and main features 298
8.3.3 Number, carrying amount and par value of shares held by the issuer itself or on its behalf, or by its subsidiaries 298
8.3.4 Total amount of convertible or exchangeable securities and equity warrants, including the specified terms and conditions for conversion, exchange or subscription 299
8.3.5 Pledges, guarantees and sureties 299
8.3.6 Employee shareholding 300
8.3.7 Share capital transactions 301

8.4 STOCK MARKET INFORMATION 302
8.4.1 The trading of Publicis Groupe shares 302
8.4.2 Investor relations 302
8.4.3 Securities market 303

8.1 INFORMATION ABOUT THE COMPANY

8.1.1 Company name and trading name

Publicis Groupe SA (the "Company") does business under the trade name Publicis.

8.1.2 Registration place and number

542 080 601 RCS Paris; APE Code – NAF 7010Z; LEI number: 2138004KW8BV57III342

8.1.3 Date of incorporation and term

Incorporation date: October 4, 1938.

Term: October 3, 2037, unless extended.

8.1.4 Registered office, legal structure, applicable legislation, jurisdiction, address and telephone number of registered office, website

Publicis Groupe SA is a French joint-stock limited liability company (*société anonyme*) with a Management Board and a Supervisory Board, governed by articles L. 225-57 to L. 225-93 of the French Commercial Code.

The Company's registered office is located at 133, avenue des Champs-Élysées, 75008 Paris, France. The telephone number of the Company's registered office is +33 (0) 1 44 43 70 00.

The website of Publicis Groupe SA can be found at: www.publicisgroupe.com. The information on said website does not form part of this Registration Document, unless incorporated by reference.

8.1.5 Deeds of incorporation and bylaws

Corporate purpose (article 2 of the Company bylaws)

The Company's corporate purposes are to:

- produce and derive added value in any manner from advertising and publicity in any format or of any type;
- organize shows and radio or television broadcasts, set up radio, television and other programming, use movie theaters, recording or broadcasting studios and projection and viewing rooms, publish paper documents and edit music, sketches, scripts and theater productions; and
- more generally, all commercial, financial, industrial and real and intangible property transactions of any type relating directly or indirectly to the above in order to foster the development and growth of the Company's business.

The Company may conduct operations in any country on its behalf or on behalf of third parties, either alone or jointly, with other companies or persons and carry out in any form, directly or indirectly, activities in line with its corporate purpose.

The Company may also acquire interests in any form in any other French or foreign businesses or companies, whatever their corporate purposes.

Management Board (articles 10 to 12 of the Company bylaws)

The Management Board oversees Publicis' management. It is fully empowered to act on the Company's behalf in all circumstances. These powers may only be exercised within the limit of the corporate purpose and subject to the powers that are by law reserved for the Supervisory Board and Shareholders' Meetings. The Management Board is appointed by the Supervisory Board and must have at least two but no more than seven members. Each member is appointed for a period of four years and must be a natural person, but need not be a shareholder. Its members may be re-appointed. The terms of office of each Management Board member ends at the Annual Ordinary General Shareholders' Meeting following their 75th birthday. The Supervisory Board appoints one of the members of the Management Board as Chair and may appoint one, several or all the other members of the Management Board as Chief Executive Officers.

The members of the Management Board may be dismissed either by the Supervisory Board or by a General Shareholders' Meeting.

Supervisory Board (articles 13 to 17 of the bylaws)

The Supervisory Board has the responsibility of exercising ongoing supervisory authority over the Management Board. It has at least three and at most 18 members, who may be reappointed, and who are appointed by the General Shareholders' Meeting for a period of four years in accordance with the decision of the Extraordinary General Shareholders' Meeting of May 29, 2013 which reduced this term of office from six to four years. By way of exception, the terms of office of Supervisory Board members who were in the process of serving six year terms as of that Shareholders' Meeting will continue up to their original expiry date. Moreover, solely in order to institute and maintain the staggering of terms of members of the Supervisory Board, the Ordinary General Shareholders'

Meeting may appoint or renew one or more members of the Supervisory Board for one, two or three years, in accordance with the decision of the Extraordinary General Shareholders' Meeting of May 25, 2016.

Members over 75 years of age may not constitute more than one-third of the Supervisory Board, which may be rounded up. Should this limit be exceeded, the oldest member of the Supervisory Board will automatically resign. The potential crossing of this threshold shall be determined at the date of the Supervisory Board's Meeting to approve the financial statements for the past year. Each member of the Supervisory Board must own at least five hundred Company shares during the course of his or her term.

The members of the Supervisory Board may be dismissed only by the General Shareholders' Meeting.

The Supervisory Board shall also comprise, depending on the situation, one or two members representing the employees in pursuance of article L. 225-79-2 of the French Commercial Code. When the number of Supervisory Board members, calculated as stipulated in article 225-79-2 II of the French Commercial Code:

- is less than or equal to twelve, the Group Works Council shall appoint one single member to represent the employees;
- is greater than twelve, and subject to this criterion continuing to be met at the date of appointment, the Group Works Council shall appoint a second member to represent the employees;
- becomes less than or equal to twelve, the two members representing the employees shall continue their terms of office until expiry.

The term of office of an employee representative shall end upon expiry of a four-year period. The office of employee representative is renewable. Tenure may be terminated by anticipation under the conditions set forth by law and in the bylaws, in particular in the event of termination of said representative's employment contract. Should the conditions stipulated in article L. 225-79-2 of the French Commercial Code cease to be fulfilled, the term of office of the employee representative(s) shall end after the meeting during which the Supervisory Board notes that it is no longer within the scope of this obligation. By way of an exception to the obligation on each member of the Supervisory Board, employee representatives are not required to hold a minimum number of shares during their term of office.

Rights attached to each share (article 8 of the bylaws)

Each share confers the right proportionate to such share to a part of the corporate assets and benefits. The shareholders may be held liable, even with regards to third party, only up to the value of the shares that they hold. Each time that it is necessary to hold several shares to exercise any right, shareholders must be personally responsible for gathering the number of shares required.

Powers of the Management Board with respect to share buybacks (article 7 IV of the bylaws)

The Extraordinary General Shareholders' Meeting may authorize the Management Board to purchase a specified number of Company shares in order to cancel them by way of a capital reduction in accordance with article L. 225-206 of the French Commercial Code.

In addition, the Company may acquire its own shares in accordance with the provisions of articles L. 225-208 and L. 225-209 of the French Commercial Code, specifically those intended to regulate the stock market price of the Company shares.

General Shareholders' Meeting (article 19 of the bylaws)

General Shareholders' Meetings are open to all shareholders regardless of the number of shares held. The procedures for providing notice of meetings and holding meetings are prescribed by French law. Meetings take place at the Company's headquarters or at any other location specified in the above-mentioned notice and set by the notifier. If so decided by the Management Board when calling the meeting, the meeting may be publicly broadcast by videoconferencing or any other means of telecommunication, including over the Internet.

Representation and admission to General Shareholders' Meetings (article 20 of the Company bylaws)

Any shareholder may participate, personally or through an authorized representative, in Shareholders' Meetings, justifying his/her identity and his/her ownership of the securities, under the conditions provided for by the law.

Any shareholder may, if so permitted by the Management Board when calling the General Shareholders' Meeting, participate in the meeting by videoconferencing or any other means of telecommunication including over the Internet, subject to applicable laws and regulations. Any such shareholder is deemed present for the purposes of calculating the quorum and majority.

Voting rights (article 21 paragraphs 5 to 8 of the bylaws)

Each member of the Meeting shall have as many votes as he owns or represents shares, without restriction. However, in accordance with a resolution approved at the Extraordinary General Shareholders' Meeting on September 14, 1968, shares registered with the same shareholder for at least two years or which have only been transferred during that period from one registered owner to another within the framework of an intestate estate, of testamentary succession, of division of community of property between spouses, of donation inter vivos for the benefit of a spouse or a relative entitled to inherit, are entitled to double voting rights. The Extraordinary General Shareholders'

8

Meeting has the possibility to purely and simply cancel the double voting right. However this cancellation will only become effective after the approval of a special meeting of shareholders who hold double voting right shares.

In the event of the division of ownership of Company shares, the limited owners and bare owners of shares can freely distribute voting rights at Extraordinary or Ordinary General Shareholders' Meetings provided they notify the Company beforehand, by providing a certified copy of their agreement at least 20 calendar days before the first General Shareholders' Meeting is held following the above-mentioned ownership division by registered mail. Failing notification within this period, the distribution will be implemented ipso jure in accordance with article L. 225-110, paragraph 1, of the French Commercial Code.

Any shareholder may vote by post in accordance with and in the manner provided for in prevailing laws and regulations. When so decided by the Management Board, and indicated in the meeting notice published in the BALO (*Bulletin des annonces légales obligatoires*), shareholders may vote by any means of telecommunication including over the Internet, subject to the laws and regulations prevailing as of the moment of its use.

Amendments to the bylaws (article 23 of the bylaws)

An Extraordinary General Shareholders' Meeting may make any change to any provision of the bylaws that is permissible under the law. Such changes to the share capital include, but are not limited to: increasing or reducing the share capital, consolidating shares or splitting shares into shares with a lower par value.

Declarations of share ownership (articles 7 III and 6 paragraph 6 of the bylaws)

Any natural or legal person, acting individually or jointly, who owns or acquires, by any means as described in article L. 233-7 of the French Commercial Code, any fraction equivalent to or greater than 1% of the share capital or voting rights, or any multiple thereof, including above the declaration thresholds set out in the legal and regulatory provisions, must notify the Company of the total number of shares or voting rights held as well as securities convertible to equity and the voting rights potentially associated by registered mail with return receipt sent to the registered office within five trading days of crossing any of these thresholds. These declaration obligations also apply each time that the fraction of the shares or voting rights held falls below one of the thresholds specified above.

Shareholders who fail to comply with this requirement may be deprived of voting rights with respect to any shares exceeding the relevant threshold until the required disclosure is made, a period provided for by current legislation. Unless one of the thresholds provided for in the above-mentioned article L. 233-7 is breached, this sanction will only be applied subsequent to a request, recorded in the minutes of the General Shareholders' Meeting, of one or more shareholders holding at least 1% of the Company's share capital or voting rights.

Moreover, the Company is entitled to request that a legal entity holding shares representing more than 2.5% of share capital or voting rights disclose the identity of the persons holding, directly or indirectly, more than one third of the share capital or voting rights at the General Shareholders' Meeting of that entity.

Liquidation rights (article 32 of the bylaws)

At the end of the Company's term of incorporation, or in the event of early dissolution, the assets of the dissolved Company shall be allocated first to the payment of the debts and social security expenses, then to the reimbursement of the remaining obligation. The remaining proceed of the liquidation shall be allocated equally among all the shares.

8.2 OWNERSHIP STRUCTURE

8.2.1 Major shareholders and voting rights

At December 31, 2018, to the best of Publicis' knowledge, no person held, directly or indirectly, individually or jointly, 5% or more of its shares (a "Major Shareholder") except those disclosed below. Publicis' bylaws state that all its shareholders have the same proportional voting rights with respect to the shares they hold, except that shares owned by the same shareholder in registered form for at least two years carry double voting rights. The Company has not issued any preferred shares or any securities without voting rights.

/ Distribution of the Company's share capital and voting rights

At December 31, 2018	Shares held	% of share capital[1]	Voting rights	% of voting rights[2]
A/ Shareholder holding more than 5% of the capital				
Élisabeth Badinter[3]	16,700,967	7.10%	33,401,934	13.13%
Harris Associates LP[4]	14,044,013	5.97%	14,044,013	5.52%
B/ Treasury shares	4,009,493	1.70%	-	-
C/ Public (registered and bearer shares)	200,495,328	85.23%	207,039,904	81.35%
Total	**235,249,801**	**100.00%**	**254,485,851**	**100.00%**

(1) Percentages are calculated based on the total number of shares issued by the Company, including treasury shares.
(2) Percentages are calculated based on the total number of shares issued by the Company (percentage of voting rights that can be exercised at the General Shareholders' Meeting), excluding treasury shares with no voting rights, and counting the double voting rights attached to some shares.
(3) Élisabeth Badinter fully owns 2.48% of shares (4.59% of voting rights) and holds 4.62% beneficial owner shares with her children having bare ownership of the underlying shares (8.54% of voting rights).
(4) Acting as an investment adviser for managed funds and clients.

/ Reminder of the distribution of the Company's share capital and voting rights for the prior two years

At December 31, 2017	Shares held	% of share capital[1]	Voting rights	% of voting rights[2]
A/ Shareholder holding more than 5% of the capital				
Élisabeth Badinter[3]	16,700,967	7.24%	33,401,934	13.26%
Harris Associates LP[4]	16,995,711	7.37%	16,995,711	6.75%
B/ Treasury shares	4,331,920	1.88%	-	-
C/ Public (registered and bearer shares)	192,599,127	83.51%	201,524,895	79.99%
Total	**230,627,725**	**100.00%**	**251,922,540**	**100.00%**

(1) Percentages are calculated based on the total number of shares issued by the Company, including treasury shares.
(2) Percentages are calculated based on the total number of shares issued by the Company (percentage of voting rights that can be exercised at the General Shareholders' Meeting), excluding treasury shares with no voting rights, and counting the double voting rights attached to some shares.
(3) Élisabeth Badinter fully owns 2.53% of shares (4.63% of voting rights) and holds 4.71% beneficial owner shares with her children having bare ownership of the underlying shares (8.63% of voting rights).
(4) Acting as an investment adviser for managed funds and clients.

At December 31, 2016	Shares held	% of share capital(1)	Voting rights	% of voting rights(2)
A/Shareholder holding more than 5% of the capital				
Élisabeth Badinter(3)	16,700,967	7.39%	33,401,934	13.34%
B/Treasury shares	577,603	0.26%	-	-
C/Public (registered and bearer shares)	208,666,817	92.35%	217,080,229	86.66%
Total	**225,945,387**	**100.00%**	**250,482,163**	**100.00%**

(1) Percentages are calculated based on the total number of shares issued by the Company, including treasury shares.
(2) Percentages are calculated based on the total number of shares issued by the Company (percentage of voting rights that can be exercised at the General Shareholders' Meeting), excluding treasury shares with no voting rights, and counting the double voting rights attached to some shares.
(3) Élisabeth Badinter fully owned 2.58% of shares (4.66% of voting rights) and had the right to receive income with respect of 4.81% of shares with her children having bare ownership of the underlying shares (8.68% of voting rights).

The Company and the AMF were notified, in accordance with article L. 233-7 of the French Commercial Code, that legal thresholds had been crossed in the following cases by Harris Associates LP acting as investment adviser for clients and managed funds, which made its declaration by letter received on:

- January 18, 2019, that it had crossed under the threshold of 5% of the Company's voting rights on January 15;
- February 11, 2019, that it had crossed over the threshold of 5% of the Company's voting rights on February 7;
- February 27, 2019, that it holds 6% of the Company's capital.

The most recent exhaustive survey available at December 31, 2018, which looked at information on identifiable bearer shares (*titres au porteur identifiables*) and registered shares managed by CACEIS Corporate Trust, indicated that 3.3% of the share capital was held by individual shareholders.

8.2.2 Control of the Company

At December 31, 2018, to the best of its knowledge, the Company was not controlled and was not subject to any agreement or commitment linking one or several shareholders, company, foreign government or other natural or legal person operating individually or conjointly with regard to the direct or indirect holding of its capital or under its control, and there existed no agreement of which the fulfillment could cause a change in the Company's control at a later date.

8.2.3 Agreements concerning a possible change of control or that might influence a takeover bid

The information required by article L. 225-37-5 of the French Commercial Code can be found in this Registration Document as follows: the capital structure is described in Sections 3.2.5, 8.2 and 8.3, the existence of double voting rights provided for in the Company's bylaws (article 21) is mentioned in Section 8.1.5, rules applicable to the appointment and replacement of members of the Management Board, as well as the amendment of the Company's bylaws, are specified in the Company's bylaws (articles 10 to 12 and 23) and summarized in the aforementioned Section 8.1.5, the existence of authorizations and delegations granted by the Company's General Shareholders' Meeting to the Management Board regarding share issuance and buyback is mentioned in Sections 8.3.1 and 8.3.3.

It is also specified that, to the best of the Company's knowledge, no agreements exist requiring payment of indemnities, in the event of a takeover bid, to the members of the Management Board or employees if their employment should end as a result of this takeover bid.

Certain loan agreements include change in control clauses.

8.3 INFORMATION ON THE SHARE CAPITAL

8.3.1 Subscribed capital and classes of share

Composition of share capital

On June 28, 2018, Publicis Groupe SA paid out the full amount of the dividend voted by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 30, 2018, with each shareholder having the option between cash and shares, which resulted in a capital increase of euro 1,729,392 through the creation of 4,323,480 new shares with a par value of euro 0.40.

During 2018, 210,612 new shares at a par value of euro 0.40 per share were created as a result of free share plans (under the LTIP 2014 International and LTIP 2015 for beneficiaries in France), representing a total capital increase of euro 84,244.80.

87,984 new shares with a par value of euro 0.40 were also created as a result of warrant exercises, representing a total capital increase of euro 35,193.60.

As of December 31, 2018, the share capital totaled euro 94,099,920.40, divided into 235,249,801 fully paid-up shares with a par value of euro 0.40, of which 23,245,543 shares carried double voting rights.

Table of delegations of authority and authorizations granted to the Management Board

Type of delegation or authorization	Date of the meeting	Duration of the authorization	Amount authorized	Used in 2018
Share purchases and reduction of share capital				
Authorization to trade in the Company's shares*	May 31, 2017 (23rd resolution)	18 months Maturity: 11/31/2018 Ended by the GM of 05/30/2018 (19th resolution)	No more than 10% of capital Overall maximum: euro 2,033,508,483 Maximum share purchase price: euro 90	Liquidity contract: acquisition of 432,117 shares (average purchase price euro 57.34) and sale of 621,617 shares (average sale price of euro 58.59) Sale of 99,689 shares to stock option recipients Delivery of 170,127 free shares
Authorizations to reduce share capital through the cancellation of treasury shares	May 31, 2017 (24th resolution)	26 months Maturity: 07/31/2019	No more than 10% of capital per 24 month period	None
Authorization to trade in the Company's shares*	May 30, 2018 (19th resolution)	18 months Maturity: 11/30/2019	No more than 10% of capital Overall maximum: euro 1,960,335,705 Maximum share purchase price: euro 85	Liquidity contract: acquisition of 744,499 shares (average purchase price euro 54.04) and sale of 533,999 shares (average sale price of euro 55.06) Delivery of 73,611 free shares
Equity issues				
Delegation to increase capital by issuing shares or equity securities convertible to equity with preferential subscription rights*	May 25, 2016 (19th resolution)	26 months Maturity: 07/25/2018 Ended by the GM of 05/30/2018 (20th resolution)	Maximum par value: euro 30,000,000(1) Maximum nominal value of debt securities: euro 1,200,000,000(3)	None
Delegation to increase capital by issuing shares or equity securities convertible to equity without preferential subscription rights through a public offering*	May 25, 2016 (20th resolution)	26 months Maturity: 07/25/2018 Ended by the GM of 05/30/2018 (21st resolution)	Maximum par value: euro 9,000,000(1)(2) Maximum nominal value of debt securities: euro 1,200,000,000(3)	None
Delegation to increase capital by issuing shares or equity securities convertible to equity without preferential subscription rights through an offer made pursuant to paragraph II of article L. 411-2 of the French Monetary and Financial Code (by private placement)*	May 25, 2016 (21st resolution)	26 months Maturity: 07/25/2018 Ended by the GM of 05/30/2018 (22nd resolution)	No more than 20% of capital per year Maximum par value: euro 9,000,000(1)(2) Maximum nominal value of debt securities: euro 1,200,000,000(3)	None

Type of delegation or authorization	Date of the meeting	Duration of the authorization	Amount authorized	Used in 2018
Delegation to increase the number of securities issued in the event of an increase in the capital, with or without preferential subscription rights* decided pursuant to the 19th to 21st resolutions of the AGM on May 25, 2016*	May 25, 2016 (22nd resolution)	26 months Maturity: 07/25/2018 Ended by the GM of 05/30/2018 (23rd resolution)	No more than 15% of the initial issue and at the same price as this issue	None
Delegation to increase capital by incorporating reserves, earnings, premiums or other sums*	May 25, 2016 (23rd resolution)	26 months Maturity: 07/25/2018 Ended by the GM of 05/30/2018 (25th resolution)	Maximum par value: euro 30,000,000(1)	None
Delegation to issue shares or other securities in the event of a public offering initiated by the Company*	May 25, 2016 (24th resolution)	26 months Maturity: 07/25/2018 Ended by the GM of 05/30/2018 (26th resolution)	Maximum par value: euro 9,000,000(1)(2) Maximum nominal value of debt securities: euro 1,200,000,000(3)	None
Authorization to set the issue price of capital increases carried out under the 20th and 21st resolutions of the GSM of May 25, 2016*	May 31, 2017 (25th resolution)	26 months Maturity: 07/31/2019 Ended by the GM of 05/30/2018 (24th resolution)	No more than 10% of share capital per year(1)(2)	None
Delegation to issue shares or other securities as consideration for contributions in-kind granted to the Company*	May 31, 2017 (26th resolution)	26 months Maturity: 07/31/2019	No more than 10% of the share capital(4)(5)(6)	None
Delegation to increase capital by issuing shares or equity securities convertible to equity with preferential subscription rights*	May 30, 2018 (20th resolution)	26 months Maturity: 07/30/2020	Maximum par value: euro 30,000,000(7) Maximum nominal value of debt securities: euro 1,200,000,000(9)	None
Delegation to increase capital by issuing shares or equity securities convertible to equity without preferential subscription rights through a public offering*	May 30, 2018 (21st resolution)	26 months Maturity: 07/30/2020	Maximum par value: euro 9,000,000(7)(8) Maximum nominal value of debt securities: euro 1,200,000,000(9)	None

8

Type of delegation or authorization	Date of the meeting	Duration of the authorization	Amount authorized	Used in 2018
Delegation to increase capital by issuing shares or equity securities convertible to equity without preferential subscription rights through an offer made pursuant to paragraph II of article L. 411-2 of the French Monetary and Financial Code (by private placement)*	May 30, 2018 (22nd resolution)	26 months Maturity: 07/30/2020	No more than 20% of capital per year Maximum par value: euro 9,000,000(7)(8) Maximum nominal value of debt securities: euro 1,200,000,000(9)	None
Delegation to increase the number of securities issued in the event of a capital increase, with or without preferential subscription rights decided pursuant to the 20th to 22nd resolutions of the General Shareholders' Meeting on May 30, 2018*	May 30, 2018 (23rd resolution)	26 months Maturity: 07/30/2020	No more than 15% of the initial issue and at the same price as this issue. Subject to compliance with the ceiling set forth under the corresponding resolution	None
Authorization to set the issue price of capital increases carried out under the 21st and 22nd resolutions of the General Shareholders' Meeting of May 30, 2018*	May 30, 2018 (24th resolution)	26 months Maturity: 07/30/2020	No more than 10% of the share capital per year(7)(8)	None
Delegation to increase capital by incorporating reserves, earnings, premiums or other sums*	May 30, 2018 (25th resolution)	26 months Maturity: 07/30/2020	Maximum par value: euro 30,000,000(7)	None
Delegation to issue shares or other securities in the event of a public offering initiated by the Company*	May 30, 2018 (26th resolution)	26 months Maturity: 07/30/2020	Maximum par value: euro 9,000,000(7)(8) Maximum nominal value of debt securities: euro 1,200,000,000(9)	None
Issues reserved for Company or Group employees and managers				
Authorization to grant free shares to employees and/or corporate officers of the Company or companies within the Group	May 25, 2016 (25th resolution)	38 months Maturity: 07/25/2019	No more than 3% of the share capital (10) Maximum of 0.3% of capital for executive corporate officers (11) (10)	Total award of 1,826,396 free shares
Authorization to grant stock options to employees and/or corporate officers	May 25, 2016 (26th resolution)	38 months Maturity: 07/25/2019	No more than 3% of the share capital (11) Maximum of 0.3% of the share capital for executive corporate officers (10) (12)	None

Type of delegation or authorization	Date of the meeting	Duration of the authorization	Amount authorized	Used in 2018
Delegation to increase capital for the benefit of subscribers to a company savings plan	May 31, 2017 (27th resolution)	26 months Maturity: 07/31/2019 Ended by the GM of 05/30/2018 (28th resolution)	Maximum par value: euro 2,800,000(1) (13)	None
Delegation to increase capital for the benefit of certain categories of recipients located outside France in order to establish a shareholder or savings plan for them	May 31, 2017 (28th resolution)	18 months Maturity: 11/31/2018 Ended by the GM of 05/30/2018 (29th resolution)	Maximum par value: euro 2,800,000(1) (14)	None
Authorization to grant free shares to employees and/or corporate officers of the Company or companies within the Group	May 30, 2018 (27th resolution)	38 months Maturity: 07/30/2021	No more than 3% of capital Maximum of 0.3% of capital for executive corporate officers	None
Delegation to increase capital for the benefit of subscribers to a company savings plan	May 30, 2018 (28th resolution)	26 months Maturity: 07/30/2020	Maximum par value: euro 2,800,000(7) (15)	None
Delegation to increase capital for the benefit of certain categories of recipients located outside France in order to establish a shareholder or savings plan for them	May 30, 2018 (29th resolution)	18 months Maturity: 11/30/2019	Maximum par value: euro 2,800,000(7)(16)	None

(1) This amount counts toward the euro 30,000,000 maximum for all capital increases set forth by the Extraordinary General Shareholders' Meeting of May 25, 2016 in its 19th resolution.
(2) This amount counts towards the euro 9,000,000 maximum par value of capital increases without preferential subscription rights set forth by the Extraordinary Shareholders' Meeting of May 25, 2016.
(3) This amount applies to all debt securities that the Management Board is authorized to issue under the resolutions of the Extraordinary Shareholders' Meeting of May 25, 2016.
(4) This amount counts toward the euro 30,000,000 maximum for all capital increases set forth by the Extraordinary Shareholders' Meeting of May 25, 2016 in its 19th resolution up to the Extraordinary Shareholders' Meeting of May 30, 2018. From the Extraordinary Shareholders' Meeting of May 30, 2018, the amount counts towards the euro 30,000,000 maximum for all capital increases set in the 20th resolution of the Extraordinary Shareholders' Meeting of May 30, 2018.
(5) This amount counts towards the euro 9,000,000 maximum par value of capital increases without preferential subscription rights set forth by the Extraordinary Shareholders' Meeting of May 25, 2016 in its 20th resolution up to the Extraordinary Shareholders' Meeting of May 30, 2018. From the Extraordinary Shareholders' Meeting of May 30, 2018, the amount counts towards the euro 9,000,000 maximum par value of capital increases without preferential subscription rights set forth by said Meeting in its 21st resolution.
(6) This amount counts toward the €1,200,000,000 maximum for all debt security issues set by the Extraordinary General Shareholders' Meeting of May 25, 2016 in its nineteenth resolution until the EGM of May 30, 2018. As of the Extraordinary General Shareholders' Meeting of May 30, 2018, this amount counts toward the €1,200,000,000 maximum for all debt security issues set by the EGM of May 30, 2018 in its twentieth resolution.
(7) This amount counts toward the euro 30,000,000 maximum for all capital increases set forth by the Extraordinary Shareholders' Meeting of May 30, 2018 in its 20th resolution
(8) This amount counts towards the euro 9,000,000 maximum par value of capital increases without preferential subscription rights set forth by the Extraordinary Shareholders' Meeting of May 30, 2018 in its 21st resolution.
(9) This amount applies to all debt securities that the Management Board is authorized to issue under the resolutions of the Extraordinary Shareholders' Meeting of May 30, 2018.
(10) This maximum counts toward the 3% maximum set forth in its 26th resolution (share purchase and/or subscription options) by the Extraordinary Shareholders' Meeting of May 25, 2016.
(11) This maximum counts toward the 3% maximum set forth by the Extraordinary Shareholders' Meeting of May 25, 2016 in its 25th resolution (free shares).
(12) This maximum is common to the 0.3% set forth by the Extraordinary Shareholders' Meeting of May 25, 2016 in its 25th resolution (free shares).
(13) This amount counts toward the total capital increase possible under the 28th resolution of the Extraordinary Shareholders' Meeting of May 31, 2017.
(14) This amount counts toward the total capital increase possible under the 27th resolution of the Extraordinary Shareholders' Meeting of May 31, 2017.
(15) This amount counts toward the total capital increase possible under the 29th resolution of the Extraordinary Shareholders' Meeting of May 30, 2018.
(16) This amount counts toward the total capital increase possible under the 28th resolution of the Extraordinary Shareholders' Meeting of May 30, 2018.
* Unless there is prior authorization by the General Shareholders' Meeting, the Management Board cannot use this authorization or delegation from the moment a third party has filed a public offer for Company shares, up to the end of the offer period.

8.3.2 Existence of non-representative shares, their amount and main features

All shares are representative of the Company's share capital.

8.3.3 Number, carrying amount and par value of shares held by the issuer itself or on its behalf, or by its subsidiaries

Treasury shares

The Combined Ordinary and Extraordinary General Shareholders' Meeting of May 30, 2018, in its 19th resolution, authorized the Management Board to carry out, or to have carried out, purchases in order to fulfill the following objectives:

(1) to grant or transfer shares to employees and/or management of the Company and/or of the Group in accordance with terms and conditions provided for by applicable law;

(2) to deliver shares in order to honor commitments related to securities convertible to equity through redemption, conversion, exchanges, presentation of a warrant, or in any manner for the awarding of the Company's common stock;

(3) to hold and subsequently deliver shares for exchange in a merger, spin-off or asset contribution, for payment, or other, in external growth operations;

(4) to stimulate the secondary market or liquidity of Publicis Groupe SA's shares through an investment services provider in the name and on the behalf of the Company, in line with AMF accepted market practice and in accordance with a liquidity contract, which complies with the Code of Ethics recognized by the French Regulatory Authority (Autorité des marchés financiers, or AMF) or any other applicable regulations;

(5) to cancel all, or some, of the shares acquired, under the conditions permitted by law.

This buyback program would also permit the Company to trade in its own shares with any other authorized purpose or accepted market practice or any that would become so by the law or regulations in force. In such a case, the Company would inform its shareholders through a press release.

The Company may, directly or indirectly, through an intermediary or a service provider, purchase, sell or transfer its shares as often as it wishes, at any time and by all means authorized now or in the future by the regulations in force, on regulated markets, multilateral trading systems, with systematic internalizers or over the counter, including by purchasing or selling of blocks of shares (without limiting any part of the buyback program that may be conducted by this means), sale with option to repurchase, by public offering to purchase or exchange, by use of options mechanisms or by use of any derivative financial instrument, or by use of warrants or, more generally, securities convertible into the Company's equity. The Company may also hold the shares purchased and/or cancel them subject to authorization by an Extraordinary General Shareholders' Meeting and in compliance with the applicable regulations.

However, unless there is prior authorization by the General Shareholders' Meeting, the Management Board cannot use this authorization once a third party has filed a public bid for Company shares, until the end of the offer period.

The maximum number of shares that may be bought cannot be greater than 10% of the number of shares in the share capital at any time, said percentage applying to a capital adjusted to reflect changes affecting it subsequent to the Meeting having approved this authorization and where the overall maximum of this authorization is set at one billion, nine hundred and sixty million, three hundred and thirty five thousand, seven hundred and five (1,960,335,705) euros.

The maximum share purchase price was set at euro 85, excluding expenses, it being noted that this price does not apply to share buybacks used to satisfy free share grants to employees or option exercises.

This authorization for a period of 18 months canceled, for the unused portion and the remaining time period, and replaced that previously granted by the 23rd resolution of the General Shareholders' Meeting on May 31, 2017.

The description of the share buyback program was made available on the Publicis Groupe website.

/ Summary table of purchases under various buyback programs since 2014

	Amount	Average purchase price (in euros)
Period from 01/01/2014 to 12/31/2014	1,251,497	58.73
Period from 01/01/2015 to 12/31/2015	7,732,424	72.45
Period from 01/01/2016 to 12/31/2016	1,539,706	61.41
Period from 01/01/2017 to 12/31/2017	6,060,021	64.33
Period from 01/01/2018 to 12/31/2018	**1,176,616**	**55.25**

In 2018 the Company sold 99,689 Publicis Groupe SA shares to the recipients of stock options who exercised their purchase options during the year and delivered 243,738 existing shares under the bonus stock plan.

Under the liquidity contract signed with Kepler Cheuvreux, the Company acquired 1,176,616 shares in 2018 at an average price of euro 55.25, and sold 1,155,616 shares at an average price of euro 56.96.

The trading fees and other expenses incurred by the Company during 2018 for transactions performed pursuant to the share buyback program authorized by the 23rd resolution of the General Shareholders' Meeting on May 31, 2017, and then by the 19th resolution of the General Shareholders' Meeting on May 30, 2018, amounted to euro 70,000.

At December 31, 2018, Publicis Groupe SA owned 4,009,493 shares (1.70%) of its own capital, at a total cost of euro 257,701,356 and an average price per share of euro 64.27.

8.3.4 Total amount of convertible or exchangeable securities and equity warrants, including the specified terms and conditions for conversion, exchange or subscription

The allocation of share capital at December 31, 2018, on the basis of full dilution resulting from financial instruments issued by the Company, is the following:

At December 31, 2018	Shares held	%	Voting rights	%
Élisabeth Badinter	16,700,967	6.99%	33,401,934	12.64%
Harris Associates LP	14,044,013	5.87%	14,044,013	5.32%
Treasury shares held	4,009,493	1.68%	0	0.00%
Public (registered and bearer shares)	200,495,328	83.87%	207,039,904	78.36%
Stock options outstanding[(1)]	0	0.00%	1,206,242	0.46%
Free shares still to be delivered[(2)]	2,706,043	1.13%	7,399,011	2.80%
Stock warrants outstanding[(3)]	1,104,916	0.46%	1,104,916	0.42%
Total	**239,060,760**	**100.00%**	**264,196,020**	**100.00%**

(1) Shares to be delivered on the occasion of the exercise of 1,206,242 extant options at December 31, 2018 are existing shares, already in the portfolio. All options awarded can be exercised in-the-money as of the reporting date.
(2) Out of the 7,399,011 shares to be delivered under current plans, 4,692,968 are deliverable in existing shares and the remainder (2,706,043) in new shares (some can opt for existing shares).
(3) In-the-money instruments at December 31, 2018. A factor of 1,028 is applicable to these instruments for share subscription.

A shareholder, holding 1% of Publicis Groupe SA's share capital at December 31, 2018, would hold 0.98% of Publicis Groupe SA's share capital on that date, in the event of the exercise or conversion of rights attached to equity securities convertible to equity (stock warrants, free shares awarded but not yet delivered).

The terms of conversion of equity warrants are described in Note 27 to the consolidated financial statements in Section 6.6 of this document.

8.3.5 Pledges, guarantees and sureties

There is no indirect self-control of the Company. At December 31, 2018, 30,000 registered shares managed by the Company, and 1,223,951 registered shares administered by others, were pledged, representing a total of 1,253,951 pledged shares.

No major asset held by Group companies was subject to a pledge.

8.3.6 Employee shareholding

Employees' interests in the share capital through the Company savings plans, and according to the definition of article L. 225-102 of the French Commercial Code at December 31, 2018 were not significant.

It should be noted that the Publicis Groupe FCPE (mutual fund) held 358,803 Publicis Groupe shares at December 31, 2018. As a result, Publicis Groupe employees owned 0.15% of the share capital *via* the FCPE at that date.

At December 31, 2018, the total number of options outstanding for all beneficiaries was 1,206,242, all immediately exercisable.

The Group has extended its program of Long Term Incentive Plans with the "LTIP 2018" and the "Sapient 2018 Stock Incentive Plan" and introduced a once-off plan, Sprint to the Future.

The "LTIP 2018" plan awarded 746,800 free shares to a number of Group senior executives in April 2018, under two conditions. Firstly, employment must continue throughout the three-year vesting period. Furthermore, the shares are subject to performance criteria, so that the total number of shares received will depend on the growth and profitability objectives attained in 2018.

To facilitate the integration of Sapient and its subsidiaries into the Publicis Groupe, the Management Board created a specific long-term incentive plan. The Sapient 2018 Stock Incentive Plan is based on two variable duration tranches with presence and performance criteria. Launched in April 2018, this plan awarded 516,372 free shares to a certain number of Publicis Sapient managers. The first tranche stipulated an annual delivery of one-quarter of the free shares awarded spread over a four-year period. For the second tranche, the delivery of all the free shares takes place after a three-year period.

The Sprint to the Future plan is an exceptional plan based on stringent performance conditions. The only exceptions to the continued employment condition are death and disability. The Management Board members are beneficiaries of this exceptional plan; 1,079,596 shares have been attributed between May and June 2018.

At December 31, 2018, the total number of free shares yet to vest to Group employees on condition of employment and performance, in some cases, amounted to 7,399,011.

All the details concerning the free share plans (description, changes for the year, and closing balance) are shown in Note 31 to the consolidated financial statements in Section 6.6 of this document.

8.3.7 Share capital transactions

Changes regarding the share capital in the last three years are shown below:

Dates	Share capital transactions	Number of shares	Par value (in euro)	Share capital (in euro)
12/31/2015	**Capital at December 31, 2015**	**222,540,740**	**0.40**	**89,016,296**
02/29/2016 04/30/2016 05/31/2016 07/31/2016 08/31/2016 12/31/2016	Capital increases (equity warrant exercise)	199,619	0.40	79,848
02/01/2016 04/01/2016 04/18/2016 05/03/2016 06/01/2016 06/16/2016	Capital increases (delivery of free shares)	462,580	0.40	185,032
07/04/2016	Capital increase (dividend payment in shares)	2,742,448	0.40	1,096,979
12/31/2016	**Capital at December 31, 2016**	**225,945,387**	**0.40**	**90,378,155**
02/01/2017 04/30/2017 05/31/2017 06/30/2017 08/31/2017 12/29/2017	Capital increases (equity warrant exercise)	306,665	0.40	122,666
02/01/2017 03/20/2017 04/18/2017 06/19/2017	Capital increases (delivery of free shares)	383,457	0.40	153,383
06/27/2017	Capital increase (dividend payment in shares)	3,992,216	0.40	1,596,886
12/31/2017	**Capital at December 31, 2017**	**230,627,725**	**0.40**	**92,251,090**
02/28/2018 05/31/2018	Capital increases (equity warrant exercise)	87,984	0.40	35,193
03/20/2018 04/17/2018	Capital increases (delivery of free shares)	210,612	0.40	84,245
06/28/2018	Capital increase (dividend payment in shares)	4,323,480	0.40	1,792,392
12/31/2018	**Capital at December 31, 2018**	**235,249,801**	**0.40**	**94,099,920**

8.4 STOCK MARKET INFORMATION

8.4.1 The trading of Publicis Groupe shares

After performing strongly in the first nine months of the year, the main stock markets reversed track abruptly from Autumn on, ending the year at annual lows. Investor buying appetite was dampened by the prospect of a US-China trade war, fear of a global economic slowdown, not to mention successive rate hikes in the US, political uncertainty in Europe with Italy and the prospect of a hard Brexit in the UK. This all played into weakening investor confidence over the closing months of 2018, something that continues to be seen in 2019.

Over the year, the S&P 500, the main New York benchmark, fell 6.2%, with the Dow Jones giving up 5.6% and the Nasdaq Composite 3.9%. This was the sharpest fall across the three indices since the 2008 financial crisis. Stock market performance elsewhere in the world was not optimistic. In Tokyo, the Nikkei fell 12.5% over the year, with Shanghai down 25%, the London Footsie 12.5% and the Frankfort Dax 18%. Pan-European indices saw similar losses, with the Stoxx 600 down 13.1% and the EuroStoxx 50 14.3%, their worst performances since 2008 and 2011, respectively.

Although December is traditionally a positive month for stock markets, 2018 will live in the annals as a dark month for the stock markets. The S&P500 fell 9.2% in the final month of the year, its largest monthly drop since February 2009 and its worst December since 1931. Although priced in by the market, the Fed's increase in key rates was confirmed at a time when the market was beginning to worry about signs of an economic slowdown. This served to increase risk aversion and triggered significant outflows from the equity markets. In total, the S&P lost 14.0% in Q4, with the Dow Jones down 11.8% and the Nasdaq 17.5%.

The CAC40 fell 11%, its worst year since 2011 and ended the year close to lows around 4,650 points. After having hit its annual high in Spring 2018, the Paris stock market continued to slide in the wake of Wall Street.

Although 2018 will be remembered as a dark year, 12 stocks in the CAC40 managed to end the year up. More broadly, the aerospace sector held its own, while the luxury goods sector ended the year up. Conversely, the banking sector wasn't able to escape the general slump even if their balance sheets remain strong. Overall, of the 40 stocks in the CAC40, 28 closed the year down.

2018 played out in a similar fashion to the two previous years for Media, with professional publishing out front and TV channels, advertising agencies and Outdoor bringing up the rear. With respect specifically to agencies, 2018 saw very mixed stock market performances: the Publicis stock fell by 11.6%, the WPP stock by 35%, and American agencies were up slightly. Concerning Publicis, this reflects modest and volatile organic growth for the year, but a solid model as illustrated by progress in other financial indicators, such as the operating margin, headline earnings per share and free cash flow, in line with the commitment made by Publicis during the presentation of its strategy at the Investor Day in March 2018.

WPP's share price was hit by the loss of long-standing accounts (Ford and GSK in particular), the unexpected exit of its founder, as well as the announcement of a sharp fall in profit margins. Comparable US companies saw a very slight rise in their stock prices in an environment in which investors are still wondering about the structural issues facing the sector, and despite pretty satisfactory organic growth (between 2.6% and 5.5% respectively for OMC and IPG in 2018), reflecting lower exposure to the consumer goods sector.

8.4.2 Investor relations

Publicis Groupe's financial communication is based on the principle of providing precise, transparent, true and fair information on the Group's situation to all financial markets within the framework of the current texts, standards and procedures in France: the Financial Security Law, the IFRS (International Financial Reporting Standards) and others. The Publicis Groupe Investor Relations Department maintains a close, ongoing dialogue with both brokerage company and investment fund analysts. Publicis Groupe's financial communications with institutional investors is reflected in the organization of meetings in the world's major financial markets, and by the participation of Group representatives at investor conferences.

In 2018, the Publicis Groupe met with close to 1,000 institutional investors in Europe, the United Kingdom and the United States, at roadshows and industry investor conferences in Europe and the United States.

8.4.3 Securities market

The following information regarding the shares and financial instruments comes from the Euronext and Bloomberg websites.

Publicis Groupe shares

- Listed on: Euronext Paris (ISIN code: FR0000130577);
- First day listed: June 9, 1970;
- Shares traded on Euronext Paris: all shares in the share capital.

On December 27, 2007, Publicis Groupe SA was informed that Publicis Groupe SA shares were now no longer listed on the New York Stock Exchange. This delisting followed the Company's notification on September 17, 2007 to the US market authorities that it no longer wanted Publicis Groupe SA shares listed on the New York Stock Exchange (listed in the form of American Depositary Receipts; ratio: one ADR for every one Publicis share), with average annual trading volumes rarely exceeding 1% of all shares in the share capital.

By default, the share can be traded on the New York Stock Exchange OTCQX market as an American Depositary Receipt, ratio: four ADRs for one Publicis share (ticker: PUBGY). The OTCQX platform is an information tool that provides access to US investors, while guaranteeing price transparency.

Changes in the trading price on Euronext Paris during 2018:

- high: euro 63.18 on February 15;
- low: euro 47.16 on December 10;
- average price: euro 55.78 (based on closing prices).

/ Trading volume and Company share price over the last 18 months on Euronext Paris

			Average volumes traded per session*		Monthly price (in euros)			
Period		Number of trading sessions	Number of securities	Share capital (in thousands of euros)	First listing	Last listing	Highest	Lowest
2017	October	22	926,006	54,063	59.20	55.96	62.82	54.30
	November	22	678,088	36,991	56.00	55.80	56.43	52.04
	December	19	559,248	31,769	55.93	56.65	58.50	54.93
2018	January	22	720,342	40,555	56.60	55.68	58.68	53.42
	February	20	996,329	58,907	55.68	62.04	63.18	52.88
	March	21	801,542	46,094	60.90	56.58	61.00	54.52
	April	20	683,375	39,556	56.00	62.00	62.00	54.62
	May	22	589,059	36,057	61.82	59.54	62.90	58.64
	June	21	726,469	42,827	59.90	58.94	61.24	56.42
	July	22	843,920	47,226	58.10	54.66	61.04	51.78
	August	23	472,647	26,001	54.58	55.30	56.28	53.30
	September	20	750,993	38,727	55.14	51.48	55.26	48.96
	October	23	872,392	45,765	51.50	51.24	56.50	49.60
	November	22	599,231	31,435	51.26	52.36	53.88	51.20
	December	19	823,629	40,762	52.68	50.08	53.16	47.16
2019	January	22	625,263	32,778	49.43	53.30	54.68	48.70
	February	20	941,115	46,117	53.46	48.73	55.76	46.15
	March	21	644,422	31,950	48.87	47.73	51.56	47.15

* Volumes traded on Euronext (excluding alternative platforms).

8

Publicis Groupe share warrants

- Listed on: Euronext Paris (ISIN code: FR0000312928);
- First day listed: September 24, 2002;
- Changes in the trading price on Euronext Paris in 2018:
- high: euro 33.20 on February 14,
- low: euro 19.00 on December 11,
- average price: euro 26.7374 (based on closing prices).

As at December 31, 2018, 1,074,821 warrants, exercisable until 2022, were outstanding.

Euro 1.3 billion Eurobond issued in two tranches on December 9, 2014 with maturity in 2021 and 2024

- Listed on: Euronext Paris;
- First day listed: December 11, 2014;
- Changes in the trading price on Euronext Paris in 2018:
- euro 700 million tranche maturing on December 16, 2021, with an annual coupon of 1.125% (ISIN code: FR0012384634):
  - high: 103.375 on May 29,
  - low: 101.958 on December 12,
  - average price: euro 102.561 (based on closing prices),
- euro 600 million tranche maturing on December 16, 2024, with an annual coupon of 1.625% (ISIN code: FR0012384667):
  - high: 105.396 on May 29,
  - low: 103.078 on October 5,
  - average price: euro 104.077 (based on closing prices).

Euro 500 million Eurobond issued on October 28, 2016 with maturity in 2023

- Listed on: Euronext Paris;
- First day listed: November 3, 2016;
- Changes in the trading price on Euronext Paris in 2018:
- high: euro 99.68 on May 29,
- low: euro 97.877 on February 15,
- average price: euro 98.543 (based on closing prices).

CHAPTER

GENERAL SHAREHOLDERS' MEETING

9

The Combined Annual Ordinary and Extraordinary General Shareholders' Meeting will take place on May 29, 2019 at Publicis cinémas, 133, avenue des Champs-Élysées, Paris 8, France.

Prior to this meeting, the legal documents and information will be communicated to shareholders, in accordance with the applicable laws, and notably by electronic consultation on the Publicis website.

CHAPTER

ADDITIONAL INFORMATION

10

10.1 DOCUMENTS ON DISPLAY 308

10.2 REGISTRATION DOCUMENT RESPONSIBILITY AND DECLARATION 309

10.2.1 Responsibility for the Registration Document 309

10.2.2 Declaration of the person responsible for the Registration Document 309

10.3 STATUTORY AUDITORS 310

10.3.1 Principal statutory auditors 310

10.3.2 Alternate statutory auditors 310

10.4 CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT 311

10.5 CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT 314

10.6 CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT 315

Commentary on the financial year 315

Presentation of the Group 315

Company information and capital structure 316

Elements pertaining to the financial statements 316

10.7 CROSS-REFERENCE TABLE FOR THE CORPORATE GOVERNANCE REPORT 317

Corporate governance 317

Elements relating to compensation 317

Elements likely to be relevant in the event of a public offer 318

Observations of the statutory auditors 318

10.1 DOCUMENTS ON DISPLAY

During the validity of this document, the Company's bylaws, minutes of the General Shareholders' Meetings, as well as reports of the Management Board and the statutory auditors, and all other documents addressed or available to shareholders as required by law are available at the registered office of Publicis Groupe SA, 133, avenue des Champs-Élysées, 75008 Paris.

The Company bylaws are also available on the Publicis Groupe's website (www.publicisgroupe.com).

The parent company financial statements and the consolidated financial statements of Publicis Groupe SA for the financial years ended December 31, 2017 and December 31, 2018 are available at the registered office of the Company according to the laws and regulations in effect. They are also available on the Publicis Groupe website (www.publicisgroupe. com and www.publicisgroupe.com/ir) and on the website of the French Regulatory Authority (www.amf-france.org).

Furthermore, historical financial information for any direct or indirect subsidiary of the Company for the years ended December 31, 2017 and December 31, 2018 is available at the registered office of such subsidiary, as required by relevant laws and regulations.

10.2 REGISTRATION DOCUMENT RESPONSIBILITY AND DECLARATION

10.2.1 Responsibility for the Registration Document

Arthur Sadoun, Chair of the Management Board of Publicis Groupe SA (“the Company”).

10.2.2 Declaration of the person responsible for the Registration Document

I confirm, having exercised due diligence in this regard, that, to the best of my knowledge, the information in this Registration Document is true and contains no material omission.

I also confirm that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the Company’s assets, financial position and profit, as well as those of its consolidated subsidiaries, and that the management report, the various components of which are indicated in the Cross-referencing table in Section 10.6, provides a fair view of the progress of the business, results and financial position of the Company and all its consolidated subsidiaries, and a description of the main risks and uncertainties that they face.

I have obtained from the statutory auditors an end-of-engagement letter (*lettre de fin de travaux*), in which they state that they have verified the financial position and financial statements in this Registration Document, and have reviewed this Registration Document.

Paris, April 15, 2019

Arthur Sadoun,

Chair & CEO

10.3 STATUTORY AUDITORS

10.3.1 Principal statutory auditors

Ernst & Young et Autres

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Regional Company of statutory auditors of Versailles)

Represented by Vincent de La Bachelerie and Valérie Desclève

1/2, Place des Saisons, 92400 Courbevoie – Paris La Défense 1

Appointed at the General Shareholders' Meeting of June 4, 2007; appointment renewed at the General Shareholders' Meeting of May 29, 2013, for a term of six years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

Ernst & Young et Autres replaced Ernst & Young Audit, a company belonging to the same network, which had been appointed statutory auditor by the General Shareholders' Meeting of June 14, 2001.

Mazars

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Regional Company of statutory auditors of Versailles)

Company represented by Philippe Castagnac and Ariane Mignon

61, rue Henri-Regnault, Tour Exaltis, 92400 Courbevoie

Appointed at the General Shareholders' Meeting of June 25, 1981; appointment renewed most recently at the General Shareholders' Meeting of May 31, 2017, for a term of six years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2022.

10.3.2 Alternate statutory auditors

Auditex

1/2, place des Saisons, 92400 Courbevoie – Paris La Défense 1

Appointed at the General Shareholders' Meeting of June 4, 2007; appointment renewed at the General Shareholders' Meeting of May 29, 2013, for a term of six years expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

Gilles Rainaut

61, rue Henri-Regnault, Tour Exaltis, 92400 Courbevoie

Appointed at the General Shareholders' Meeting on June 1, 2010, and whose term was renewed by the General Shareholders' Meeting of May 25, 2016 for a term of six years, expiring at the General Shareholders' Meeting that will be called to approve the financial statements for the year ending December 31, 2021.

10.4 CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT

See Appendix 1 of European Regulation no. 809/2004

			Page no.	Section no.
1.	**Persons responsible**			
	1.1.	Identity	309	10.2.1
	1.2.	Declaration	309	10.2.2
2.	**Statutory auditors**			
	2.1.	Identity	310	10.3
	2.2.	Any changes	-	n/a
3.	**Selected financial information**			
	3.1.	Historical financial information	20	1.1
	3.2.	Intermediate financial information	-	n/a
4.	**Risk factors**		39 to 53	2
5.	**Information on the issuer**			
	5.1.	History and development of the Company	21 to 24; 288	1.2:8.1.1 to 8.1.4
	5.2.	Investments	33 to 36	1.5
6.	**Business overview**			
	6.1.	Main activities	26 to 29	1.4.1 to 1.4.3
	6.2.	Main markets	29 to 31; 237-238	1.4.5; 1.4.6 and 6.6 (Note 30)
	6.3.	Exceptional events		n/a
	6.4.	Dependence of the issuer	29 to 30 and 40 to 53	1.4.5 and 2
	6.5.	Competitive position	31-32	1.4.8
7.	**Organization chart**			
	7.1.	Description of the Group	25	1.3.1
	7.2.	List of main subsidiaries	25	1.3.2
8.	**Property, plants and equipment**			
	8.1.	Main property, plant and equipment	29	1.4.4
	8.2.	Environmental matters	148 to 152	4.5
9.	**Analysis of the financial situation and result**			
	9.1.	Financial position	168 to 170	5.4
	9.2.	Operating income (expense)	162 to 167	5.1 to 5.3
10.	**Cash flow and capital**			
	10.1.	Capital resources	169 to 170	5.4.2
	10.2.	Cash flow	168 to 169	5.4.1
	10.3.	Borrowing conditions and financing structure	170	5.4.3
	10.4.	Restrictions on use of capital	170	5.4.4
	10.5.	Anticipated financing sources	170	5.4.5

			Page no.	Section no.
11.	**Research and development, patents and licenses**		37-38	1.7
12.	**Outlook**		174	5.7
13.	**Forecasts or estimates of earnings**		-	n/a
14.	**Management, supervisory bodies and executive management**			
	14.1.	Information on members	56 to 77	3.1.1 and 3.1.2
	14.2.	Conflicts of interest	75 to 77	3.1.1.5
15.	**Compensation and benefits**			
	15.1.	Compensation and benefits in kind	84 to 115	3.2
	15.2.	Provisions for pensions and retirement	112 and 217 to 222 and 243	3.2.4 and 6.6 (Notes 23 and 32)
16.	**Board and management body practices**			
	16.1.	Date of expiration of terms of office	56 to 73	3.1.1.1 and 3.1.1.2
	16.2.	Service agreements of the Management Board and the Supervisory Board members	116	3.3.1
	16.3.	Audit Committee and Compensation Committee	56 to 58 and 80-81	3.1.1.1 and 3.1.3
	16.4.	Compliance with current company regulations	56 and 82	3 and 3.1.4
17.	**Employees**			
	17.1.	Number of employees	200-201	6.6 (Note 5)
	17.2.	Shareholdings and stock options of corporate officers	100 to 112 and 113 to 115	3.2.3; 3.2.5 and 3.2.6
	17.3.	Agreement on employee share ownership	300	8.3.6
18.	**Main shareholders**			
	18.1.	Shareholders holding more than 5% of the capital	291-292	8.2.1
	18.2.	Existence of different voting rights	289-290	8.1.5
	18.3.	Direct or indirect control	292	8.2.2
	18.4.	Agreement that could lead to a change in control	292	8.2.3
19.	**Related party transactions**		116-117	3.3
20.	**Financial information concerning the issuer's assets, financial position, and results of operations**			
	20.1.	Historical financial information	176 to 248 and 258 to 261	6 and 7
	20.2.	Pro forma financial information	-	n/a
	20.3.	Financial statements	176-248	6
	20.4.	Verification of annual historical financial information	249 to 255 and 282 to 285	6.7 and 7.6
	20.5.	Date of most recent financial information	-	n/a
	20.6.	Intermediate and other financial information	-	n/a
	20.7.	Dividend distribution policy	173	5.6
	20.8.	Litigation	46 to 48; 190 and 216	2.4 and 6 (Note 1.3-Provisions and 22)
	20.9.	Important changes in the financial or commercial position	-	n/a

			Page no.	Section no.
21.	Additional information			
	21.1.	Share capital	293 to 301	8.3
	21.2.	Deeds of incorporation and bylaws	288 to 290	8.1.5
22.	Major contracts		36	1.6
23.	Information from third parties, experts and declared interests		-	n/a
24.	Documents on display		308	10.1
25.	Information on holdings		244 to 248 and 279-280	6.6 (Note 35) and 7.4 (Note 27)

Pursuant to article 28 of EC Commission Regulation no. 809/2004, the following information is incorporated by reference into this Registration Document:

- the consolidated financial statements for the 2017 financial year drawn up in accordance with IFRS, and the statutory auditors' report relating thereto, which are shown on pages 155 to 209 and 210 to 214 of the 2017 Registration Document filed with the AMF on April 20, 2018 under no. D. 18-0359;
- the consolidated financial statements for the 2016 financial year drawn up in accordance with IFRS, and the statutory auditors' report relating thereto, which are shown on pages 147 to 208 and 209 to 210 of the 2016 Registration Document filed with the AMF on May 9, 2017 under no. D. 17-0496;
- the change in the Group's financial position and operating profit for the 2017 financial year, shown on pages 141 to 150 of the 2017 Registration Document filed with the AMF on May 20, 2018 under no. D. 18-0359;
- the change in the Group's financial position and operating profit for the 2016 financial year, shown on pages 133 to 144 of the 2016 Registration Document filed with the AMF on May 9, 2017 under no. D. 17-0496;
- the annual financial statements for the 2017 financial year drawn up according to French accounting standards, and the statutory auditors' report relating thereto, which are shown respectively on pages 211 to 237 and 238 to 241 of the 2017 Registration Document filed with the AMF on April 20, 2018 under no. D. 18-0359;
- the annual financial statements for the 2016 financial year drawn up according to French accounting standards, and the statutory auditors' report relating thereto, which are shown respectively on pages 215 to 234 and 235 of the 2016 Registration Document filed with the AMF on May 9, 2017 under no. D. 17-0496;
- the statutory auditors' special report on related-party agreements for the 2017 financial year, shown on pages 104 to 106 of the 2017 Registration Document filed with the AMF on April 20, 2018 under no. D. 18-0359;
- the statutory auditors' special report on related-party agreements for the 2016 financial year, shown on pages 104 to 107 of the 2016 Registration Document filed with the AMF on May 9, 2017 under no. D. 17-0496;
- the sections of the 2017 and 2016 Registration Documents that are not included are either irrelevant for investors, or covered by this Registration Document.

10.5 CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

In order to facilitate the reading of the annual financial report, the following thematic table makes it possible to identify the main information required by article L. 451-1-2 of the French Monetary and Financial Code in this Registration Document.

Item in the annual financial report	Page no.	Section no.
1. Annual financial statements	258 to 281	7.1 to 7.5
2. Consolidated financial statements	176 to 248	6.1 to 6.6
3. Statutory auditors' report on the annual financial statements	282 to 285	7.6
4. Statutory auditors' report on the consolidated financial statements	249 to 255	6.7
5. Management report including at least the information mentioned in articles L. 225-100, L. 225-100-2, L. 225-100-3 and L. 225-211 paragraph 2 of the French Commercial Code	See reconciliation table for the management report shown in Section 10.6	
6. Declaration of the persons responsible for the management report	309	10.2.2
7. Compensation of the statutory auditors	243	6.6 (Note 34)

10.6 CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT

Commentary on the financial year

	Page no.	Section no.
Situation and business activities of the Company and the Group	20; 21 to 24; 25; 26 to 32	1.1; 1.2; 1.3; 1.4
Business results of the Company and the Group	176 to 178; 258; 259 to 260; 279 to 280; 281	6.1 to 6.3; 7.1; 7.2; 7.4 (Note 27); 7.5
Objective and exhaustive analysis of business developments, results and financial position of the Company and the Group	33 to 36; 162 to 172	1.5; 5.1 to 5.5
Key indicators of non-financial performance with regard to the Company's specific business activities		n/a
Key events occurring between the date of close of the financial year and the date the report is prepared	35	1.5.2
Foreseeable development of the Company and the Group	35; 36; 174	1.5.2; 1.5.3; 5.7
Dividends distributed over the three preceding years and amount of income distributed during the same years eligible for 40% deduction	173	5.6
Investments or controlling interests in companies headquartered in French territory	25; 33 to 35	1.3.2; 1.5.1

Presentation of the Group

	Page no.	Section no.
Description of the main risk factors and uncertainties faced by the Company and Group	40 to 49	2.1 to 2.5
Indications of financial risks linked to the effects of climate change and presentation of measures taken to reduce them through implementation of a low carbon strategy	45; 148 to 151; 156 to 157	2.3; 4.5; 4.8
Main features of internal control and risk management procedures relating to the preparation and processing of the accounting and financial information	51 to 53	2.7
Indications of objectives and policy regarding each main category using hedge accounting, and the exposure to risks relating to prices, credit, liquidity and cash flow (use of financial instruments by the Company)	49; 170; 189; 222 to 227; 230 to 233; 234 to 236	2.5; 5.4.3; 6.6 (Notes 1.3, 24, 28, 29)
Declaration of non-financial performance	121 to 160	4
Research and development activities	37 to 38; 187	1.7; 6.6 (Note 1.3)
Existing branches		n/a

Company information and capital structure

	Page no.	Section no.
Transactions in the Company's shares by managers and related persons	115	3.2.6
Details of purchases and sales of treasury shares during the financial year	298 to 299	8.3.3
Any adjustments for securities giving access to the share capital in case of buyback or financial transactions	228 to 229	6.6 (Note 27)
Major shareholders and treasury shares	291 to 292	8.2.1
Employee shareholding	300	8.3.6
Conditions for exercise and retention of stock options by the executive corporate officers	91 238 to 241	3.2.2 6.6 (note 31)
Conditions for retaining free shares attributed to executive corporate officers	88 to 91 238 to 241	3.2.2 6.6 (note 31)
Notice given to another stock company that the Company owns over 10% of its capital		n/a
Disposal of shares carried out in order to rectify any situation of reciprocal shareholding		n/a
Injunctions or fines issued by the French Competition authority for anti-competitive practices, and which the authority has ordered, as an additional measure, to be mentioned in the management report		n/a
Vigilance plan to identify risks and prevent serious infringements in the areas of human rights, fundamental freedoms, health, security and the environment, resulting from the activity of the Company and of the companies it controls and from the activities of sub-contractors and suppliers	144 to 145	4.4.1

Elements pertaining to the financial statements

	Page No.	Section No.
Company's results over the past five years	281	7.5
Information on payment periods for suppliers and customers: total amount and number of unsettled invoices received and issued	171 to 172	5.5
Amount of loans granted in application of article L. 511-6 of the French Monetary and Financial Code		n/a

10.7 CROSS-REFERENCE TABLE FOR THE CORPORATE GOVERNANCE REPORT

Corporate governance

	Page no.	Section no.
List of all offices and functions exercised in any company by each corporate officer of the Company during the financial year	60 to 73	3.1.1.1; 3.1.1.2
Content of, and conditions for preparing and organizing, the Supervisory Board's work	56 to 70; 74 to 75; 77 to 81	3.1.1.1; 3.1.1.3; 3.1.1.4; 3.1.3
Description of the diversity policy applied to Supervisory Board members, description of the goals of this policy, its mode of implementation and the results achieved; Information on the manner in which the Company seeks to ensure gender balance on the committee established by management to periodically help it carry out its general responsibilities and on the diversity results achieved in the 10% of positions with the most responsibility	56 ; 59 77; 124 to 129	3.1.1.1; 3.1.2; 4.1.2
Potential limitations which Supervisory Board imposes on powers of the Management Board	78	3.1.3
Provisions deviating from the Afep-Medef Code and reasons for this	82	3.1.4
Particular terms and conditions of shareholder participation in General Shareholders' Meetings or provisions in the bylaws covering these terms	289	8.1.5
Observations of the Supervisory Board on the Management Board report and the financial statements for the year	79	3.1.3
Agreements between a corporate officer or major shareholder with a subsidiary of the Company (excluding agreements relating to current operations or concluded on arm's length terms)	112; 118 to 120	3.2.4; 3.4
Summary table of current delegations of authority and authorizations in the area of capital increases	293 to 297	8.3.1

Elements relating to compensation

	Page no.	Section no.
Principles and criteria used to determine, allocate and award the fixed, variable and extraordinary components of the total compensation and the benefits of all kinds payable to the members of the Management Board and members of the Supervisory Board for the offices they hold	84 to 85; 87 to 91	3.2.1.1; 3.2.1.2; 3.2.2.1
Total compensation and other benefits paid to corporate officers during the financial year	85 to 86; 91 to 100; 101 to 112	3.2.1.3; 3.2.2.2 to 3.2.2.5; 3.2.3
All commitments made by the Company for its corporate officers, corresponding to compensation, indemnities or benefits due or likely to be due as a result of taking up, ceasing or changing functions, or at a later date	91 to 100	3.2.2.2 to 3.2.2.5

Elements likely to be relevant in the event of a public offer

	Page no.	Section no.
Structure of the Company's share capital	113 to 114; 291 to 292; 293 to 301	3.2.5; 8.2; 8.3
Limitations in the bylaws on the exercise of voting rights and transfer of shares or clauses in agreements brought to the attention of the Company in application of article L. 233-11 of the French Commercial Code		n/a
Direct or indirect ownership of the Company's share capital of which it is aware, pursuant to article L. 233-7 of the French Commercial Code	291 to 292	8.2.1
List of holders of securities with special rights of control and a description of these rights		n/a
Control mechanisms in a potential employee shareholding system, when controlling rights are not exercised by employees		n/a
Agreements between shareholders of which the Company is aware and which might hinder the transfer of shares and the exercise of voting rights		n/a
Rules applicable to the appointment and replacement of members of the Management Board as well as changes made to the bylaws	288 to 290	8.1.5
Powers of the Management Board, in particular regarding the issuance or repurchase of shares	288 to 290; 293 to 297; 298-299	8.1.5; 8.3.1; 8.3.3
Agreements concluded by the Company which are modified or come to an end in the event of a change of control	292	8.2.3
Agreements allowing for payment of indemnities to members of the Management Board or employees if they resign or are dismissed without real or serious cause, or if their employment ends because of a public offering	292	8.2.3

Observations of the statutory auditors

	Page no.	Section no.
Report by the statutory auditors on the corporate governance report	282 to 285	7.6

Designed & published by LABRADOR INFORMATION DESIGN +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