PUBLICIS
GROUPE

GOUVERNANCE EN ACTION

In response to your written questions of May 23, 2017, the Management Board provides the following responses:

Publicis Groupe (the "**Company**") wishes to emphasize that, although it is under no obligation to answer written questions unrelated to the agenda of its general meeting, it has accepted, however, to provide answers for the sake of transparency.

Question A

Do you confirm the existence of compensation in the amount of 150 million euros (130 million euros in the form of a cash transfer and €20 million euros in the form of a software credit) agreed on October 31, 2014, which was not brought to the attention to the shareholders of the Publicis Groupe?

Response: Publicis launched (in 2009) the implementation of a new integrated management system with an IT provider (the "**Service Provider**"). This project was piloted from the outset by Publicis Groupe's Chief Operating Officer (COO) at the time, Jean-Yves Naouri.

Following difficulties and delays, discussions took place with the Service Provider, which led to the opening of an arbitration procedure that subsequently led, during the proceedings, to the conclusion of a settlement agreement, on October 31, 2014.

Question B

Do you confirm, as was stated in your March 31, 2017 letter to Gouvernance en Action, that the compensation received concerned the settlement of a "dispute with SAP"?

Response: See response to question A.

Question C

Do you confirm that this exceptional income in the amount of 130 million euros was allocated to various ordinary accounts and that Publicis Groupe's operating margin was consequently modified?

Response: The Management Board is surprised by the shareholder's assessment, which suggests not only an inadequate accounting treatment but also the inclusion in an accounting item ("Extraordinary income and expenses") that does not exist under IFRS.

To the extent that the amount paid by the Service Provider did not meet the definition of "Other non-current income and expenses", which is intended to include expenses and income from transactions in

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non-current items (such as Capital gains or losses on the sale of assets), it has been treated under IFRS as follows:

For fiscal year 2014

52 million euros directly reducing the intangible assets that correspond to the project in the balance sheet, without an impact on the income statement, this portion of the indemnity being recognized as a credit with our supplier, thus reducing the cost of capitalized expenses;

50 million euros to the credit of operating expenses, corresponding to the portion of the indemnity intended to compensate for the additional costs incurred, and also recognized as operating expenses;

28 million euros in deferred income (Other creditors and current liabilities). This amount is analyzed as a prepaid income included in the income statement in subsequent years to offset the additional costs expected during these fiscal years due to known delays.

For fiscal year 2015

9 million euros to the credit of operating expenses

For fiscal year 2016

19 million euros to the credit of operating expenses

The amount received thus offsets operating expenses. As in any information system project, costs are either expensed directly or capitalized and amortized. The additional costs of the project affect current operating expenses and capitalized expenses, which were partially reduced with the compensation received.

Question D
What are the amounts of this compensation allocated to fiscal years 2014, 2015 and 2016, and which specific accounts have been impacted over the last three fiscal years?

Response: See response to question C.

Question E
What is the Publicis Groupe's consolidated operating profit for 2014, 2015 and 2016 following the treatment of this 150 million euro compensation?

Response: Since the compensation has been paid in accordance with the rules, no new treatment is planned or even possible.

Treatment of this indemnity does not need to be analyzed separately insofar as it compensates for additional costs already included in the operating income.

The amount of this indemnity included in the income statement therefore partially offsets the additional costs incurred by Publicis and is less than 5% of the operating margin in 2014, 2015 and 2016.

Governance

Question F

Has the Chairman of the Management Board been involved in negotiating the agreement and the accounting method used?

Response: The ERP project and discussions with the Service Provider were conducted under the responsibility of Jean-Yves Naouri, COO and a Member of the Management Board at the time. As the negotiations conducted by Mr. Naouri proved unsuccessful, the Chairman of the Management Board intervened in the negotiations. An agreement was finalized on October 31, 2014.

The accounting method was approved by the Chief Financial Officer and validated by the auditors as part of the 2014 financial statements and presented to the Chairman of the Management Board.

Question G

The Publicis Groupe's 2014 Registration Document states:
"The Audit Committee is regularly informed...of the principal pending legal disputes and their developments. The Supervisory Board heard the Audit Committee, which rendered its opinion on closing the accounts."

- **When was Publicis's Audit Committee informed about this transaction?**

Response: The Audit Committee was regularly informed of both the project and the arbitration proceedings until an agreement was reached on October 31, 2014, which was discussed in Committee, notably on November 26, 2014.

- **Has the Audit Committee been informed that exceptional items were included in the operating margin?**

Response: The Audit Committee reviewed the 2014 accounts at its February 4, 2015 meeting in the presence of the auditors and was informed of the accounting treatment set out in the reply to question C.

- **Did the Audit Committee inform the Supervisory Board about this fact?**

Response: The Chairman of the Audit Committee routinely reports to the Supervisory Board on the work of the Audit Committee.

Question H

Was the Supervisory Board informed that a 150 million euro compensation was agreed with SAP on October 31, 2014 in its October 31, 2014 and December 1, 2014 meetings?
The Supervisory Board approved the 2014 accounts at the February 11, 2015 Supervisory Board meeting.

Was the Board informed that 50 million euros in exceptional income was treated as "other operating income" and that the operating margin was impacted by around 85.6 million euros?

Response: The Management Board approved the accounts. The auditors were present and expressly validated the accounts without reservation.

- As mentioned above, the concept of extraordinary income and expenses does not exist under IFRS. The Supervisory Board was therefore fully aware that the impact of this transaction on the income statement was included in the operating margin as compensation for additional costs incurred due to delays in the implementation and execution of the ERP.
- The operating margin was not impacted by the amount of the indemnity since it compensated for the additional costs incurred by Publicis. The figure of 85.6 million euros presented by the shareholder has no reality, as shown by the accounting treatment specified in the response to question C.

Question I

Did the Auditors possess all the relevant information to comprehend that they had approved the accounting of exceptional income as day-to-day management transactions?

Response: The auditors had all the necessary elements to carry out their duties. The IFRS standards, as indicated above, do not include the notion of exceptional income and expenses.

Question J

The Report of the Chairman of the Supervisory Board stated: "*The Group's Legal Department regularly monitors the risks related to litigation in the Group. A summary of the significant disputes, as well as an evaluation of their potential impacts, is presented to the Group's senior management on a quarterly basis. The main disputes are also discussed at each Audit Committee meeting.*"

Has this procedure been complied with concerning this transaction?

Response: Yes.

Question K

With regard to the legal department's follow-up, the Chairman of the Supervisory Board's Report states:

"*A summary of significant disputes and an assessment of their potential impact is presented to the Group's senior management on a quarterly basis. The main disputes are also discussed at each meeting of the Audit Committee.*"

Has this procedure been complied with concerning this transaction?

Response: Yes.

Information disclosed on the market

Question L

A letter dated March 31, 2017, addressed to Gouvernance en Action, states that the agreement signed with SAP was "*an agreement under the auspices of an arbitral tribunal*".
The Publicis Groupe's 20144 Reference Document states: "*The Group has no knowledge of any legal or arbitration proceedings, initiated in the last 12 months, which could have a significant effect on the financial position or profitability of the Company and/or the Group.*"
Why was there a manifestly false statement in the Reference Document?

Response:
This statement is not misleading. Publicis Groupe can only protest against the erroneous and accusatory nature of such assertions.

Question M

The Publicis Groupe's 2014 Reference Document states:
"I confirm (...) that the information contained in this Reference Document is, to the best of my knowledge, true and contains no material omission."
Maurice Lévy-Chairman of the Management Board, April 7, 2015

- **How could the Chairman of the Management Board make a manifestly false statement when a 150 million euro settlement did not appear in the accounts?**
- **Was the Chairman of the Management Board informed of the accounting method adopted for this settlement?**

Response: Concerning the allegation of a so-called "false" assertion, Publicis Groupe once more protests against the erroneous and accusatory nature of such assertions.

With regard to the information provided to the Chairman of the Management Board, the Chairman was informed of the accounting treatment used for the amount paid by the Service Provider under the conditions already indicated in response to question F.

Redemption of the shares of the Badinter family

Question N

Regarding the conditions for preparing and organizing the work of the Supervisory Board, the Report of the Chairman of the Supervisory Board states:
"Each member agrees, as soon as he or she has knowledge of it, to inform the Board of any conflict of interest, whether actual or potential. No conflicts of interest were identified by either the Board or any of its members in 2014."

Did Mrs. Badinter at any given time mention any conflict of interest in the context of the of 150 million euro settlement, whether in 2014 or 2015?

Response: Publicis Groupe does not understand how Mrs. Badinter could have a conflict of interest to the extent that she has no direct or indirect interest with the Service Provider.

<u>Question O</u>
When was Mrs. Badinter informed of the agreement of a 150 million euro settlement with SAP?

<u>Response</u>: Mrs. Badinter is kept regularly informed of matters regarding the Company by the Chairman of the Management Board.

As the delays and the dispute with the Service Provider were discussed by the Supervisory Board, Mrs. Badinter was aware of this matter as were all the members of the Board.

<u>Question P</u>
The Publicis Groupe's March 17, 2015 press release states:
"This transaction is part of the buy-back program approved by the General Shareholders Meeting held on May 28, 2014... the repayment ahead of schedule of the ORANE 2022 approved by the Supervisory Board and announced on September 15, 2014. 12,684,487 shares are required for this repayment... The 2,406,873 shares bought from the Badinter family will be used to cover the debt securities giving access to equity capital ... The Supervisory Board meeting held on March 12, 2015... unanimously approved this transaction; the Board members personally concerned abstained from taking part in the discussion and vote."
Though approval was granted by the Shareholders' Meeting of May 28, 2014, followed by the early repayment of the ORANE by the Supervisory Board on September 15, 2014, why did Publicis wait until March 12, 2015 (6 months) to convene the Supervisory Board in order to purchase the shares of the Badinter family when they were almost at their highest price?

<u>Response</u>: The implementation of early redemption of ORANEs was a complex operation and required studying its practicalities in detail. This redemption required a decision during the General Meeting of Shareholders, which occurred on May 27, 2015. Given this requirement, and following approval of the early redemption of the ORANEs by the Supervisory Board on September 15, 2014, there was no urgency to buy back the shares and allocate the Group's cash. Since the repayment of the ORANEs could not take place until after the May 2015 general meeting, the Company had no interest in immobilizing funds in advance to acquire the shares needed for the exchange operations.

12,685,129 shares were needed to implement early redemption of the ORANEs. 6,342,243 shares previously held by Publicis were allocated to the redemption of the ORANEs, which involved the buyback program of 6,342,244 shares that was carried out as follows:

- 2,406,873 shares were purchased from the Badinter family at a price per share of 73.03 euros, i.e., at a 2% discount compared to the weighted average price over the last five trading days, and 4.5% compared to the closing price of 76.47 euros on March 16, 2015, and
- 3,935,371 shares repurchased on the market from March 28, 2015 at a slightly higher average price of 73.89 euros.

Miscellaneous / Compensation

Question Q

In 2014, a significant portion of the variable remuneration of members of the Management Board was based on criteria such as the operating margin, net income rate, auditing, and the implementation of an ERP system. Given the method for treating the 150 million euro compensation received from SAP, these indicators were distorted. However, the bonus paid for 2014 to three members of the Management Board was 100% of the target bonus.

- **What do you intend to do to honor Mrs Badinter's words (2014 Registration Document) when she talks about Publicis being "a courageous group that never compromises its values"?**
- **Is there a plan to review certain salaries or bonuses in light of these various elements?**
- **Does the Supervisory Board intend to review the Chairman of the Management Board's financial package, taking into account the accounting method used for this exceptional product and its impact on the Publicis Groupe's operational performance?**

Response: It is incorrect to state that these indicators were distorted. As explained in questions L and M, the indemnity had no significant impact on the Company's financial position and profitability, and there was therefore no impact on the remuneration of members of the Management Board.