Consolidated financial statements

2017 Financial Year

Consolidated income statement

(in millions of euros)	*Notes*	***2017***	***2016***
Revenue		**9,690**	**9,733**
Personnel expenses	*3*	(5,977)	(6,059)
Other operating expenses	*4*	(2,047)	(1,992)
Operating margin before depreciation and amortization		**1,666**	**1,682**
Depreciation and amortization expense (excluding intangibles arising from acquisitions)	*5*	(161)	(166)
Operating Margin		**1,505**	**1,516**
Amortization of intangibles arising from acquisitions	*5*	(73)	(79)
Impairment loss	*5*	(115)	(1,440)
Non-current income and expenses	*6*	(1)	12
Operating income		**1,316**	**9**
Financial expenses	*7*	(101)	(107)
Financial income	*7*	50	33
Cost of net financial debt	***7***	**(51)**	**(74)**
Revaluation of earn-out payments on acquisitions	*7*	(66)	(108)
Other financial income and expenses	*7*	(10)	-
Pre-tax income of consolidated companies		**1,189**	**(173)**
Income taxes	*8*	(312)	(342)
Net income of consolidated companies		**877**	**(515)**
Share of profit of associates	*13*	(5)	(5)
Net income		**872**	**(520)**
Of which:			
- Net income attributable to non-controlling interests		10	7
- **Net income attributable to equity holders of the parent company**		**862**	**(527)**
Per share data *(in euros)* – **Net income attributable to equity holders of the parent company**	*9*		
Number of shares		*226,384,707*	*223,498,871*
Earnings per share		3.81	(2.36)
Number of diluted shares		*230,673,578*	*223,498,871*
Diluted earnings per share		3.74	(2.36)

Consolidated statement of comprehensive income

(in millions of euros)	***2017***	***2016***
Profit (Loss) for the year (a)	**872**	**(520)**
Comprehensive income that will not be reclassified to income statement		
- Actuarial gains (and losses) on defined benefit plans	13	(4)
- Deferred taxes on comprehensive income that will not be reclassified to income statement	28	14
Comprehensive income that may be reclassified to income statement		
- Revaluation of available-for-sale investments and hedging instruments	(9)	31
- Consolidation translation adjustments	(597)	100
Total other comprehensive income (b)	**(565)**	**141**
Total comprehensive income for the year (a) + (b)	**307**	**(379)**
Of which:		
- Total comprehensive income attributable to non-controlling interests	5	7
- Total comprehensive income attributable to equity holders of the parent company	302	(386)

Consolidated balance sheet

(in millions of euros)	***Notes***	***December 31, 2017***	***December 31, 2016***
ASSETS			
Goodwill, net	*10*	8,450	9,150
Intangible assets, net	*11*	1,124	1,345
Property, plant and equipment, net	*12*	590	640
Deferred tax assets	*8*	130	150
Investments in associates	*13*	64	87
Other financial assets	*14*	169	182
Non-current assets		**10,527**	**11,554**
Inventories and work in progress	*15*	385	406
Trade receivables	*16*	9,750	10,010
Other current receivables and assets	*17*	649	698
Cash and cash equivalents	*18*	2,407	2,228
Assets held for sale	*2*	62	-
Current assets		**13,253**	**13,342**
Total assets		**23,780**	**24,896**

EQUITY AND LIABILITIES			
Share capital		92	90
Additional paid-in capital and retained earnings, Group share		5,864	5,965
Equity attributable to holders of the parent company	***19***	**5,956**	**6,055**
Non-controlling interests		2	10
Total equity		**5,958**	**6,065**
Long-term borrowings	*22*	2,780	3,028
Deferred tax liabilities	*8*	419	649
Long-term provisions	*20*	591	556
Non-current liabilities		**3,790**	**4,233**
Trade payables		11,541	11,992
Short-term borrowings	*22*	350	283
Income taxes payable		204	88
Short-term provisions	*20*	107	130
Other creditors and current liabilities	*23*	1,814	2,105
Liabilities held for sale	*2*	16	-
Current liabilities		**14,032**	**14,598**
Total equity and liabilities		**23,780**	**24,896**

Consolidated statement of cash flows

(in millions of euros)	***2017***	***2016***
Cash flows from operating activities		
Net income	872	(520)
Neutralization of non-cash income and expenses:		
Income taxes	312	342
Cost of net financial debt	51	74
Capital (gains) losses on disposals (before tax)	-	(9)
Depreciation, amortization and impairment loss on property, plant and equipment and intangible assets	349	1,685
Share-based compensation	55	55
Other non-cash income and expenses	74	115
Share of profit of associates	5	5
Dividends received from associates	2	3
Taxes paid	(264)	(257)
Interest paid	(90)	(106)
Interest received	52	40
Change in working capital requirements [(1)]	69	(355)
Net cash flows generated by (used in) operating activities (I)	**1,487**	**1,072**
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(136)	(173)
Disposals of property, plant and equipment and intangible assets	5	7
Purchases of investments and other financial assets, net	2	(12)
Acquisitions of subsidiaries	(289)	(240)
Disposals of subsidiaries	1	7
Net cash flows generated by (used in) investing activities (II)	**(417)**	**(411)**
Cash flows from financing activities		
Dividends paid to holders of the parent company	(170)	(193)
Dividends paid to non-controlling interests	(10)	(20)
Proceeds from borrowings	19	513
Repayment of borrowings	(27)	(517)
Net purchases of non-controlling interests	(35)	(44)
Net (purchases)/sales of treasury shares and warrants	(291)	24
Net cash flows generated by (used in) financing activities (III)	**(514)**	**(237)**
Impact of exchange rate fluctuations (IV)	**(379)**	**126**
Change in consolidated cash and cash equivalents (I + II + III + IV)	**177**	**550**
Cash and cash equivalents on January 1	2,228	1,672
Bank overdrafts on January 1	(25)	(19)
Net cash and cash equivalents at beginning of year (V)	**2,203**	**1,653**
Cash and cash equivalents on December 31 (Note 18)	2,407	2,228
Bank overdrafts on December 31 (Note 22)	(27)	(25)
Net cash and cash equivalents at end of year (VI)	**2,380**	**2,203**
Change in consolidated cash and cash equivalents (VI – V)	**177**	**550**
(1) Breakdown of change in working capital requirements		
Change in inventory and work in progress	(17)	28
Change in trade receivables and other receivables	(693)	(222)
Change in accounts payable, other payables and provisions	779	(161)
Change in working capital requirements	**69**	**(355)**

Consolidated statement of changes in equity

Number of outstanding shares	*(in millions of euros)*	Share capital	Additional paid-in capital	Reserves and earnings brought forward	Translation reserve	Fair value reserve	Equity attributable to the holders of the parent company	Non-controlling interests	Total equity
221,323,901	**January 1, 2016**	**89**	**3,262**	**2,928**	**155**	**122**	**6,556**	**27**	**6,583**
	Net income			(527)			(527)	7	(520)
	Other comprehensive income, net of tax				100	41	141		141
	Total income and expenses for the year			**(527)**	**100**	**41**	**(386)**	**7**	**(379)**
2,742,448	Dividends	1	161	(355)			(193)	(20)	(213)
462,580	Share-based compensation, net of tax			58			58		58
	Effect of acquisitions and commitments to buy out non-controlling interests			(4)			(4)	(4)	(8)
199,619	Equity warrant exercise		6				6		6
639,236	Purchases/sales of treasury shares			18			18		18
225,367,784	**December 31, 2016**	**90**	**3,429**	**2,118**	**255**	**163**	**6,055**	**10**	**6,065**
	Net income			862			862	10	872
	Other comprehensive income, net of tax				(592)	32	(560)	(5)	(565)
	Total income and expenses for the year			**862**	**(592)**	**32**	**302**	**5**	**307**
3,992,216	Dividends	2	242	(414)			(170)	(10)	(180)
383,457	Share-based compensation, net of tax			53			53		53
	Effect of acquisitions and commitments to buy out non-controlling interests			7			7	(3)	4
306,665	Equity warrant exercise		9				9		9
(3,754,317)	Purchases/sales of treasury shares			(300)			(300)		(300)
226,295,805	**December 31, 2017**	**92**	**3,680**	**2,326**	**(337)**	**195**	**5,956**	**2**	**5,958**

Notes to the consolidated financial statements

Note 1. Accounting policies

Pursuant to European Regulation no. 1606/2002 of July 19, 2002 pertaining to international accounting standards, the 2017 consolidated financial statements were prepared in accordance with international IAS/IFRS standards and IFRIC interpretations applicable on December 31, 2017 as approved by the European Union.

The financial statements for the 2017 financial year are presented alongside comparative figures for the 2016 financial year, which were also prepared under IAS/IFRS.

The financial statements were approved by the Management Board on February 2, 2018 and reviewed by the Supervisory Board on February 7, 2018. They will be submitted for approval by the shareholders at the General Shareholders' Meeting on May 30, 2018.

1.1 Impact of IFRS standards and IFRIC interpretations taking effect as of January 1, 2017 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 in the preparation of the consolidated financial statements comply with IFRS standards and IFRIC interpretations, as adopted by the European Union as of December 31, 2017 and published on the following website:

http://ec.europa.eu/internal_market/accounting/legal_framework/ regulations_adopting_ias_fr.htm

These accounting principles are consistent with those applied to prepare the annual consolidated financial statements for the financial year ending December 31, 2016, except for the following standards and interpretations.

Application of new standards and interpretations

The Group's application of the following standards and interpretations, adopted by the European Union and mandatory in financial years beginning on or after January 1, 2017, had no major impact on the Group's financial statements:

- Amendment to IAS 7 – Disclosure initiative concerning information provided on the statement of cash flows
- Amendment to IAS 12 – Recognition of deferred tax assets for unrealized losses
- IFRS annual improvements cycle 2014 – 2016

However, application of the amendment to IAS 7 resulted in the Group supplementing the notes to the financial statements with the statement of changes in financial liabilities under Note 22 "Borrowings and other financial liabilities".

Early application

As of December 31, 2017, the Group has not introduced the early application of any new standard or interpretation.

Standards published by the IASB, for which application is not mandatory

The principles applied by the Group do not differ from IFRS standards as published by the IASB, since the application of the following standards and interpretations is not mandatory in financial years beginning on or after January 1, 2017:

- IFRS 15 – "Revenue from contracts with customers". This standard primarily impacts the recognition of directly reimbursable costs and the classification as "agent" or "principal", notably for production activities and certain media activities.
- IFRS 9 and amendments to IFRS 9 – "Financial Instruments: Recognition and Measurement of financial assets, fair value option for financial liabilities and hedge accounting". Analysis of the potential impact of the application of this new standard on the Group's consolidated financial statements is currently being carried out, in particular regarding the impairment of trade receivables and the recognition of swaps qualified as cash flow hedge. Based on the analyses performed to date, the impact should be minimal.
- IFRS 16 – "Leases": The main impacts of this standard relate to real estate leases. Work to produce an estimate of the impact of the application of this standard with effect from January 1, 2019 began during the first half of 2017. At this stage, the Group has not elected to apply IFRS 16 early, at the same time as IFRS 15.
- IFRIC 22 – "Foreign currency transactions and advance consideration."
- IFRIC 23 – "Uncertainty over income tax treatments."

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

Business combinations effective before January 1, 2010

The accounting treatments applied to business combinations prior to January 1, 2010 which may still have an impact at December 31, 2017 are as follows:

- price adjustments were recognized at the acquisition date (exclusive control) if and only if the Group had a current obligation with a likely settlement which could be reliably assessed. Changes in estimates of the amount of the price adjustment affected goodwill. These arrangements continue to be applied to the variations, subsequent to January 1, 2010, of price adjustments in relation to business combinations prior to this date;
- initially, the commitments to buy out non-controlling interests were recognized as borrowings at the discounted value of the purchase obligation, with a double entry booked to non-controlling interests (minority interests) and the remainder to goodwill. Subsequent changes in the amount of the obligation were recognized by adjusting the amount of goodwill. These arrangements continue to be applied to the subsequent changes to commitments prior to January 1, 2010.

Business combinations effective as of January 1, 2010

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 software includes in-house applications as well as commercial packages; it is measured either at its acquisition cost (if purchased externally) or at its production cost (if developed internally). It is amortized over its useful life:

- ERP: eight years;
- Other: three years maximum.

Property, plant and equipment

Items of property, plant and equipment are measured at 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.

Leases

Finance leases, which transfer substantially all the risks and rewards of the ownership of the leased asset to the Group, are recognized in the balance sheet from the beginning of the lease contract at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Assets acquired under finance leases are recognized in property, plant and equipment and a corresponding liability is recognized in borrowings. They are depreciated over the length of the lease contract or over the useful lives applicable to similar assets owned, whichever is shorter. In the income statement, lease rental expenses are replaced by the interest on the debt and the depreciation of the assets. The tax effect of this restatement for consolidation purposes is accounted for through the recognition of a deferred tax asset or liability.

Leases in which the lessor does not transfer substantially all of the risks and rewards of ownership of the leased assets are classified as operating leases. Payments made under operating leases are recognized as a charge in the income statement on a straight-line basis over the term of the lease.

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.

Subsequent to their initial recognition, investments classified as “investments held for trading” or “available-for-sale financial assets” are measured at their fair value at the reporting date. Gains and losses on investments held for trading are recognized in income. Gains and losses on available-for-sale financial assets are recognized in equity, on a specific line, until the investment is sold or shown to be substantially or permanently impaired.

Other long-term investments held until maturity, such as bonds, are measured at amortized cost using the effective interest 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 owed by 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

Work in progress is linked to the advertising business, i.e. technical creative and production work (for print, TV, radio, publishing, etc.) for which the client is ultimately liable but has not yet been invoiced. 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.

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.

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.

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 directly in equity. 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 recognized 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;
- provision for litigation and claims

  The Group recognizes a provision in each case where a risk related to litigation or a claim of any type (commercial, regulatory, tax or employee related) is identified, where it is probable that an outflow of resources will be necessary to extinguish this risk and where a reliable estimate of the costs to be incurred can be made. In such cases, the amount of the provision (including any related penalties) is determined by the agencies and their experts, under the supervision of the Group's head office teams, on the basis of their best estimate of the probable costs related to the litigation or the claim;
- 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

  A provision is recognized for the amount of rent and related charges to be paid, net of any sublease revenue to be received, for all buildings that are sublet or vacant and not intended to be used in the context of the Group's principal activities.

  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.

Revenue

Written confirmation from the client (purchase order, letter, contract, etc.) specifying the nature and amount of the work to be performed is required prior to the recognition of revenue. The Group's revenue recognition policies are summarized below:

- commission-based agreements (excluding production):

  revenue from creative advertising and media buying services is recognized on the date of broadcast or publication;

- fees (project-based agreements, fixed-fee agreements, time-based agreements, etc.):

  revenue from project-based agreements is recognized once the service has been rendered. Revenue under fixed-fee agreements is recognized on a straight-line basis, which reflects the nature and the scope of the services rendered. Revenue under time-based agreements is recognized on the basis of work done;

- fees based on performance criteria:

  revenue is recognized when the performance criteria have been met and the customer has confirmed its agreement.

In the majority of its transactions involving third-party suppliers (particularly concerning its media business), Publicis acts as an agent for its clients. For these, Publicis calculates the net amount earned, and any expenses incurred with third-party suppliers are excluded from revenue. In other instances, Publicis acts as "principal", in particular when Publicis takes responsibility for the work performed, i.e. in the case of production agencies or when there is an inventory risk (e.g. in its media business). In these circumstances, Publicis recognizes the gross amount invoiced as revenue.

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 issued.

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 issued.

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 and 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 the effects of unwinding discounts on vacant property and pension provisions (net return on plan assets), the effect of revaluation of earn-out payments on acquisitions, changes in the fair value of derivatives 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)

Earnings per share are calculated by dividing net income for the financial year attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period, including the effect of the redemption of Orane in shares, as Orane are contractually redeemable in ordinary shares.

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 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 judgments 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.

Detailed disclosures concerning these matters are provided in Notes 5, 20, 21, 26 and 28 below.

Note 2. Changes in the scope of consolidation

2.1 *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 year;
- 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 year;
- euro (19) million in acquired net cash and cash equivalents;
- euro 232 million in earn-out payments paid out during the year.

Taken as a whole, all acquisitions made over the year represented less than 0.2% of consolidated revenue and 0.6% of consolidated net income attributable to equity holders of the parent company.

2.2 *Acquisitions in 2016*

There was no significant takeover (individually or taken together) during the period.

The main acquisitions in the year were as follows:

- in February 2016, the Group acquired 100% of MercerBell;
- in February 2016, the Group acquired 100% of Vertiba;
- in March 2016, the Group acquired 81% of Seven Seconds;
- in August 2016, the Group acquired 100% of Digitouch;
- in November 2016, the Group acquired 100% of North Strategic and Notch Video.

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 126 million. This amount mainly includes:

- euro 59 million paid out during the period;
- euro 54 million in earn-out payment commitments;
- euro 13 million in commitments to buy-out non-controlling interests.

The amount paid out in 2016 for acquisitions (net of cash and cash equivalents acquired) totaled euro 240 million and includes:

- euro 59 million paid out during the period;
- euro -17 million in acquired net cash and cash equivalents;
- euro 198 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 1% of net income attributable to equity holders of the parent company.

2.3 Disposals in 2017 and 2016

No significant disposals were made during 2017 and 2016. It should be noted, however, that the Group sold 56.67% of the company Mediavision et Jean Mineur SA on June 16, 2016 (see Notes 6 and 29).

Companies sold contributed no more than 0.1% of revenue and 0.3% of consolidated net income attributable to equity holders of the parent company in 2017. This is unchanged from the 2016 financial year.

2.4 Planned disposals

The Group reached a definitive agreement for the sale of 100% of the company Genedigi in China on December 18, 2017. Due to the fact that this disposal was subject to obtaining authorizations from the Chinese authorities, this business is still fully consolidated. However, the assets and liabilities have been recorded 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 5). The 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

The disposal process is being finalized and is expected to be completed by the end of first quarter 2018.

Note 3. Personnel expenses and headcount

Personnel expenses include salaries, commissions, incentives, employee profit sharing, vacation pay and bonus estimation. They also include expenses related to 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)	***2017***	***2016***
Compensation	(4,698)	(4,720)
Social security charges	(539)	(539)
Post-employment benefits	(311)	(301)
Share-based payments	(55)	(55)
Temporary employees and freelancers	(374)	(444)
Total	**(5,977)**	**(6,059)**

Changes in and breakdown of headcount

By region:

	2017	***2016***
Europe	22,589	22,597
North America	24,054	24,638
Asia Pacific	21,583	22,745
Latin America	5,661	5,490
Middle East & Africa	3,880	3,443
Total	**77,767**	**78,913**

By function (as a %):

	2017	***2016***
Account planning and management	19%	19%
Creative	13%	15%
Media and research	18%	17%
Specialized production activities and other	35%	34%
Administration and management	15%	15%
Total	**100%**	**100%**

Note 4. Other operating expenses

Other operating expenses include all external expenses other than production and media buying when the Group acts as an agent. They include rent, lease expenses and other expenses related to the occupation of premises amounting to euro 484 million in 2017, compared to euro 498 million in 2016. They also include taxes (other than income taxes) and similar payments, as well as additions to and reversals of provisions.

Note 5. Depreciation, amortization and impairment loss

(in millions of euros)	***2017***	***2016***
Amortization of other intangible assets (excluding intangibles arising from acquisitions)	(22)	(21)
Depreciation of property, plant and equipment	(139)	(145)
Depreciation and amortization expense (excluding intangibles from acquisitions)	**(161)**	**(166)**
Amortization of intangibles from acquisitions	**(73)**	**(79)**
Impairment loss of intangibles from acquisitions	-	(152)
Impairment loss on investments in associates[(1)]	(3)	(34)
Impairment loss on other financial assets	(2)	-
Goodwill impairment[(2)]	(108)	(1,254)
Impairment loss on fixed assets	(2)	-
Impairment loss	**(115)**	**(1,440)**
Total depreciation, amortization and impairment	**(349)**	**(1,685)**

(1) An impairment loss of euro 3 million was recorded for investments in associates (see Note 13).

(2) Including the reclassification of goodwill as assets held for sale.

The 2017 impairment loss amounted to euro 115 million.

Impairment of intangibles from 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, 2017, the after-tax discount rates used in the valuations ranged from 8.0% to 13.5%. They are determined on the basis of the specific characteristics belonging to each asset undergoing impairment testing.

These tests resulted in the Group not recognizing an impairment loss in 2017.

At December 31, 2016, the after-tax discount rates used in the valuations ranged from 8.5% to 11%. These tests resulted in the Group recognizing an impairment loss of euro 152 million in 2016 (euro 121 million on brands and euro 31 million on customer relations and technologies).

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 (2018-2022). Forecasts for 2018 are taken directly from the annual budget approved by management.

At December 31, 2017, these tests resulted in the Group recognizing an impairment loss of euro 108 million on:

- Service activities in France and Belgium for micro-companies and SMEs for euro 50 million;
- Activities in China which are the subject of a planned disposal (see Note 2.4) for euro 58 million.

The after-tax discount rates used range between 8.0% (10.2% before tax) and 12.0% (15.3% before tax). The terminal growth rate used in the forecasts ranges from 1.0% to 3.0%.

The main assumptions used in these tests are presented in the table below:

	2017			2016		
(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	3,325	9.0%	1.5%	3,548	9.0%	2.0%
Publicis Media	1,599	8.0%	1.5%	1,746	8.5%	2.5%
Publicis.Sapient	2,520	11.5%	3.0%(1)	2,767	11.5%	3.0%(1)
Publicis Health	530	9.5%	2.0%	525	9.5%	2.0%
Publicis One	460	12.0%	2.5%	498	13.5%	2.5%
Other goodwill	16	7.5 to 10.0%	2.0 to 3.0%	66	10.0%	2.0%
Total goodwill after impairment loss	**8,450**			**9,150**		

(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, 2016, the after-tax discount rates used ranged from 8.5% (11.5% before tax) to 13.5% (17.4% before tax). The terminal growth rate used in the forecasts ranged from 2% to 3%.

These tests resulted in the Group recognizing an impairment loss in 2016 of euro 1,254 million on Publicis.Sapient.

Publicis.Sapient

The Publicis.Sapient Solution hub was constituted at the time of the Sapient acquisition and brings together part of the Group's digital businesses, notably SapientRazorfish and DigitasLBi. This Solution hub offers clients all of the functionality of the digital communication value chain, from consulting to sales, via creation, data and platforms.

It primarily includes online direct marketing consulting, the creation of corporate or commercial websites and intranets, social network expertise, search engine optimization, Internet ads (especially banners and pop-ups) and all forms of Internet and mobile communication.

The total goodwill allocated to the Publicis.Sapient Solution hub is euro 2,520 million net.

The value in use was calculated based on discounted five-year future cash flows (2018-2022).

These tests resulted in the Group not recognizing an impairment loss.

The sensitivity tests performed on Publicis.Sapient demonstrated that there is no impact on the impairment charge. A 1% increase or decrease in the discount rate, operating growth and operating margin or 0.5% increase or decrease in organic growth does not lead to the recognition of an impairment loss.

The results of the sensitivity analyses carried out on Publicis.Sapient are summarized in the table below:

(in millions of euros)	***Publicis.Sapient***
	Increase/(Decrease) in the value of future cash flows
Discount rate sensitivity	
Increase in the discount rate of 1%	(347)
Decrease in the discount rate of 1%	439
Long-term growth sensitivity	
Decrease in the LT growth rate of 0.5%	(138)
Increase in the LT growth rate of 0.5%	155
Revenue growth sensitivity	
Decrease in growth of 1% per year	(219)
Increase in growth of 1% per year	219
Operating margin sensitivity	
Reduction in margin of 1% per year	(114)
Increase in margin of 1% per year	118

Note 6. 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)	***2017***	***2016***
Capital gains (losses) on disposal of assets	-	9
Non-current income and (expenses)	(1)	3
Total non-current income and (expenses)	**(1)**	**12**

In 2017, gains or losses from disposals were almost nil.

In 2016, the majority of the gain resulted from the sale of 56.67% of the share capital and voting rights of Mediavision et Jean Mineur SA. Following this transaction, the Group holds 10% of the share capital and voting rights in this company.

Note 7. Financial income and expenses

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

(in millions of euros)	***2017***	***2016***
Interest expense on loans and bank overdrafts[1]	(89)	(95)
Interest expense on finance leases	(12)	(12)
Financial expenses	**(101)**	**(107)**
Financial income	50	33
Cost of net financial debt	**(51)**	**(74)**
Foreign exchange gains (losses) and change in the fair value of currency derivatives	(1)	10
Financial expense related to unwinding of discount on long-term vacant property provisions	-	-
Net financial expense related to the discounting of pension provisions	(8)	(9)
Translation adjustments and other	(1)	(1)
Net financial income (expense) excluding revaluation of *earn-out payments*	**(61)**	**(74)**

(1) Including the revaluation of interest rate swaps and bonds in respect of fair value hedges (see Note 22)

Revaluation of earn-out payments

(in millions of euros)	***2017***	***2016***
Revaluation of earn-out payments	**(66)**	**(108)**

Note 8. Income taxes

Analysis of income tax expense

(in millions of euros)	***2017***	***2016***
Current tax expense for the period	(441)	(357)
Current tax income for previous years	10	12
Total tax income/(expense)	**(431)**	**(345)**
Deferred tax income/(expense)	131	24
Changes in unrecognized deferred tax assets	(12)	(21)
Total net deferred tax income/(expense)	**119**	**3**
Income taxes	**(312)**	**(342)**

Effective tax rate

The effective tax rate is obtained as follows:

(in millions of euros)		***2017***	***2016***
Pre-tax income of consolidated companies		**1,189**	**(173)**
Impairment loss on goodwill and intangibles (see Note 5)		115	1,440
Revaluation of debt related to acquisitions of shareholdings		66	108
Restated pre-tax income of consolidated companies	**A**	**1,370**	**1,375**
French tax rate applicable to the parent company		34.43%	34.43%
Expected tax expense on pre-tax income of consolidated companies		**(472)**	**(473)**
Impact of:			
- the difference between the French tax rate and foreign tax rates		96	94
- changes in unrecognized deferred tax assets		(12)	(21)
- other impacts [1]		76	58
Income tax in the income statement		**(312)**	**(342)**
Impact of the fiscal reform in the United States:			
- Current tax on reserves accumulated abroad		139	-
- Deferred taxes: decrease in the tax rate		(200)	-
Deferred tax related to impairment loss		-	(57)
Income tax in the restated income statement	**B**	**(373)**	**(399)**
Effective tax rate	**B/A**	**27.2%**	**29.0%**

(1) Other impacts mainly include those related to permanent differences, income taxed at reduced rates, adjustments to previous financial years.

Impacts of the U.S. 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 on December 22, 2017 had two effects on the Group's accounts in 2017. Firstly, the reduction in the federal corporate income tax rate from 2018 on from 35% to 21% generating deferred tax income of euro 200 million. Secondly, the spreading of the payment over eight years of a current tax amount (on accumulated reserves) valued at 157 million dollars (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.

The calculation of this tax requires firstly, determination of the accumulated reserves under US tax rules and, secondly, determination of the cash and cash equivalents portion taxed at 15.5% and the remaining portion taxed at 8%. Tax paid abroad must also be calculated which, in part, gives rise to tax credits. The calculation carried out as part of the year-end closing on December 31, 2017 was based on the information available and the final calculation could be different depending, in particular, on future interpretations and clarifications that could be made by the US tax authorities.

Tax effect on other comprehensive income

(in millions of euros)	***December 31, 2017***			***December 31, 2016***		
	Gross	Tax	**Net**	Gross	Tax	**Net**
Fair value adjustments to available-for-sale investments	(9)	-	(9)	31	-	**31**
Actuarial gains and losses on defined benefit plans	13	14	27	(4)	1	**(3)**
Effect of translation and other	(597)	14	(583)	100	13	**113**
Total	**(593)**	**28**	**(565)**	**127**	**14**	**141**

Schedule of deferred taxes recognized in the balance sheet

(in millions of euros)	***December 31, 2017***	***December 31, 2016***
Short-term (less than one year)	54	72
Long-term (over one year)	(343)	(571)
Net deferred tax assets (liabilities)	**(289)**	**(499)**

Source of deferred taxes

(in millions of euros)	***December 31, 2017***	***December 31, 2016***
Deferred tax on adjustment of asset and liability valuations due to acquisitions	(301)	(360)
Deferred tax arising on the restatement of the Champs-Elysées building	(43)	(43)
Deferred tax on pensions and other post-employment benefits	57	78
Deferred tax arising on tax loss carryforwards	176	208
Deferred tax on other temporary differences	(18)	(209)
Gross deferred tax assets (liabilities)	**(129)**	**(326)**
Unrecognized deferred tax assets	(160)	(173)
Net deferred tax assets (liabilities)	**(289)**	**(499)**

As of December 31, 2017, 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 94 million), Digitas (euro 34 million) and Sapient (euro 94 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, 2017***	***December 31, 2016***
Amount of unrecognized tax loss carryforwards	**476**	**503**
Of which carried forward indefinitely	*374*	*399*

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 pertaining to tax risks and litigation are recognized with provisions for risks and litigation (see Note 20) and include euro 185 million for income taxes and euro 43 million for other taxes and levies.

Note 9 Earnings per share

Earnings per share (basic and diluted)

(in millions of euros, except for share data)		***2017***	***2016***
Net income used for the calculation of earnings per share			
Group net income	a	862	(527)
Impact of dilutive instruments:			
- Savings in financial expenses related to the conversion of debt instruments, net of tax		-	-
Group net income – diluted	b	862	(527)
Number of shares used to calculate earnings per share			
Number of shares at January 1		225,945,387	222,540,740
Shares created over the period		2,529,801	1,771,861
Treasury shares to be deducted (average for the year)		(2,090,481)	(813,730)
Average number of shares used for the calculation	c	226,384,707	223,498,871
Impact of dilutive instruments:			
- Free shares and dilutive stock options(1)		3,682,435	-
- Equity warrants(1)		606,436	-
Number of diluted shares	d	230,673,578	223,498,871
(in euros)			
Earnings per share	a/c	**3.81**	**(2.36)**
Diluted earnings per share(1)	b/d	**3.74**	**(2.36)**

(1) As the group reported a net loss in 2016, the generally dilutive instruments are accretive on the 2016 basic earnings per share. No instruments were taken into account in calculating the 2016 diluted earnings per share, which is, therefore, equal to the basic earnings per share. In 2017, all stock options and warrants not yet exercised at the reporting date had a dilutive impact on the current basic earnings per share.

Headline earnings per share (basic and diluted)

(in millions of euros, except for share data)		***2017***	***2016***
Net income used to calculate headline earnings per share[(1)]			
Group net income		862	(527)
Items excluded:			
- Amortization of intangibles from acquisitions, net of tax		55	51
- Impairment loss, net of tax		115	1,383
- Net effect of the tax reform in the United States		(61)	-
- Revaluation of earn-out payments		66	108
Headline Group net income	e	1,037	1,015
Impact of dilutive instruments:			
- Savings in financial expenses related to the conversion of debt instruments, net of tax		-	-
Headline Group net income, diluted	f	1,037	1,015
Number of shares used to calculate earnings per share			
Number of shares at January 1		225,945,387	222,540,740
Shares created over the period		2,529,801	1,771,861
Treasury shares to be deducted (average for the year)		(2,090,481)	(813,730)
Average number of shares used for the calculation	c	226,384,707	223,498,871
Impact of dilutive instruments:			
- Free shares and dilutive stock options [(2)]		3,682,435	3,488,040
- Equity warrants		606,436	718,168
Number of diluted shares	d	230,673,578	227,705,079
(in euros)			
Headline earnings per share[(1)]	e/c	**4.58**	**4.54**
Headline earnings per share – diluted[(1)]	f/d	**4.50**	**4.46**

(1) EPS after elimination of impairment losses, amortization of intangibles from acquisitions, the main capital gains (losses) on disposal of assets, the impact of the American fiscal reform and the revaluation of earn-out payments on acquisitions.

(2) 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. In 2017, as in 2016, all stock options and warrants not yet exercised at the reporting date had a dilutive impact on the current basic earnings per share.

Note 10. Goodwill

Changes in goodwill

(in millions of euros)	Gross value	Impairment loss[2]	Net amount
January 1, 2016	**10,432**	**(221)**	**10,211**
Acquisitions	167	-	167
Impairment loss	-	(1,254)	(1,254)
Changes related to the recognition of commitments to buy out non-controlling interests [1]	(80)	-	(80)
Disposals and derecognition	-	-	-
Translation adjustments and other	168	(62)	106
December 31, 2016	**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)
Translation adjustments and other	(942)	169	(773)
December 31, 2017	**9,868**	**(1,418)**	**8,450**

(1) *See Note 1.3 for the accounting treatment of commitments to purchase non-controlling interests.*

(2) *See Note 5.*

The analysis of goodwill by geographic area is described in Note 27 and by Solution hub in Note 5.

Allocation of goodwill

Following the Group's internal reorganization by Solution hubs, goodwill was reallocated in 2016, in accordance with the level at which goodwill is monitored for internal management purposes. Impairment tests were conducted prior to this reallocation and no impairment loss was identified.

(in millions of euros)	***Net carrying amount of goodwill***
Publicis Communications	3,325
Publicis Media	1,599
Publicis.Sapient	2,520
Publicis Health	530
Publicis One	460
Other goodwill	16
Total goodwill	**8,450**

Note 11. 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	Total intangible assets
	Client relationships	Software, technology and other	Brands	
Gross value at January 1, 2016	**1,171**	**319**	**1,019**	**2,509**
Acquisitions	-	38	-	38
Disposals and derecognition	-	(11)	-	(11)
Translation adjustments and other	24	6	26	56
Gross value at December 31, 2016	**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**
Accumulated depreciation on December 31, 2016	**(779)**	**(258)**	**(210)**	**(1,247)**
Amortization	(73)	(29)	-	(102)
Impairment	-	-	-	-
Disposals and derecognition	-	18	-	18
Translation adjustments and other	78	20	25	123
Accumulated depreciation on December 31, 2017	**(774)**	**(249)**	**(185)**	**(1,208)**
Net amount at December 31, 2017	**305**	**82**	**737**	**1,124**

Valuation of intangible assets

Valuation tests carried out by an independent expert at the end of the 2017 and 2016 financial years resulted in the Group recognizing no impairment losses in 2017 and euro 152 million in 2016 (see Note 5).

Note 12. Property, plant and equipment, net

(in millions of euros)	Land and buildings	Fixtures and fittings	IT equipment	Other	Total
Gross value at January 1, 2016	**279**	**625**	**394**	**496**	**1,794**
Increases	-	44	42	54	140
Decreases	(1)	(45)	(26)	(22)	(94)
Changes to consolidation scope	-	(1)	1	1	1
Translation adjustments and other	4	(58)	2	25	(27)
Gross value at December 31, 2016	**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**
Accumulated depreciation on December 31, 2016	**(69)**	**(394)**	**(333)**	**(378)**	**(1,174)**
Increases	(6)	(50)	(40)	(41)	(137)
Decreases	1	93	46	40	180
Changes to consolidation scope	-	1	-	(4)	(3)
Translation adjustments and other	7	12	26	41	86
Accumulated depreciation on December 31, 2017	**(67)**	**(338)**	**(301)**	**(342)**	**(1,048)**
Net amount at December 31, 2017	**201**	**170**	**75**	**144**	**590**

Land and buildings

At December 31, 2017, the net value of the property assets directly owned by Publicis listed on the balance sheet was euro 158 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.

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.

Assets under finance lease

The total net amount of assets in the consolidated balance sheet stood at euro 43 million on December 31, 2017.

These mainly concern the Leo Burnett building at 35 West Wacker Drive in Chicago, Illinois, USA. The finance lease on this building represents a gross amount of euro 89 million, depreciated over 30 years.

The following are the amounts related to finance leases included under property, plant and equipment:

(in millions of euros)	***December 31, 2017***	***December 31, 2016***
Gross value of buildings	90	104
Depreciation & Amortization	(47)	(52)
Net amount	**43**	**52**

Note 13. Investments in associates

Investments in associates amounted to euro 64 million on December 31, 2017 (versus euro 87 million on December 31, 2016).

(in millions of euros)	**Value in balance sheet**
Amount at January 1, 2016	**116**
Acquisitions	7
Disposals	(3)
Share of profit of associates	(5)
Dividends paid	(3)
Impairment loss[1]	(34)
Effect of translation and other	9
Amount at December 31, 2016	**87**
Acquisitions	-
Disposals	-
Share of profit of associates	(5)
Dividends paid	(2)
Impairment loss	(3)
Effect of translation and other	(13)
Amount at December 31, 2017	**64**

[1] *Impairment loss relating to the investment in Matomy Media Group*

The Group's main investments in associates are Matomy Media Group, Jana Mobile, Burrell Communications and Somupi. As of December 31, 2017, the carrying amounts of these four companies were euro 25 million, euro 15 million, euro 7 million and euro 3 million, respectively.

Note 14. Other financial assets

Other financial assets mainly include investments classified as "available for sale".

(in millions of euros)	***December 31, 2017***	***December 31, 2016***
Available-for-sale financial assets		
- Venture Capital Funds [1]	73	68
- Other	17	18
Security deposits	31	41
Loans to non-consolidated companies	7	7
Loans and receivables owed by associates and non-consolidated companies	9	15
Other	47	47
Gross value	**184**	**196**
Impairment	(15)	(14)
Net amount	**169**	**182**

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

Balances related to other non-current financial assets maturing in less than one year are classified under current assets.

Note 15. Inventories and work in progress

(in millions of euros)	***December 31, 2017***	***December 31, 2016***
Gross value	**417**	**435**
Impairment of inventories and work in progress	(32)	(29)
Net amount	**385**	**406**

Note 16. Trade receivables

(in millions of euros)	***December 31, 2017***	***December 31, 2016***
Trade receivables[(1)]	9,831	10,069
Notes receivable	9	26
Gross value	**9,840**	**10,095**
Opening impairment	(85)	(76)
Impairment over the year	(27)	(21)
Reversals during the year	17	11
Changes to consolidation scope	2	3
Translation adjustments and other	3	(2)
Closing impairment	(90)	(85)
Net amount	**9,750**	**10,010**

(1) Including invoiced trade receivables of euro 6,799 million as of December 31, 2017 and euro 7,167 million as of December 31, 2016

Note 17. Other current receivables and assets

(in millions of euros)	***December 31, 2017***	***December 31, 2016***
Taxes and other receivables from the government	252	188
Advances to suppliers	170	209
Prepayments	115	107
Derivatives hedging current assets and liabilities	12	60
Derivatives on intercompany loans and borrowings	21	64
Other receivables and other current assets	86	78
Gross value	**656**	**706**
Impairment	(7)	(8)
Net amount	**649**	**698**

Note 18. Cash and cash equivalents

(in millions of euros)	***December 31, 2017***	***December 31, 2016***
Cash and bank balances	1,017	2,116
Short-term liquid investments	1,390	112
Total	**2,407**	**2,228**

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 19. Equity

The table of changes in equity is presented along with the other consolidated financial statements.

Share capital of the parent company

The following are the changes in the share capital over the last two years:

(in shares)	***2017***	***2016***
Share capital on January 1	225,945,387	222,540,740
Capital increases	4,682,338	3,404,647
Shares comprising the share capital on December 31	**230,627,725**	**225,945,387**
Treasury shares on December 31	(4,331,920)	(577,603)
Shares outstanding on December 31	**226,295,805**	**225,367,784**

Publicis Groupe SA's share capital increased by euro 1,872,935 in 2017, corresponding to 4,682,338 shares with a par value of euro 0.40 each:

- 383,457 shares issued in connection with the free share plans whose definitive delivery date occurred during the year;
- 3,992,216 shares issued following the exercise by certain shareholders of the option to receive dividends in shares;
- 306,665 shares created following the exercise by certain holders of their equity warrants.

As of December 31, 2017, the share capital of Publicis Groupe SA totaled euro 92,251,090, split into 230,627,725 shares with a par value of euro 0.40 each.

Neutralization of the treasury shares existing on December 31, 2017

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 2016 and 2017:

	Number of shares
Treasury shares held on January 1, 2016*(1)*	**1,216,839**
Disposals (exercise of stock options) and deliveries of free shares	(594,789)
Movements as part of the liquidity contract	(44,447)
Treasury shares held on December 31, 2016*(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**

(1) Including shares held as part of the liquidity contract 265,000 on December 31, 2017 and 40,553 on December 31, 2016.

Dividends proposed and voted

	Per share *(in euros)*	**Total** *(in millions of euros)*
Dividends paid in 2017 (for the 2016 financial year)	1.85	414[(1)]
Dividends proposed to the General Shareholders' Meeting (for the 2017 financial year)	2.00	461[(2)]

(1) Amount paid, depending on shareholder option, in cash or shares. Dividends paid in shares amounted to euro 244 million, resulting in the creation of 3,992,216 shares.

(2) Amount for all shares outstanding on December 31, 2017, 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. As at December 31, 2017, the debt-to-equity ratio is 0.12. As at December 31, 2016 the debt-to-equity ratio was 0.21.

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, from 2016, we have opted for a calculation based on the current diluted earnings per share (and no longer on the basic earnings per share), as the negative 2016 EPS no longer enables us to calculate the distribution rate on this basis. Based on the dividend amount (euro 2.00 per share) to be proposed at the next General Shareholders' Meeting, this ratio will be 44.4% for the 2017 financial year, versus 41.5% for the 2016 financial year, also calculated on the current diluted EPS.

During the 2017 financial year, pursuant to an agreement signed with an investment services provider on March 13, 2017, Publicis acquired five million shares at an average price of euro 64.69 (euro 64.89 including financial transaction taxes).

Note 20. Provisions for liabilities and charges

(in millions of euros)	Restruct uring	Vacant property commitments	Pensions and other long-term benefits	Risks and litigation	Other provisions	Total
January 1, 2016	**54**	**26**	**320**	**200**	**89**	**689**
Increases	21	9	47	45	23	**145**
Releases with usage	(47)	(8)	(41)	(14)	(5)	**(115)**
Other releases	(3)	-	-	(16)	(31)	**(50)**
Changes to consolidation scope	-	-	-	-	(1)	**(1)**
Actuarial losses (gains)	-	-	4	-	-	**4**
Translation adjustments and other	(2)	(6)	-	22	-	**14**
December 31, 2016	**23**	**21**	**330**	**237**	**75**	**686**
Increases	55	4	28	100	16	**203**
Releases with usage	(32)	(6)	(36)	(26)	(16)	**(116)**
Other releases	(5)	(2)	(1)	(18)	(1)	**(27)**
Changes to consolidation scope	-	-	4	-	-	**4**
Actuarial losses (gains)	-	-	(13)	-	-	**(13)**
Translation adjustments and other	(3)	(1)	(18)	(24)	7	**(39)**
December 31, 2017	**38**	**16**	**294**	**269**	**81**	**698**
Of which short-term	32	4	21	35	15	**107**
Of which long-term	6	12	273	234	66	**591**

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 2017 (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 were made by discounting the rent payable, less income expected from sub-leasing.

Provisions for risks and litigation

Provisions for risks and litigation (euro 269 million) include a short-term component (euro 35 million) and a long-term component (euro 234 million). The risks mainly concern tax risks relating to North America and Latin America. Tax risks and litigation break down by type as follows:

- approximately 81% concerns corporate income taxes;
- approximately 19% concerns other taxes and levies.

Information on tax risks is provided in Note 8.

Obligations in respect of employee benefits

The obligations for employee benefits (see Note 21) include:

- defined benefit pension plans;
- post-employment medical cover;
- long-term benefits such as deferred compensation and long-service rewards.

Note 21. 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 (22% 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 (4% 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 (34% 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 (63%), beneficiaries with deferred entitlement who have not yet drawn down their pension entitlements (29%) and employees still working (8%).

- 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 (34% of obligations) and employees still working (33%).

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, 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

(in millions of euros)	December 31, 2017			December 31, 2016		
	Pension plans	Medical cover	Total	Pension plans	Medical cover	Total
Opening actuarial benefit obligation	**(722)**	**(25)**	**(747)**	**(685)**	**(26)**	**(711)**
Cost of services rendered during the year	(26)	-	(26)	(23)	-	(23)
Benefits paid	44	2	46	41	2	43
Interest expense on benefit obligation	(19)	(1)	(20)	(22)	(1)	(23)
Effect of remeasurement	(12)	(3)	(15)	(60)	0	(60)
Experience gains (losses)	*4*	*-*	*4*	*0*	*1*	*1*
Gains (losses) arising from a change in economic assumptions	*(16)*	*(1)*	*(17)*	*(55)*	*(1)*	*(56)*
Gains (losses) arising from other changes in demographic assumptions	*-*	*(2)*	*(2)*	*(5)*	*-*	*(5)*
Acquisitions, disposals	(7)	-	(7)	3	-	3
Foreign exchange differences	41	3	44	24	0	24
Actuarial benefit obligation at year-end	**(701)**	**(24)**	**(725)**	**(722)**	**(25)**	**(747)**

Change in the fair value of plan assets

(in millions of euros)	December 31, 2017			December 31, 2016		
	Pension plans	Medical cover	Total	Pension plans	Medical cover	Total
Fair value of plan assets at start of year	**490**	**-**	**490**	**500**	**-**	**500**
Actuarial return on plan assets	45	-	45	46	-	46
Employer contributions	27	1	28	23	2	25
Administrative fees	(1)	-	(1)	(1)	-	(1)
Acquisitions, disposals	3	-	3	0	-	0
Benefits paid	(44)	(1)	(45)	(41)	(2)	(43)
Foreign exchange differences	(29)	-	(29)	(37)	-	(37)
Fair value of plan assets at year-end	**491**	**-**	**491**	**490**	**-**	**490**

Surplus (deficit)	**(210)**	**(24)**	**(234)**	**(232)**	**(25)**	**(257)**
Effect of ceiling on value of assets	(44)	-	(44)	(34)	-	(34)
Effect of minimum financing requirement	(1)	-	(1)	(6)	-	(6)
Net provision for obligations for defined benefit pension liabilities and post-employment medical care	**(255)**	**(24)**	**(279)**	**(272)**	**(25)**	**(297)**
Provision for other long-term benefits	**(15)**	**-**	**(15)**	**(33)**	**-**	**(33)**
Total provisions for retirement benefit obligations, other post-employment and long-term benefits	**(270)**	**(24)**	**(294)**	**(305)**	**(25)**	**(330)**

Pension expenses and other post-employment benefits

(in millions of euros)	December 31, 2017			December 31, 2016		
	Pension plans	Medical cover	Total	Pension plans	Medical cover	Total
Cost of services rendered during the year	(26)	-	(26)	(22)	-	(22)
Financial expense	(7)	(1)	(8)	(7)	(1)	(8)
Defined benefit plan expense	**(33)**	**(1)**	**(34)**	**(29)**	**(1)**	**(30)**
Cost of other plans (including defined contribution plans) and other benefits	(105)	-	(105)	(104)	-	(104)
Administrative fees excluding plan management fees	(1)	-	(1)	(1)	-	(1)
Total retirement costs recognized in the income statement	**(139)**	**(1)**	**(140)**	**(134)**	**(1)**	**(135)**

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 25.

(in millions of euros)	***December 31, 2017***				***December 31, 2016***			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Shares	102	-	-	102	120	-	-	120
Bonds	-	121	-	121	-	108	-	108
Treasury bonds	-	204	-	204	-	215	-	215
Real estate	-	-	13	13	-	-	14	14
Other	12	-	39	51	11	-	29	40
Total	**114**	**325**	**52**	**491**	**131**	**323**	**43**	**497**

Estimate of employer contributions and of future benefits payable

(in millions of euros)	**Pension plans**	**Medical cover**	**Total**
Estimated employer contributions in 2018	23	2	25

(in millions of euros)	**Pension plans**	**Medical cover**	**Total**
Estimated future benefits payable			
2018	48	2	50
2019	41	2	43
2020	41	2	43
2021	41	2	43
2022	39	2	41
2023 to 2027	196	9	205
Total over the next 10 financial years	**406**	**19**	**425**

The average duration of plans at end-December 2017 was 13.16 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 are determined based on external indexes commonly considered to be benchmarks, namely the iBoxx in Europe and the City Group Index in the United States.

	Pension plans				Post-employment medical cover	
December 31, 2017	**United States**	**United Kingdom**	**Euro zone**	**Other Country**	**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

	Pension plans				Post-employment medical cover	
December 31, 2016	**United States**	**United Kingdom**	**Euro zone**	**Other Country**	**United States**	**United Kingdom**
Discount rate	3.58%	2.15% - 2.35%	1.50%	0.30% - 6.55%	3.58%	2.55% - 2.70%
Future wage increases	n/a	3.75% - 4.00%	2.25% [1]	1.50% - 10.00%	5.00%	n/a
Future pension increases	n/a	1.70% - 3.50%	1.70% [1]	n/a	n/a	n/a

[1] *For Germany only*

The rate of increase in medical expenses used for 2017 is 7.5% with a gradual decrease to 4.5%.

Sensitivity analysis

Pension plans					
(in millions of euros)	0.5% increase				
	United States	**United Kingdom**	**Euro zone**	**Others**	**Total**
Change in discount rate Effect on actuarial benefit obligation at year-end	(11)	(17)	(7)	(7)	(42)
Change in the increase rate of salaries Effect on actuarial benefit obligation at year-end	-	-	5	6	11

Pension plans					
(in millions of euros)	0.5% decrease				
	United States	**United Kingdom**	**Euro Zone**	**Others**	**Total**
Change in discount rate Effect on actuarial benefit obligation at year-end	12	19	8	8	47
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			0.5% decrease		
	United States	**United Kingdom**	**Total**	**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 22. BORROWINGS AND OTHER FINANCIAL LIABILITIES

(in millions of euros)	**December 31, 2017**	**December 31, 2016**
Bonds (excl. accrued interest)	1,792	1,791
Other debt	1,338	1,520
Total financial liabilities	**3,130**	**3,311**
Of which short-term	350	283
Of which long-term	2,780	3,028

CHANGE IN FINANCIAL LIABILITIES

(in millions of euros)	December 31, 2016	Cash Flow	Changes excl. cash and cash equivalents			December 31, 2017
			Acquisitions	Exchange rate fluctuations	Changes in fair value	
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 arising from commitments to buy out 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 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[1]	-	-	-	-	(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 S.A. 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 (10) million as at December 31, 2017 (euro 164 million as of December 31, 2016). 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.

In 2017, Publicis Groupe introduced an interest rate swap to hedge itself against interest rate fluctuations in the US dollar component (USD 555 million) of the variable-rate medium-term syndicated loan.

Analysis by date of maturity

		December 31, 2017					
(in millions of euros)	**Total**	**Maturity**					
		2018	**2019**	**2020**	**2021**	**2022**	**+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 arising from commitments to buy out 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 derivative hedging on the 2021 and 2024 Eurobonds	(10)	-	-	-	7	-	(17)
Fair value of derivative hedging on intra-group loans and borrowings	14	14	-	-	-	-	-
Total liabilities related to financing activities	**3,134**	**364**	**368**	**503**	**721**	**10**	**1,168**

		December 31, 2016					
(in millions of euros)	**Total**	**Maturity**					
		2017	**2018**	**2019**	**2020**	**2021**	**+5 years**
Bonds (excl. accrued interest)	1,791	-	-	-	-	695	1,096
Medium-term syndicated loan	972	-	324	324	324	-	-
Debt related to acquisitions of shareholdings	316	197	79	31	9	-	-
Debt arising from commitments to buy out non-controlling interests	62	23	16	10	11	2	-
Other financial liabilities	170	63	6	-	-	-	101
Total financial liabilities	**3,311**	**283**	**425**	**365**	**344**	**697**	**1,197**
Fair value of derivative hedging on the 2021 and 2024 Eurobonds	164	-	-	-	-	105	59
Fair value of derivative hedging on intra-group loans and borrowings	(3)	(3)	-	-	-	-	-
Total liabilities related to financing activities	**3,472**	**280**	**425**	**365**	**344**	**802**	**1,256**

Analysis by currency

(in millions of euros)	***December 31, 2017***	***December 31, 2016***
Euros*	2,263	2,283
US dollars	713	802
Other currencies	154	226
Total	**3,130**	**3,311**

** Including euro 1,289 million in Eurobonds, swapped to US dollars on December 31, 2017 (euro 1,299 million at December 31, 2016).*

Analysis by interest rate type

See Note 26. 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:

(in millions of euros)	Total	December 31, 2017 Maturity					
		2018	2019	2020	2021	2022	+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 arising from commitments to buy out 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 derivative hedging on the 2021 and 2024 Eurobonds	(10)	-	-	-	7	-	(17)
Fair value of derivative hedging on intra-group loans and borrowings	14	14	-	-	-	-	-
Total liabilities related to financing activities	**3,167**	**385**	**389**	**524**	**744**	**22**	**1,103**

(in millions of euros)	Total	December 31, 2016 Maturity					
		2017	2018	2019	2020	2021	+5 years
Bonds (excl. accrued interest)	1,934	21	21	21	21	720	1,130
Medium-term syndicated loan	972	-	324	324	324	-	-
Debt related to acquisitions of shareholdings	316	197	79	31	9	-	-
Debt arising from commitments to buy out non-controlling interests	62	23	16	10	11	2	-
Other financial liabilities	70	63	7	-	-	-	-
Total financial liabilities	**3,354**	**304**	**447**	**386**	**365**	**722**	**1,130**
Fair value of derivative hedging on the 2021 and 2024 Eurobonds	164	-	-	-	-	105	59
Fair value of derivative hedging on intra-group loans and borrowings	(3)	(3)	-	-	-	-	-
Total liabilities related to financing activities	**3,515**	**301**	**447**	**386**	**365**	**827**	**1,189**

In order to manage its liquidity risk, Publicis holds a substantial amount of cash (cash and cash equivalents) for a total of euro 2,407 million as of December 31, 2017 and undrawn confirmed credit lines representing a total of euro 2,678 million as of December 31, 2017. 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 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.

Finance leases

The reconciliation between future minimum payments in respect of finance leases and the discounted value of net minimum payments for those leases is as follows:

		December 31, 2017					
(in millions of euros)	**Total**	**Maturity**					
		2018	**2019**	**2020**	**2021**	**2022**	**+5 years**
Minimum payments	194	11	11	12	12	12	136
Effect of discounting	(105)	(11)	(11)	(12)	(12)	(12)	(47)
Discounted value of minimum payments	**89**	**-**	**-**	**-**	**-**	**-**	**89**

		December 31, 2016					
(in millions of euros)	**Total**	**Maturity**					
		2017	**2018**	**2019**	**2020**	**2021**	**+5 years**
Minimum payments	234	13	13	13	13	14	168
Effect of discounting	(133)	(13)	(13)	(13)	(13)	(14)	(67)
Discounted value of minimum payments	**101**	**-**	**-**	**-**	**-**	**-**	**101**

Note 23. Other creditors and current liabilities

(in millions of euros)	*December 31, 2017*	*December 31, 2016*
Advances and deposits received	329	344
Liabilities to employees	586	588
Tax liabilities (excl. income tax)	238	188
Deferred income	452	483
Derivatives backed by current assets or liabilities	11	60
Eurobond 2021 and 2024 derivatives	(10)	164
Derivatives on intercompany loans and borrowings	38	61
Other current liabilities	170	217
Total	**1,814**	**2,105**

Note 24. Commitments

Operating leases

		December 31, 2017					
(in millions of euros)	**Total**	**Maturity**					
		2018	**2019**	**2020**	**2021**	**2022**	**+5 years**
Commitments given Operating leases	1,982	387	207	263	237	190	698
Commitments received Sub-lease commitments	40	9	8	7	7	7	2

		December 31, 2016					
(in millions of euros)	**Total**	**Maturity**					
		2017	**2018**	**2019**	**2020**	**2021**	**+5 years**
Commitments given							
Operating leases	2,192	356	313	270	255	227	771
Commitments received							
Sub-lease commitments	13	4	2	2	1	1	2

Lease expenses (net of sub-lease income) amounted to euro 335 million in 2017, compared to euro 344 million in 2016.

Other commitments

(in millions of euros)	Total	December 31, 2017 Maturity -1 year	1 to 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.

(in millions of euros)	Total	December 31, 2016 Maturity -1 year	1 to 5 years	+5 years
Commitments given				
Guarantees [(1)]	164	70	38	56
Other commitments[(2)]	375	122	250	3
Total	**539**	**192**	**288**	**59**
Commitments received				
Undrawn confirmed credit lines	2,686	236	2,450	-
Undrawn unconfirmed credit lines	251	251	-	-
Other commitments	20	3	9	8
Total	**2,957**	**490**	**2,459**	**8**

(1) At December 31, 2016, guarantees included a guarantee to pay real estate taxes and expenses relating to the Leo Burnett building in Chicago for a total of euro 11 million, staggered until 2022. They also included guarantees of approximately euro 14 million relating to media-buying operations.

(2) These included euro 359 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 1.015 so as to reflect those distributions drawn from the Company's reserves and premiums. Following the cancellation of warrants bought back during previous financial years or exercised since September 24, 2013, Publicis Groupe is, at December 31, 2017, committed to creating (in the event that the outstanding 1,161,509 equity warrants are exercised) 1,178,932 shares with a par value of euro 0.40 and premium of euro 30.10.

Other commitments

As of December 31, 2017, 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 25. Financial instruments

Statement of financial position for each category of financial instrument

		December 31, 2017					
(in millions of euros)	**Value in balance sheet**	**Fair value through P&L**	**Available-for-sale assets**	**Loans and receivables, Borrowings and liabilities**	**Assets held to maturity**	**Debt at amortized cost**	**Derivative instruments**
Other financial assets	169	-	85	81	3	-	-
Trade receivables	9,750	-	-	9,750	-	-	-
Other receivables and current assets[1]	112	-	-	79	-	-	33
Cash and cash equivalents	2,407	2,047	-	-	-	-	-
Assets	**12,438**	**2,407**	**85**	**9,910**	**3**	**-**	**33**
Long-term borrowings	2,780	-	-	-	-	2,780	-
Short-term borrowings	350	-	-	-	-	350	-
Total borrowings	**3,130**	-	-	-	-	**3,130**	-
Trade payables	11,541	-	-	11,541	-	-	-
Other creditors and current liabilities[2]	210	-	-	171	-	-	39
Liabilities	**14,881**	**-**	**-**	**11,712**	**-**	**3,130**	**39**

		December 31, 2016					
(in millions of euros)	**Value in balance sheet**	**Fair value through P&L**	**Available-for-sale assets**	**Loans and receivables, Borrowings and liabilities**	**Assets held to maturity**	**Debt at amortized cost**	**Derivative instruments**
Other financial assets	182	-	83	97	2	-	-
Trade receivables	10,010	-	-	10,010	-	-	-
Other receivables and current assets[1]	194	-	-	70	-	-	124
Cash and cash equivalents	2,228	2,228	-	-	-	-	-
Assets	**12,614**	**2,228**	**83**	**10,177**	**2**	**-**	**124**
Long-term borrowings	3,028	-	-	-	-	3,028	-
Short-term borrowings	283	-	-	-	-	283	-
Total borrowings	**3,311**	-	-	-	-	**3,311**	-
Trade payables	11,992	-	-	11,992	-	-	-
Other creditors and current liabilities[2]	502	-	-	217	-	-	285
Liabilities	**15,805**	**-**	**-**	**12,209**	**-**	**3,311**	**285**

(1) Excluding tax claims, advances to suppliers and prepayments (see Note 17)

(2) Excluding advances and deposits received, liabilities to employees, tax liabilities and deferred income (see Note 23)

Income statement per category of financial instruments

December 31, 2017									
(in millions of euros)	**Valuation at fair value**	**Interest on assets remeasured at fair value**	**Dividends of available-for-sale assets**	**Impairment of assets held to maturity**	**Debt at amortized cost**		**Loans and receivables**		**Change in value of derivatives**
					Foreign exchange effects	Interest	Foreign exchange effects	Impairment and other reversals	
Operating income	-	-	-	-	-	-	-	(30)	-
Cost of net financial debt	-	50	-	-	-	(101)	-	-	-
Other financial income and expenses[(1)]	-	-	(1)	-	-	-	(156)	-	155

December 31, 2016									
(in millions of euros)	**Valuation at fair value**	**Interest on assets remeasured at fair value**	**Dividends of available-for-sale assets**	**Impairment of assets held to maturity**	**Debt at amortized cost**		**Loans and receivables**		**Change in value of derivatives**
					Foreign exchange effects	Interest	Foreign exchange effects	Impairment and other reversals	
Operating income	-	-	-	-	-	-	-	(23)	-
Cost of net financial debt	-	33	-	-	-	(107)	-	-	-
Other financial income and expenses[(1)]	-	-	(1)	-	-	-	28	-	(17)

(1) Excluding the financial cost related to discounting long-term vacant property provisions and pension provisions (see Note 7)

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 3,319 million at December 31, 2017 (versus a carrying amount of euro 3,130 million). At December 31, 2016, the fair value of financial liabilities was euro 3,554 million (versus a carrying amount of euro 3,311 million).

The fair values of Eurobonds, convertible bonds have 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, 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**

December 31, 2016

(in millions of euros)	Level 1	Level 2	Level 3	Total
Short-term liquid investments	112	-	-	112
Available-for-sale financial assets	68	-	18	86
Derivative instruments – Assets	-	124	-	124
	180	**124**	**18**	**322**
Derivative instruments – Liabilities	-	(285)	-	(285)
Total	**180**	**(161)**	**18**	**37**

Note 26. 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 2017, 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:

- 83% in fixed-rate loans with an average interest rate for 2017 of 3%,
- 17% in variable-rate loans.

The table below sets out the carrying amount by maturity on December 31, 2017 of the Group's financial instruments exposed to interest rate risk:

(in millions of euros)	***Total at December 31, 2017***	***Maturity***		
		-1 year	***1 to 5 years***	***+5 years***
Fixed rate				
Eurobond 2021 [(2) (3)]	696	-	696	-
Eurobond 2023 [(3)]	493	-	-	493
Eurobond 2024 [(1) (3)]	603	-	-	603
Medium-term syndicated loan	463	-	463	-
Debt related to finance leases	89	-	-	89
NET FIXED-RATE LIABILITIES (ASSETS)	**2,344**	**-**	**1,159**	**1,185**
Variable rate				
Medium-term syndicated loan	446	149	297	-
Bank borrowings	21	13	8	-
Bank overdrafts	27	27	-	-
Cash and cash equivalents	(2,407)	(2,407)	-	-
Other financial assets	(169)	(169)	-	-
NET VARIABLE-RATE LIABILITIES (ASSETS)	**(2,082)**	**(2,387)**	**305**	**-**

(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 22).

Exposure to exchange rate risk

- Net assets

The table below shows the Group's net assets at December 31, 2017 broken down by principal currencies:

(in millions of euros)	***Total at December 31, 2017***	**Euros[1]**	**US dollar**	**Pound Sterling**	**Brazilian Real**	**Yuan**	**Other**
Assets	**23,780**	3,821	12,243	1,526	509	1,474	4,207
Liabilities	**(17,822)**	(4,130)	(8,836)	(821)	(286)	(959)	(2,790)
Net assets	**5,958**	**(309)**	**3,407**	**705**	**223**	**515**	**1,417**
Effect of foreign exchange hedges[2]		**2,270**	**(2,474)**	**341**	**-**	**2**	**(139)**
Net assets after hedging	**5,958**	**1,961**	**933**	**1,046**	**223**	**517**	**1,278**

(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:

	2017	***2016***
Euro	15%	15%
US dollar	52%	52%
Pound Sterling	9%	9%
Other	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 58 million on 2017 consolidated revenue,
- euro 9 million on the 2017 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)	***2017***	***2016***
Amounts not yet due	**6,023**	**6,295**
Overdue receivables:		
Up to 30 days	418	516
31 to 60 days	120	150
61 to 90 days	68	50
91 to 120 days	29	28
More than 120 days	141	128
Total overdue receivables	**776**	**872**
Invoiced trade receivables	**6,799**	**7,167**
Impairment	(90)	(85)
Invoiced trade receivables net	**6,709**	**7,082**

Disclosures regarding major clients

% of revenue	***2017***	***2016***
Five largest clients	13%	14%
Ten largest clients	19%	20%
Twenty largest clients	30%	30%
Thirty largest clients	36%	37%
Fifty largest clients	44%	45%
One hundred largest clients	55%	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.

Other

As part of the inquiry carried out by the Antitrust Division of the United States' Department of Justice on video production in advertising, one of Publicis Groupe's subsidiaries received a subpoena to provide elements on December 14, 2016. With the advice of outside counsel, the Group continued to collaborate fully and productively with the investigation.

Note 27. Operating segment information

Information by business sector

The Publicis Groupe structure, developed over several years, is designed to provide the Group's clients with comprehensive, holistic communication services involving all disciplines. The new Group structure, put in place on January 1, 2016, primarily led to existing agency networks being grouped together by division, but retains a client-centered approach. In consequence, the new structure has not resulted in any fundamental changes to the way in which operating segment information to be presented is analyzed.

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 for the analysis of the business, the Group has chosen to provide specific information by region.

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

(in millions of euros)	Europe	North America	Asia Pacific	Latin America	Middle East & Africa	Total
YEAR 2017						
Income statement items						
Revenue(1)	2,758	5,187	1,060	389	296	**9,690**
Depreciation and amortization expense (excluding intangibles from acquisitions)	(55)	(76)	(22)	(5)	(3)	**(161)**
Operating Margin	**423**	**831**	**151**	**64**	**36**	**1,505**
Amortization of intangibles from acquisitions	(15)	(54)	(2)	(2)	-	**(73)**
Impairment loss	(52)	(2)	(58)	-	(3)	**(115)**
Non-current income and expenses	20	(15)	4	(4)	(6)	**(1)**
Operating income after impairment loss	**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) 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 26 for information by currency on the exposure to exchange rate risk presented by liabilities.

(in millions of euros)	Europe	North America	Asia Pacific	Latin America	Middle East & Africa	Total
YEAR 2016						
Income statement items						
Revenue[1]	2,760	5,236	1,085	365	287	**9,733**
Depreciation and amortization expense (excluding intangibles from acquisitions)	(56)	(78)	(23)	(5)	(4)	**(166)**
Operating Margin	**429**	**813**	**173**	**51**	**50**	**1,516**
Amortization of intangibles from acquisitions	(18)	(56)	(2)	(3)	-	**(79)**
Impairment loss	(310)	(1,029)	(59)	(1)	(41)	**(1,440)**
Non-current income and expenses	13	-	-	(2)	1	**12**
Operating income after impairment loss	**114**	**(272)**	**112**	**45**	**10**	**9**
Balance sheet items						
Goodwill, net	2,484	4,850	1,195	416	205	**9,150**
Intangible assets, net	127	1,202	2	12	2	**1,345**
Property, plant and equipment, net	300	259	55	17	9	**640**
Other financial assets	105	39	31	5	2	**182**
Disclosures in respect of the statement of cash flows						
Purchases of property, plant and equipment and intangible assets	(70)	(66)	(30)	(4)	(3)	**(173)**
Purchases of investments and other financial assets, net	(8)	(4)	1	-	(1)	**(12)**
Acquisitions of subsidiaries	(110)	(88)	(28)	(5)	(9)	**(240)**

(1) Because of the way this indicator is calculated (difference between billings and cost of billings), there are no eliminations between the different zones

Note 28. Publicis Groupe SA stock option and free share plans

Two types of free share plans were created during 2017, with the following features:

- long-Term Incentive Plan “LTIP 2017” (May 2017)

  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 attainment of growth and profitability targets in 2017. The shares, awarded in May 2017, will vest in May 2020.

- long-Term Incentive Plan “Sapient 2017 Plan” (June 2017)

  In accordance with the agreements entered into during the acquisition of Sapient, and as a transitional measure for financial years 2015 to 2017, at the same time as LTIP 2017, which concerns only Group employees to the exclusion of Publicis.Sapient employees, two specific plans were introduced in respect of 2017 to the exclusive benefit of Publicis.Sapient directors and employees. The first 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 June 2017, 2018, 2019 and 2020). 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 attainment of targets in respect of 2017, 2018 and 2019. 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 June 2020.

In addition, the performance of the following plans was assessed in 2017:

- LTIP 2016: the performance targets set for 2016 were 50% achieved;
- Sapient 2015 and 2016 Plans: the targets set for 2016 were not achieved;
- Lionlead3 2016-2018 Plan: the targets set for 2016 were 75% achieved.

Share subscription or purchase options originated by Publicis Groupe

CHARACTERISTICS OF PUBLICIS GROUPE STOCK OPTION PLANS AS OF DECEMBER 31, 2017

Plans	Type[1]	Date of grant	Exercise price of options (in euros)	Options outstanding on January 1, 2017 (or if later: the grant date)	Options canceled, lapsed or transferred[2] in 2017	Options exercised in 2017	Options outstanding at December 31, 2017	Of which exercisable on December 31, 2017	Expiry date	Remaining contract life (in years)
23rd tranche LTIP 2006-2008	A	08/24/2007	31.31	111,419	(29,980)	(81,439)	-	-	08/24/2017	0.15
Co-investment 2013 France – options	A	04/30/2013	52.76	323,371	-	(39,358)	284,013	284,013	04/30/2023	5.33
Co-investment 2013 Outside France – options	A	04/30/2013	52.76	1,790,362	(48,823)	(63,815)	1,103,524	1,103,524	04/30/2023	5.33
TOTAL OF ALL TRANCHES				**2,225,152**	**(78,803)**	**(758,812)**	**1,387,537**	**1,387,537**		

(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 award of the share purchase or subscription options under the above plans is conditional on continued employment throughout the vesting period. It is also subject to non-market performance conditions. 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 PAST TWO YEARS

	2017		2016	
	Number of options	**Average exercise price (in euros)**	**Number of options**	**Average exercise price (in euros)**
Options at January 1	2,225,152	51.69	5,372,943	50.72
Options granted during the financial year	-		-	
Options exercised[1]	(758,812)	50.46	(404,760)	33.75
Canceled or lapsed options	(78,803)	44.60	(2,743,031)	52.43
Options outstanding at December 31	**1,387,537**	**52.76**	**2,225,152**	**51.69**
Of which exercisable	1,387,537	52.76	434,790	47.26
(1) Average share price on exercise (in euros)		*61.88*		*62.10*

Free share plans originated by Publicis Groupe

CHARACTERISTICS OF PUBLICIS GROUPE FREE SHARE PLANS AS OF DECEMBER 31, 2017

Plans	*Date of initial grant*	*Grants as of January 1, 2017 (or if later: date of grant)*	*Shares canceled, lapsed or transferred[(1)] in 2017*	*Shares vesting in 2017[(2)]*	*Shares yet to vest at December 31, 2017*	*Vesting date of shares[(3)]*	*Remaining contract life (in years)*
50 free shares plan 2013 – 26 countries	02/01/2013	116,400	(2,125)	(114,275)	-	02/01/2017	-
LTIP Plan 2013 – Outside France	04/16/2013	252,990	(34,796)	(218,194)	-	04/16/2017	-
LTIP Plan 2013-2015 (Directoire Outside France)	06/17/2013	18,632	-	(18,632)	-	06/17/2017	-
Co-investment Plan 2013 Outside France – Shares	04/30/2013	504,118	1,365	(505,483)	-	04/30/2017	-
LTIP Plan 2014 – France	03/20/2014	34,781	(2,300)	(32,481)	-	03/20/2017	-
LTIP Plan 2014 – Outside France	03/20/2014	229,325	(16,467)	-	212,858	03/20/2018	0.22
LTIP Plan 2015 – France	04/17/2015	36,182	(900)	-	35,282	04/17/2018	0.29
LTIP Plan 2015 – Outside France	04/17/2015	247,201	(18,638)	-	228,563	04/17/2019	1.29
Sapient 2015 Plan (4-year)	04/17/2015	277,452	(48,459)	(116,043)	112,950	2016 - 2019	1.29
Sapient 2015 Plan (3-year)	04/17/2015	42,665	(30,774)	(5,628)	6,263	04/17/2018	0.29
LTIP Plan 2016	06/23/2016	745,600	(428,100)	-	317,500	06/23/2019	1.48
LTIP Plan 2016-2018 Directoire and Directoire +	06/23/2016	120,000	-	-	120,000	06/23/2019	1.48
2016-2018 LionLead3 Plan – France	06/16/2016	509,652	40,822	-	550,474	06/16/2019	1.46
2016-2018 LionLead3 Plan – International	06/16/2016	3,239,379	(429,177)	-	2,810,202	06/16/2020	2.46
2016-2018 LionLead3 Plan Directoire and Directoire+	06/16/2016	833,976	(173,745)	-	660,231	06/23/2019	1.48
Sapient 2016 Plan (4-year)	04/15/2016	381,342	(53,301)	(101,259)	226,782	2017 - 2020	2.29
Sapient 2016 Plan (3-year)	04/15/2016	61,262	(43,954)	(9,328)	7,980	04/15/2019	1.29
LTIP 2017 Plan	05/18/2017	678,450	(11,550)	-	666,900	05/18/2020	2.38
Sapient 2017 Plan (4-year)	06/15/2017	240,048	(12,138)	-	227,910	2018 - 2021	3.46
Sapient 2017 Plan (3-year)	06/15/2017	287,952	(25,602)	-	262,350	06/15/2020	2.46
TOTAL FREE SHARE PLANS		**8,857,407**	**(1,289,839)**	**(1,121,323)**	**6,446,245**		

(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.*

(3) *Plans allocated prior to 2016: French beneficiaries must observe an additional two-year lock-in period after vesting.*

The award of the free shares under the above plans is conditional on continued employment throughout the vesting period. Awards are also subject to non-market performance conditions for plans LTIP 2012 to 2017, for the 2013 Co-investment Plan (available only to members of the Management Board), for the Sapient 2015 to 2017 Plans, for which the vesting period is three years, and lastly for the Lionlead3 Plan (which is also subject to a market condition).

MOVEMENTS IN PUBLICIS GROUPE FREE SHARE PLANS OVER THE LAST TWO YEARS

	2017	2016
PROVISIONAL SHARE GRANTS AT JANUARY 1	**7,650,957**	**3,019,291**
Provisional grants during the year	1,206,450	6,101,239
Grants vesting (deliveries)	(1,121,323)	(299,238)
Grants lapsed	(1,289,839)	(1,170,335)
PROVISIONAL GRANTS AT DECEMBER 31	**6,446,245**	**7,650,957**

Fair value of free Publicis Groupe shares granted during the year:

Free shares	LTIP 2017 [1]	Sapient 2017 (4 years)	Sapient 2017 (3 years) [2]
Date of Management Board meeting	05/18/2017	06/15/2017	06/15/2017
Number of shares originally granted	678,450	240,048	287,952
Initial valuation of shares granted (weighted average, in euros)	59.38	61.48	60.36
Assumptions:			
Share price on the grant date (in euros)	65.50	67.10	67.10
Lock-in period (in years)	3	4	3

(1) *Conditional shares whose vesting is subject to the achievement of targets set for 2017.*

(2) *Conditional shares subject to the achievement of targets set for 2017, 2018 and 2019*

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

The total impact of these plans on the 2017 income statement was euro 55 million (excluding taxes and social security charges), compared to euro 55 million in 2016 (see Note 3 - "Personnel expenses").

With regard to the free share plans granted subject to performance conditions, the rights of which were still to be vested as of December 31, 2017, the probability of the targets for 2017 being met has been estimated as follows:

- LTIP 2017 Plan: 50%;
- LTIP Plan 2016-2018 (Directoire & Directoire +): 50%;
- LionLead3 2016-2018 Plan (excluding Directoire & Directoire +): 75%;
- LionLead3 2016-2018 Plan (Directoire & Directoire +): 75%;
- Sapient 2015, 2016 and 2017 Plans (3-year performance): 100%.

Note 29. Related party disclosures

Related-party transactions

The balance of related-party transactions is presented below and mainly concerns the OnPoint and ZAG entities in 2017 and OnPoint and Viva Tech in 2016:

(in millions of euros)	*2017*	*2016*
Receivables	13	22
Liabilities	-	7

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)	*2017*	*2016*
Total gross compensation[1]	(10)	(10)
Post-employment benefits[2]	-	-
Other long-term benefits[3]	6	1
Share-based payments[4]	(2)	(2)

(1) Compensation, bonuses, indemnities, directors' 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 share subscription and purchase options and free share plans.

In addition, the total accounting provision as of December 31, 2017 for retirement and other long-term benefits for senior management amounted to euro 1 million. This figure was euro 7 million on December 31, 2016.

Note 30. Subsequent events

None

Note 31. 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 for the 2017 and 2016 financial years were as follows:

(in millions of euros)	**Ernst & Young**				**Mazars**				**Total**			
	Amount (excl. taxes)		**%**		**Amount (excl. taxes)**		**%**		**Amount (excl. taxes)**		**%**	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
Statutory audit												
Publicis Groupe SA (parent company)	0.9	0.9	13%	13%	0.4	0.4	8%	8%	1.3	1.3	11%	11%
Audit of financial statements	*0.8*	*0.7*			*0.4*	*0.4*			*1.2*	*1.1*		
Other services	*0.1*	*0.2*			*0*	*0*			*0.1*	*0.2*		
Subsidiaries	0.2	0.3	3%	4%	0.6	0.6	12%	13%	0.8	0.9	7%	8%
Audit of financial statements	*0.2*	*0.3*			*0.6*	*0.6*			*0.8*	*0.9*		
Other services	*0*	*0*			*0*	*0*			*0*	*0*		
SUBTOTAL	1.1	1.2	16%	17%	1.0	1.0	20%	21%	2.1	2.2	18%	19%
Network												
Audit of financial statements	*5.3*	*5.3*	*78%*	*76%*	*3.7*	*3.7*	*74%*	*77%*	*9.0*	*9.0*	*76%*	*76%*
Other services	*0.4*	*0.5*	*6%*	*7%*	*0.3*	*0.1*	*6%*	*2%*	*0.7*	*0.6*	*6%*	*5%*
SUBTOTAL	5.7	5.8	84%	83%	4.0	3.8	80%	79%	9.7	9.6	82%	81%
Total	**6.8**	**7.0**		**100%**	**5.0**	**4.8**		**100%**	**11.8**	**11.8**		**100%**

Note 32. List of main consolidated companies on December 31, 2017

A) Fully consolidated companies

The companies listed below are our operating companies with 2017 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(2)	100.00%	67.00%	France
Drugstore Champs-Élysées SNC	100.00%	100.00%	France
Razorfish France SAS	100.00%	100.00%	France
Marcel SAS	100.00%	99.98%	France
Publicis Conseil SA	99.99%	99.99%	France
Publicis Consultants France SARL	99.99%	99.99%	France
Publicis Activ France SA	100.00%	99.95%	France
Leo Burnett SAS	100.00%	100.00%	France
Publicis Life Brands SA	100.00%	100.00%	France
Saatchi & Saatchi SAS(2)	100.00%	100.00%	France
Publicis Media France SA(1)	100.00%	100.00%	France
Publicis Events SAS(2)	100.00%	100.00%	France
Digitas LBi SAS	100.00%	100.00%	France
Independence Media, SAS	100.00%	100.00%	France
Advance Marketing Services SAS	100.00%	100.00%	France
World Advertising Movies SAS	100.00%	100.00%	France
Publicis Webformance SAS(2)	100.00%	100.00%	France
Publicis ETO SAS(1)	100.00%	100.00%	France
SCAP SARL	100.00%	100.00%	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(1)	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
Performics – Newcast GmbH	100.00%	100.00%	Germany
Starcom Mediavest Group Germany GmbH(2)	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(1)	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
Publicis Loyalty Pty Ltd	100.00%	100.00%	Australia
Saatchi & Saatchi Australia Pty Ltd(1)	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

Name	Voting rights	Shareholding	Country
Publicis Australia Pty Ltd	100.00%	100.00%	Australia
Sapient Razorfish Australia Pty Limited[1]	100.00%	100.00%	Australia
ZenithOptimedia Australia Pty Ltd	100.00%	100.00%	Australia
Proximedia SA	100.00%	100.00%	Belgium
DPZ&T Communicaçao Ltda	100.00%	100.00%	Brazil
PBC Comunicaçao Ltda	100.00%	100.00%	Brazil
Leo Burnett Publicidade Ltda	99.99%	99.99%	Brazil
F/Nazca S&S Publicidade Ltda	98.00%	98.00%	Brazil
Talent Marcel Comunicaçao e Planejamento Ltda	99.78%	99.78.%	Brazil
BRZ/Neogama Comunicacoes Ltda	100.00%	100.00%	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
Shanghai Genedigi Brand Management Co. Ltd[1]	100.00%	100.00%	China
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[1]	100.00%	100.00%	China
Publicis.Sapient China Co. Ltd	100.00%	100.00%	China
MMS Communicaciones Colombia SAS	100.00%	100.00%	Colombia
Leo Burnett Inc[1]	100.00%	100.00%	South Korea
Flip Media FZ LLC[2]	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[1]	100.00%	100.00%	United Arab Emirates
Blue449 Agencia de medios SL[1]	100.00%	100.00%	Spain
Starcom MediaVest Group Iberia SL	100.00%	100.00%	Spain
Publicis Comunicacion Espana SL[1]	100.00%	100.00%	Spain
Zenith Media SL	100.00%	100.00%	Spain
Vertiba LLC	100.00%	100.00%	United States
Expicient Inc	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[1]	100.00%	100.00%	United States
Televest Entertainment Inc[1]	100.00%	100.00%	United States
Martin Retail Group	70.00%	70.00%	United States
Kekst & Company Inc[1]	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
Prodigious USA Inc	100.00%	100.00%	United States
Publicis Health LLC[2]	100.00%	100.00%	United States
Publicis Healthcare Solutions Inc	100.00%	100.00%	United States
MSLGROUP Americas Inc[1]	100.00%	100.00%	United States

Name	Voting rights	Shareholding	Country
Publicis, Inc	100.00%	100.00%	United States
Publicis Media Inc[(1)]	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
Mphasize LLC	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[(1)]	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[(1)]	100.00%	100.00%	United States
Denuo Ltd	100.00%	100.00%	Hong Kong
MMS Communications Hungary Kft	100.00%	100.00%	Hungary
Law & Kenneth Saatchi & Saatchi Pvt Ltd[(2)]	100.00%	100.00%	India
TLG India Pvt Ltd	100.00%	100.00%	India
Publicis Communications Pvt Ltd[(2)]	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
Publicis Srl	100.00%	100.00%	Italy
Leo Burnett Company Srl	100.00%	100.00%	Italy
Publicis Sapient Italy Srl[(2)]	100.00%	100.00%	Italy
Publicis Media Italy Srl[(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[(2)]	100.00%	100.00%	Malaysia
MMS Communication Mexico SA de CV[(1)]	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[(1)]	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.[(2)]	100.00%	100.00%	Peru

Name	Voting rights	Shareholding	Country
Publicis Jimenez Basic Inc	100.00%	80.22%	The Philippines
ZenithOptimedia Group Sp z o.o[2]	100.00%	100.00%	Poland
Interactive Solutions Sp. z o.o	100.00%	100.00%	Poland
Starcom Sp z o.o	100.00%	100.00%	Poland
MMS Communications s.r.o[2]	100.00%	100.00%	Czech Republic
Langland Ltd	100.00%	100.00%	United Kingdom
Seven Seconds[2]	81.00%	81.00%	United Kingdom
Walker Media[1]	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
ZenithOptimedia Ltd[1]	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[2]	100.00%	100.00%	United Kingdom
ZenithOptimedia International Ltd	100.00%	100.00%	United Kingdom
Digital & Direct Communications 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
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
Sapient Consulting (Singapore) Pte Ltd[2]	100.00%	100.00%	Singapore
BBH Communications (Asia Pacific) Pte Ltd	100.00%	100.00%	Singapore
DigitasLBi Sverige AB	100.00%	100.00%	Sweden
Publicis Media Sweden AB	100.00%	100.00%	Sweden
Publicis Media Switzerland AG[1]	100.00%	100.00%	Switzerland
Sapient Switzerland GmbH[2]	100.00%	100.00%	Switzerland
Leo Burnett SA Switzerland	100.00%	100.00%	Switzerland
Publicis Communications Schweiz AG	100.00%	100.00%	Switzerland
Leo Burnett Company Ltd[2]	100.00%	100.00%	Taiwan
Denuo Ltd Taiwan Branch	100.00%	100.00%	Taiwan
Star Reachers Group Company Ltd	100.00%	100.00%	Thailand

(1) Change in corporate name.
(2) Companies on the 2017 list but not on the 2016 list.

B) 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.