PUBLICIS GROUPE

2018 Full Year Results

Accelerated transformation and record year, both commercially and financially

February 6, 2019

- **Publicis Groupe ranked No. 1 in new business league tables [1]**
- **Operating margin up 60 basis points; Headline diluted EPS up 10.3% [2]**
- **Organic growth of +0.8% [3] in 2018, despite attrition in traditional advertising in the USA**
- **Strategic and operational KPIs ahead of plan, with strong contribution to growth from strategic game changers (+28%)**
- **Share buyback program of €400 million**
- **Publicis Groupe confirms its 2020 objective of +4% organic growth**

2018 Results

(EUR million)	2018 *before IFRS16*	2018 vs 2017 at constant exchange rates *before IFRS16*
Revenue [4]	9,951	+1.1%
Net revenue [4]	8,969	+0.1%
Organic growth excluding PHS [3]	*+0.8%*	
Operating margin	1,501	+5.0%
Operating margin rate	*16.7%*	
Headline group net income	1,107	+12.2%
Headline diluted EPS (euro) [4]	4.72	+10.3%
Free Cash Flow [4]	1,311	+2.4%

Q4 2018

Net revenue	**€2,492 m**
Reported growth	+0.4%
Organic growth excluding PHS [3]	**+0.5%**

(1) Source: Goldman Sachs, JP Morgan, RECMA, R3
(2) At constant exchange rates
(3) Organic growth of Net revenue, excluding PHS
(4) See definitions

Arthur Sadoun, Chairman and CEO of Publicis Groupe:

“2018 was a productive year for Publicis. We clearly led the change in our industry, demonstrating that we have the model to win today and tomorrow, and a transformation roadmap to continuously increase shareholder value.

Thanks to the vision of Maurice Levy and to the hard work of our teams, we are posting a record year both commercially with a disproportionate share of new business wins, and financially with the highest EPS ever.

There are four key highlights of 2018: new business, financial performance, organic growth and transformation.

First, the move that we are operating from being a communication partner to a marketing and business transformation partner for our clients is making a massive difference commercially. We have outperformed the market in new business on every front. At Groupe level, we ranked first globally as highlighted in several reports, including JPMorgan and Goldman Sachs. Publicis Media is leading the media industry as stated in RECMA’s ranking. Finally, in the creative field, our two biggest networks Publicis Worldwide and Leo Burnett ranked first and second respectively in R3’s new business reports.

Our model connecting data, dynamic creativity and technology is working beautifully and fits the current and future needs of the clients. This is why we won the majority of the biggest pitches of 2018, such as Daimler, Campbell's, Marriott, Carrefour, Cathay Pacific, Smucker's, GSK and Fiat-Chrysler. These last two wins represent more than one billion dollars in billings each.

Second, we over-delivered financially while we were transforming.

We improved operating margin rate by 60 bps compared with 2017 reported figure, above our objective of a 30 to 50 basis point increase. Operating margin rate reached 16.7 % before IFRS16. It is important to mention that we did not deliver this performance at the expense of tomorrow’s growth. We realized 194 million euros of savings, thanks to all our work on structure simplification and the rightsizing of some operations. Out of this amount, 109 million euros were reinvested in our talents and our game changers.

Headline diluted EPS grew by 10.3 % at constant currency, above the top end of our target of 5 % to 10 % growth. Therefore, we will propose a 2.12 euro dividend per share representing a 45% pay out as committed at the investor day.

Finally, free cash flow remained very strong above 1.3 billion euros, fueled by a positive change in working capital for the second year in a row. This allowed us to turn net cash positive at 196 million euros at the end of 2018, only four years after the 3-billion-euro acquisition of Sapient. This is a big strength at this time of economic uncertainty. As the amount spent in M&A was below our objective in 2018, and as committed at the investor day, we announce a 400 million euro share buyback.

Third, excluding PHS, as the expected disposal was completed, full year 2018 organic growth was + 0.8 %, with H2 at + 1.3 % and Q4 at + 0.5 %. We benefitted from the exponential growth of our game changers representing an incremental revenue of close to 240 million euro, with the positive impact of new business ramp up. But we suffered from the usual year-end volatility and the higher-than-expected attrition in traditional advertising at 150 million euro, mainly from several FMCG clients in the US. This is a broad industry challenge as competitors, our clients themselves, and the press have been saying. We are taking strong actions to overcome it.

The fourth thing you should take out from 2018 is that we are ahead on all the strategic and operational KPI of our transformation to become the market leader in marketing and business transformation. The best evidence is our game changers performance. Data, dynamic creativity, and business transformation grew by 28%, and represent now 12% of the Groupe net revenue.

So today, we have the financial robustness, the model to win in the future and a clear roadmap for the next steps of our journey. We now need to deliver strong and profitable organic growth.

In this challenging context, we are making the demonstration that we have built the model of the future and are highly competitive, while working to create more value for our shareholders.

This was the Directoire's commitment for 2018 and it is what we are delivering today.

We confirm the 4% organic growth objective in 2020, and the 30 to 50 basis point margin improvement both in 2019 and 2020."

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Publicis Groupe's Supervisory Board met on February 6, 2019, under the chairmanship of Maurice Lévy, to examine the annual accounts for 2018 presented by Arthur Sadoun, CEO and Chairman of the Management Board.

KEY FIGURES

EUR million, except per-share data and percentages	***2018 (1)*** ***after IFRS 16***	***2018*** ***before IFRS 16***	***2017*** ***before IFRS 16***
Data from the Income Statement:			
Net revenue (2)	8,969	8,969	9,332
Pass-through revenue	982	982	914
Revenue (2)	9,951	9,951	10,246
Operating margin before Depreciation & Amortization	2,049	1,652	1,666
% of Net revenue	*22.8%*	*18.4%*	*17.9%*
Operating margin	1,523	1,501	1,505
% of Net revenue	*17.0%*	*16.7%*	*16.1%*
Operating income	1,303	1,281	1,316
Net income attributable to the Groupe	919	944	862
Earnings Per Share (EPS)	4.01	4.12	3,81
Headline diluted EPS (3)	4.61	4.72	4.50
Dividend per share (4)	2.12	2.12	2.00
Free Cash Flow before changes in working capital requirements	1,158	1,182	1,287
EUR million ***Data from the Balance Sheet***	***Dec. 31, 2018*** ***after IFRS 16***	***Dec. 31, 2018*** ***before IFRS 16***	***Dec. 31, 2017*** ***before IFRS 16***
Total assets	27,080	25,359	23,780
Groupe share of Shareholders' equity	6,853	6,866	5,956
Net debt (net cash)	(288)	(196)	727

(1) The financial statements at December 31, 2018 were prepared with the early application of IFRS 16 (use of the prospective method without restating the previous year)

(2) In accordance with IFRS 15 applicable as of January 1, 2018, comparative data from the previous period have been restated. Revenue is equal to Net revenue plus pass-through revenue

(3) Net income attributable to the Groupe, after elimination of impairment charges / real estate transformation expenses, amortization of intangibles arising on acquisitions, the main capital gains (or losses) on disposals, change in the fair value of financial assets, the impact of US tax reform and the revaluation of earn-out costs, divided by the average number of shares on a diluted basis.

(4) To be proposed to the shareholders at their AGM of May 29, 2019

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

IFRS 15 ON REVENUE RECOGNITION

Publicis Groupe has been applying IFRS 15, the accounting standard on revenue recognition, since January 1, 2018. The 2017 financial statements have therefore been restated for the purposes of comparison with revenue since the standard came into force. This has increased revenue since certain costs – that are directly re-invoiced to clients – are no longer set against revenue. These costs mainly concern production and media activities, as well as various miscellaneous costs incumbent on clients.

In this context, as these items that can be re-billed to clients do not come within the scope of analysis of operations, Publicis Groupe has decided to focus on a different indicator, i.e. revenue less pass-through revenue or Net revenue, which is the most relevant indicator in terms of measuring the Groupe's operational performance.

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

EUR million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017
Before IFRS 15					
Reported revenue	2,328	2,515	2,264	2,583	9,690
After IFRS 15					
Net revenue	**2,267**	**2,397**	**2,185**	**2,483**	**9,332**
+ Pass-through revenue	222	235	206	251	914
= IFRS revenue	2,489	2,632	2,391	2,734	10,246

A breakdown of 2017 Net revenue by quarter and by region, as well as the main items of the 2017 half-yearly and annual results including the impact of IFRS 15, was provided in the press release dated July 6, 2018 (available on the Groupe's website at www.publicisgroupe.com).

IFRS 16 ON LEASE AGREEMENTS

Publicis Groupe chose to apply IFRS 16 "Leases" early from January 1, 2018.

Pursuant to IFRS 16, all leases are now recognized by recording a right-of-use asset and liability equal to the present value of the future payments. The right-of-use assets, related to leases, are amortized over the term of lease agreements.

The Publicis Groupe contracts that come within the scope of this standard concern the following:

- mainly property leases: Publicis leases its offices in most of the cities where it operates;
- and, to a lesser extent, the use of advertising space within its advertising sales business (via advertising space concession contracts with guaranteed minima), and the leasing of vehicles and IT equipment.

Publicis Groupe has opted for the cumulative catch-up approach which consists in booking the cumulative impact of the initial application as an adjustment to opening equity, considering that the right-of-use assets are equal to the amount of lease liabilities adjusted by the amount of prepaid rent. The opening balance sheet at January 1, 2018, after application of IFRS 16, was presented in Note 3 to the financial statements at June 30, 2018. Furthermore, the 2017 Income statement has not been restated. When reporting its annual results for 2018, the Groupe has published IFRS 16-compliant financial statements but also its financial results *before* application of this new standard for the purposes of comparison with its performance in 2017.

NET REVENUE IN Q4 2018

Publicis Groupe's Net revenue in Q4 2018 was 2,492 million euro, up 0.4% from 2,483 million euro in 2017. At constant exchange rates, growth was +0.2% after inclusion of the positive impact of exchange rate variations (5 million euro or +0.2%). Net acquisitions contributed 11 million euro to Net revenue in Q4 2018 (including the deconsolidation of Genedigi from January 1, 2018).

Organic growth was -0.3% in Q4 2018. When PHS is factored out, growth was +0.5% in the fourth quarter. Growth was therefore slower than in Q3 due to negative impact of the usual year-end volatility and the higher-than-expected rate of attrition in the traditional advertising business, notably in the FMCG sector in the US. Organic growth nonetheless benefited from the ramp-up of accounts won in Q1 2018 - notably those of Daimler, Carrefour, Campbell's and Marriott – which contributed 150 basis points.

Breakdown of Q4 2018 Net revenue by region

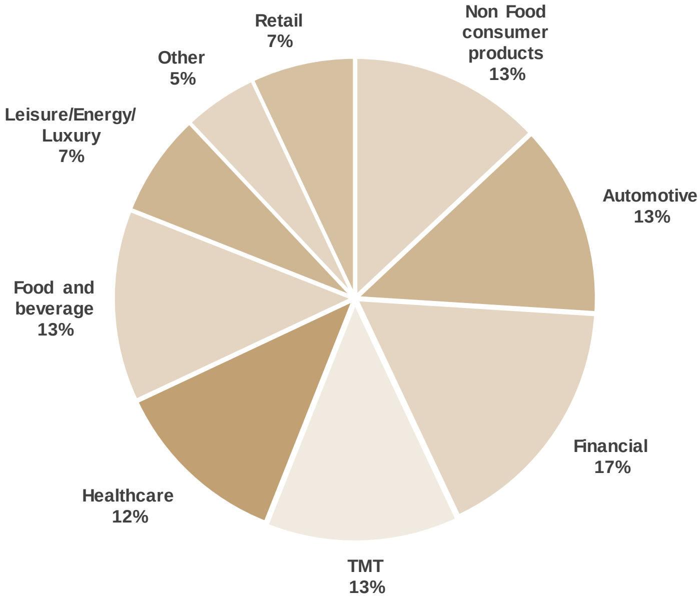
EUR million	Net revenue		Reported growth	Organic growth	Organic growth excl. PHS
	Q4 2018	Q4 2017			
Europe	753	718	+4.9%	+4.4%	+4.3%
North America	1,260	1,253	+0.6%	-2.6%	-1.1%
Asia Pacific	277	300	-7.7%	-2.8%	-2.8%
Latin America	110	126	-12.7%	-1.9%	-1.9%
Middle East & Africa	92	86	+7.0%	+6.8%	+6.8%
Total	**2,492**	**2,483**	**+0.4%**	**-0.3%**	**+0.5%**

NET REVENUE IN FULL YEAR 2018

Publicis Groupe's Net revenue for the full year 2018 was 8,969 million euro, compared with 9,332 million euro in 2017, i.e. a 3.9% decrease. At constant exchange rates, growth was +0.1% but the actual impact of exchange rate variations was a negative 4.0% or 374 million euro. Net acquisitions contributed 5 million euro to Net revenue in 2018 (including the deconsolidation of Genedigi from January 1, 2018).

Organic growth was +0.1% in 2018. It was +0.8% without PHS. This includes 28% growth of Net revenue from the Strategic Game Changers, i.e. an organic contribution to Net revenue of close to +240 million euro, but also the 150 million euro impact of attrition.

Breakdown of 2018 Net revenue by sector



Based on 3,216 clients representing 87% of the Groupe's total revenue

Publicis Groupe made effective the disposal of Publicis Health Services in January 2019. This entity services CSOs (Contract Sales Organizations), a business that does not exist in other healthcare communications networks that mainly specialize in outsourcing. By its very nature, this business is highly volatile and developments in the healthcare sector have led clients to make last-minute adjustments resulting in the postponement or even the cancellation of campaigns.

The pharmaceutical industry is undergoing radical transformation throughout the world. At a time when medical research and sales have moved on from the blockbuster era to one of more specialized therapies, it has become necessary to adapt its marketing and to propose measures that target patients and prescribers much more specifically. Publicis Groupe's offering – which is articulated around data, dynamic creativity and digital business transformation – is clearly aligned with these needs.

Publicis Groupe remains determined to provide its clients with the best possible offering for their digital transformation and this will require investment in healthcare-related consulting, data and technology.

Breakdown of 2018 Net revenue by region

EUR million	Net revenue		Reported growth	Organic growth	Organic growth excl. PHS
	2018	2017			
Europe	2,622	2,596	+1.0%	+1.4%	+1.3%
North America	4,795	5,032	-4.7%	-0.8%	+0.5%
Asia Pacific	924	1,037	-10.9%	-1.8%	-1.8%
Latin America	347	387	-10.3%	+4.5%	+4.5%
Middle East & Africa	281	280	+0.4%	+4.6%	+4.6%
Total	**8,969**	**9,332**	**-3.9%**	**+0.1%**	**+0.8%**

Europe reported growth of +1.0%. However, when changes in scope of consolidation, exchange rates and PHS are all factored out, growth stands at +1.3%. Growth has accelerated since the end of June, mainly due to the ramp-up of accounts gained in the earlier part of the year, particularly Daimler and Carrefour. This is the broader context within which Germany returned to positive growth, especially in the second half of the year (+10.9% in Q4), whilst growth accelerated in France (+3.8% for the full year, after +0.7% at June 30) and in the UK (+3.8% for the full year versus +1.8% at June 30).

North America posted organic growth of -0.8% in 2018. When the impact of PHS is factored out, organic growth stands at +0.5% thanks to accounts awarded in 2017 (including McDonald's, Diesel, Lionsgate, Molson Coors and Southwest) and the win of Campbell's and Marriott in early 2018, and despite pressures in the traditional advertising. North America is impacted by the difficulties encountered by Publicis Health Services where the decline in Net revenue adversely affected growth by approximately 130 basis points in 2018. Given the impact of exchange rates, North America reported a 4.7% decline in Net revenue by comparison with 2017.

Asia Pacific reported growth of -10.9% and organic growth of -1.8%. Most of this negative performance was due to Australia (-4.7%), which was affected in the first half-year by the non-renewal by Qantas of its call center management contract. China saw its growth decline slightly (-1.3%) due to the loss of certain accounts. Singapore saw its Net revenue grow by 3.9% in 2018.

Latin America was down 10.3% mainly due to exchange rates, but posted organic growth of +4.5%. Brazil saw its Net revenue progress by 1.1% thanks to the gain of the Petrobras and Bradesco accounts. The slowdown in the fourth quarter was due to the cancellation of several campaigns by clients. Mexico continued to record sustained growth (+5.5%).

The Middle East & Africa reported growth of 0.4% as a result of the strengthening of the euro, but also organic growth of +4.6% driven by the United Arab Emirates (+7.5%)

ANALYSIS OF THE KEY FIGURES

Unless otherwise specified, all figures are before IFRS 16.

Income Statement

Personnel costs totaled 5,747 million euro at December 31, 2018, down 3.8% from 5,977 million euro in 2017. This moderate decrease was mainly due to investments in the strategic game changers amounting to 109 million euro, increased incentives payments as a result of the very good performance in terms of new accounts won in 2018, and savings achieved by simplifying the Groupe's structures. Fixed personnel costs of 4,968 million euro represented 55.4% of Net revenue after 56.0% in 2017. Freelance costs totaled 367 million euro in 2018, compared with 374 million in 2017. Restructuring costs stood at 104 million euro in 2018 (down from 120 million euro in 2017) as the Groupe reorganizes around The Power of One which increasingly integrates structures and activities. Cost savings of 2018 reached 194 million euro. Numerous investments (organization by country, development of production platforms, on-going regionalization of the Shared Services Centers, as well as various technological developments) will all help improve operational efficiency.

Other operating costs (excluding Depreciation & Amortization) amounted to 2,552 million euro, down from 2,603 million euro in 2017. When pass-through costs are factored out, Other operating costs represented 17.5% of Net revenue, down from 18.1% in 2017 thanks to the initial impact of the real estate restructuring program.

The Operating margin before depreciation & amortization was 1,652 million euro in 2018, down 0.8% from 1,666 million euro in 2017, i.e. a percentage margin of 18.4% of Net revenue (up from 17.9% in 2017).

Depreciation & Amortization for the period totaled 151 million euro, down 6.2% on 2017.

The Operating margin amounted to 1,501 million euro, down 0.3% on the 2017 margin of 1,505 million. At constant exchange rates, the Operating margin rose 5.0%. The operating margin rate was 16.7%, a 60-basis point increase on 2017. At constant exchange rates and the same scope of consolidation, this increase would have been 30 basis points. This was made possible by the decrease in restructuring costs (10 basis points) but also by the cost savings plans deployed over the last 18 months (210 basis points), i.e. 194 million euro. This has made way for investment totaling 109 million in the game changers aimed at building the Groupe's future growth (120 basis points) and increase in incentives payments for 70 basis points.

The operating margins by region were 16.3% for Europe, 17.3% for North America, 17.9% for Asia Pacific, 15.0% for Latin America and 9.6% for the Middle East & Africa.

Amortization of intangibles arising from acquisitions totaled 69 million euro in 2018, down from 73 million euro in 2017. The 114 million euro real estate transformation expense was as a result of the Groupe's All in One real estate program commenced in early 2018. An impairment charge of 17 million euro was booked for the period. Furthermore, a net non-recurring expense of 20 million euro was carried in 2018 (versus a net expense of 1 million in 2017), of which 18 million euro was the capital loss on the disposal of Genedigi in early April 2018.

Operating income totaled 1,281 million euro in 2018, after 1,316 million euro in 2017.

Financial income (expense), which is comprised of the cost of net debt and Other financial income and expenses, amounted to a net expense of 16 million euro in 2018 after a net expense of 61 million euro in 2017. The cost of net debt was 22 million euro in 2018, down from 51 million euro in 2017. The improvement came from debt reduction at Groupe level and higher interest rates in the USA on cash in US dollars. Other financial income and expenses netted out at an income of 6 million euro, after an expense of 10 million euro in 2017. The change is due to the recognition of a change in the fair value of financial assets (*Fonds Commun de Placement à Risques*) in the P&L as of 2018 (IFRS9 accounting standard), for 9 million euro, when those changes were initially booked as equity.

The revaluation of earn-out payments amounted to an expense of 13 million euro at year-end, after an expense of 66 million in 2017.

Income tax for the period was 293 million euro, corresponding to an effective tax rate of 24.0% for 2018, after 312 million euro in 2017, i.e. an effective tax rate of 27.2 %.

The Associates' share of profit was a loss of 4 million euro, compared with a loss of 5 million at year-end 2017. Minority interest totaled 11 million euro in 2018, after 10 million in 2017.

Overall, Net income attributable to the Groupe was 944 million euro at December 31, 2018, up from 862 million euro at December 31, 2017.

After application of IFRS 16, the Operating margin stood at 1,523 million euro, and the percentage operating margin was 17.0%. By region, the percentage margin was 16.4% for Europe, 17.7% for North America, 17.9% for Asia Pacific, 15.6% for Latin America, and 10,0% for the Middle East & Africa.

Operating income amounted to 1,303 million euro in 2018.

Financial income (expense) was an expense of 71 million euro in 2018, including interest expense of 58 million euro on lease commitments.

Income tax amounted to 285 million euro, corresponding to an effective tax rate of 24.0% for 2018.

Overall, Net income attributable to the Groupe stood at 919 million euro at December 31, 2018.

Free Cash Flow

This indicator is used by the Groupe to measure liquidity generated by the operating activities after investments in fixed assets, but before acquisitions and disposals of equity interests and before financing.

EUR million	***2018*** [(1)] ***after IFRS 16***	***2018 before IFRS 16***	***2017 before IFRS 16***
Operating margin before Depreciation & Amortization	2,049	1,652	1,666
Financial interest paid (net)	(3)	(14)	(38)
Refunding of lease commitments and associated interest	(432)		
Income tax paid	(328)	(328)	(264)
Other	68	68	54
Cash Flow from operations before variations in WCR	**1,354**	**1,378**	**1,418**
Investments in fixed assets (net)	(196)	(196)	(131)
Free Cash Flow before changes in WCR	**1,158**	**1,182**	**1,287**
Variation in working capital requirements	153	129	69
Free cash-flow	**1 311**	**1 311**	**1 356**

(1) The financial statements at December 31, 2018 have been drawn up under IFRS 16 in anticipation of its coming into effect (cumulative catch-up approach).

The Groupe's free cash flow, before application of IFRS 16 and excluding variations in working capital requirements, was down 8.2% on the previous year to stand at 1,182 million euro. At constant exchange rates, it fell 2.6%. This downswing was due to higher capex and the higher level of income tax paid. Investments rose to 196 million euro from 131 million euro in 2017. This increase includes investments made under the All in One real estate program. Income tax paid rose from 264 million euro in 2017 to 328 million euro in 2018, but while the first half-year 2017 saw the Groupe receive a tax refund, the first half of 2018 was marked by the first installment of the toll charge related to the US tax reform (spread over eight years).

Free cash flow including variations in working capital requirements was 1,311 million euro down 3.3% on the previous year, but a 2.4% increase at constant exchange rates.

After IFRS 16, the Groupe's free cash flow before variations in working capital requirements stood at 1,158 million euro. Free cash flow after variations in working capital requirements was at 1,311 million euro.

Net debt

At December 31, 2018, the Groupe had net cash of 196 million euro, compared with net debt of 727 million euro at December 31, 2017 (debt / equity ratio of 0.12), before IFRS 16. The Groupe's average net debt in 2018 was 1,413 million euro before IFRS 16, down from 1,980 million euro in 2017.

After application of IFRS 16, the net cash position was 288 million euro at December 31, 2018 and the average net debt stood at 1,323 million euro.

SHARE BUYBACK PROGRAM

At the Investor Day, a 300 to 500 million euro budget for bolt-on acquisitions was communicated with the aim to scale up the strategic game changers. The Groupe committed to return cash to shareholders through a share buyback program should this budget not be reached.

Given acquisitions reached circa 200 million euro ([1]), it has been decided to put in place a 400 million euro share buyback program. This amount includes the proceeds resulting from the disposal of Publicis Health Services for circa 100 million euro.

HIGHLIGHTS FROM 2018

Sprint To The Future

Since 2014 and the acquisition of Sapient, Publicis Groupe has undertaken a deep transformation and is now uniquely positioned thanks to three key differentiators:

- Its vision: the technology provided by Publicis.Sapient gives the Groupe the expertise to combine marketing transformation and digital business transformation, connected by data. Thanks to its unparalleled assets, Publicis Groupe is able to engage with both Chief Marketing Officers (CMOs) and Chief Information Officers (CIOs), to help clients transform their marketing and business at scale in order to face disruptive digital challenges.
- Its model: The Power of One gathers all the Groupe's capabilities under one roof, putting clients at the core of its organization. This has led to the deployment of Global Client Leaders (GCLs) and the implementation of the country model under one leader and a unified executive team drawing from all the expertise of the Groupe to break down silos and improve efficiency.
- Its governance: the Groupe has successfully completed its management succession and has reinforced its decision-making committees, with strong emphasis on the execution of strategy.

[1] Excluding earn-outs and buy-outs, and including the announced project to acquire Soft Computing

On March 20, 2018, Publicis Groupe presented its strategy and execution plan named Sprint To The Future. This plan is based on three pillars:

1. To bring every client what it takes to make them win in the future, namely one-to-one consumer engagement at scale, through three strategic game changers (data, dynamic creativity, and digital business transformation);
2. A sprint to accelerate the Groupe's transformation, notably including the appointment of Global Client Leaders, the roll-out of a country organization model, and an investment program geared for growth and funded by a major cost savings plan;
3. To deliver greater value to shareholders while transforming, through accelerated organic growth and higher percentage margins.

Further details can be found in the Groupe's press release dated March 20, 2018:

https://www.publicisgroupe.com/en/news/press-releases/publicis-2020-sprint-to-the-future-en-1

The initial results are promising. Revenue generated by the strategic game changers rose 28% in 2018, thus confirming the relevance of the Groupe's strategic choices. Net revenue generated by these strategic game changers totaled circa 1,050 million euro, representing 12% of the Groupe's total net revenue.

At December 31, Publicis Groupe had appointed 61 Global Client Leaders, compared with 35 at year-end 2017 and the target of 100 by 2020. The goal of having 100% of Net revenue organized under the "country model" was reached by the end of the first half year, with an organization articulated around eight key markets: France, UK, DACH (Germany, Austria and Switzerland), Central and Northern Europe, Southern Europe, North America, Latin America, Asia Pacific, and Middle East & Africa. This organization will accelerate the Groupe's growth and the achievement of its productivity gains.

The percentage operating margin rose by 60 basis points, thus exceeding the target of expanding it by 30 to 50 bps. Headline EPS increased by 10.3% at constant exchange rates, above the top end of the growth range guidance of 5 to 10%.

Several acquisitions were either completed or announced in 2018 (of which Payer Sciences, Xebia, Soft Computing) with a view to reinforcing the strategic game changers for the greater benefit of our clients. Further acquisitions will follow over the next few quarters.

The cost of acquisitions totaled circa 200 million euro in 2018 ([1]), i.e. below the budgeted range of 300 to 500 million euro. As committed by the Groupe, part of the amount not spent will be returned to shareholders and a 400 million euro share buyback plan will be carried out for this purpose.

All the Groupe's energy is focused on the execution of its strategy with a view to delivering greater value to its clients, people and shareholders. A dedicated incentive plan, fully aligned with the financial objectives of the strategic plan, was implemented in May 2018 for the group of executives entrusted with the execution of this plan.

Acquisitions and disposals

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

On July 17, Publicis Health announced the acquisition of **Payer Sciences**, a highly innovative agency using marketing strategies based on its considerable expertise in data analytics, supporting pharmaceutical groups in their dealings with reimbursement systems in the USA. This Morristown, New Jersey-based firm boasts a team of 40 data analysts who are experts in reimbursement systems and B2B communications.

On August 1, Publicis Communications announced the acquisition of **One Digital**, the Sao Paulo-based digital agency focusing on performance and creativity. One Digital was set up in 2003 but now counts 64 professionals working with Brazilian and international brands such as Agora (investment), American Express, Autoline (financial services), BitBlue (cryptocurrency), Bradesco (banking services), Next (online banking services), Norsk Hydro Brazil (aluminum production) and ShopFacil.com (e-commerce). The agency will be aligned with Publicis Communications which has a headcount of 1,700 in Brazil, all agencies combined (Arc, Deepline, DPZ&T, F/Nazca Saatchi&Saatchi, Leo Burnett, Tailor Made, MSL, Publicis Brésil, Prodigious, Sapient AG2, Talent Marcel and Vivid Brand).

On October 4, Publicis Groupe announced the acquisition of **Kindred Group**, the largest independent digital communications company in the Czech Republic. Kindred Group was founded in 2013 by Michal Nýdrle and a group of partners as a collective of independent specialized agencies that includes digital agencies Nýdrle and Inspiro, as well as media agencies Red Media and Go.Direct. Within five years, Kindred Group has become the Czech Republic's largest independent digital communications company by revenue (source: Association of Communications Agencies Czech Republic). Kindred Group works with a wide variety of international and local clients including Moneta Money Bank, Unilever, KMV, Vodafone, Zoot, Rémy Cointreau, Ceskoslovenska obchodní (bank), Huawei and Makro Cash & Carry. With this acquisition, Publicis Groupe will see its headcount reach the 400 mark, thus enabling it to offer end-to-end services to its clients in the Czech Republic, spanning data analytics, technological implementation and consulting, as well as programmatic media buying and data-driven creativity.

[1] Excluding earn-outs and buy-outs, and including the announced project to acquire Soft Computing

On October 22, Publicis Groupe announced that it had entered into exclusive negotiations with **Xebia** France, the agile IT consultancy firm. Founded in 2005 by Luc Legardeur, Xebia France is a renowned agile IT consultancy firm specialized in data, web and cloud technologies, reactive software programming and mobility. This technological gem, with a 170-strong talented team known as the “Xebians”, works with large accounts such as Axa, Air France, BNP Paribas, la Française des Jeux, Meetic, Natixis, Sanofi, and start-up businesses such as BlaBlaCar, EarlyBirds and Mano Mano. This merger will strengthen Publicis.Sapient in France (650 people) and bolster its high-end engineering capability. It will enhance Publicis.Sapient’s unique selling proposition which combines strategy, consulting, experience and technology, an essential combination for successful end-to-end transformation of its clients.

On December 20, Publicis Groupe announced it was entering into exclusive negotiations with the founding shareholders of **Soft Computing**, a leading data marketing firm in France, with a view to the acquisition of a controlling block representing 82.99% of the share capital at a price of 25 euro per share (2018 coupon attached), i.e. at a premium of 66.66% to the closing price on December 19, 2018. Created in 1984 by Eric Fischmeister and Gilles Venturi, Soft Computing is specialized in data and how it is applied to enhance marketing and transform the customer experience. With over 400 experts, this market-leading company provides its services to the majority of large corporates in the retail, services and financial sectors. This transaction would reinforce Publicis Groupe’s data marketing expertise across the entire value chain in France, further consolidating its position as the preferred partner for its clients’ transformation. The proposed acquisition is subject to prior information and consultation with the bodies representing Soft Computing’s staff, as well as to the usual conditions precedent. If the acquisition of this controlling stake is completed, Publicis Groupe will file a simplified public offering, which may be followed by a compulsory buyout if the attendant conditions are met.

On December 31, 2018, Publicis Groupe signed an agreement for the disposal of **Publicis Health Services** (PHS) to Altamont Capital Partners. This disposal was closed on January 31, 2019. It was announced in July 2018 that this business unit was placed under strategic review by Publicis Groupe. The divestiture process was announced in October of the same year. PHS is a contract sales and commercialization organization. This disposal will allow Publicis Health, led by CEO, Alexandra von Plato, to focus on creative, media, insights, and consulting. This divestment reinforces Publicis Groupe’s focus on providing clients with the best healthcare-related consulting, data and technology offerings in support of their growth and digital transformation.

Publicis Groupe is conducting a disposal process of **Proximedia**. Based in France, Belgium, the Netherlands and Spain, Proximedia helps SMEs, shopkeepers, self-employed craftsmen, in their digital communication. This disposal project takes place in the context of the “Sprint To The Future” plan. It will allow Publicis Groupe to focus its the core assets, around data, dynamic creativity and technology. This disposal project will be subject to prior information or consultation with the bodies representing staff, and should be closed in the first half of 2019.

NOMINATIONS

The strategic game changers in data, dynamic creativity and business transformation are Publicis Groupe's core differentiated assets in the marketplace. Building on their strong performance in 2018, the Groupe's focus is to accelerate their growth further in the coming years. The development of global industry verticals in marketing transformation and business transformation is the recipe to scale the game changers and provide our clients with greater expertises.

The Groupe is appointing today two key executives to deploy those industry verticals at global level, for all of our local operations.

Steve King, member of Publicis Groupe's Directoire and CEO of Publicis Media, is promoted to the role of Chief Operating Officer of the Groupe. He will be responsible for developing the marketing transformation industry practices in Commerce, Data, Dynamic Creativity Optimization, Production and Investment. Steve has a strong track-record in developing industry verticals for Publicis Media over the recent years, and is now tasked with building those global industry verticals consistently across all the Groupe's operations and countries.

Nigel Vaz is promoted CEO of Publicis.Sapient. He will be responsible for rolling out further the Business Transformation industry verticals in Automotive, Consumer Products, Energy & Commodities, Retail, Financial Services, Health, Media & Telecom, and Travel & Hospitality. He implemented these industry verticals very successfully at the international level for Sapient. Alan Wexler is moving to Chairman and will work directly with Arthur Sadoun on selected key clients' transformations.

To help these clients leverage all the Groupe's assets, **Ros King** is joining Publicis Groupe as EVP Global clients. Ros will be tasked to strengthen the relationship with key clients of Publicis Groupe and connect the GCL organization with the five global marketing transformation industry verticals. Based in New York, Ros will report directly to Arthur Sadoun who will personally oversee the transformation of the relationship with the top clients. Ros comes from Lloyds Banking Group where she implemented operationally the transformation of consumer engagement as Director of Marketing Innovation and Communications, after leading agencies and top accounts in the industry.

OUTLOOK

We have begun 2019 with optimism even though we expect a bumpy ride in the first quarter due to the prolonged effects in the first months of the year of the FMCG client attrition of Q4 2018. However, the ramp-up of the significant accounts won towards the end of 2018 should lead to improved organic growth as of the second quarter.

After very good performance in 2018, Net revenue from the strategic game changers should continue to grow fast in 2019. At the same time, we expect relatively high attrition in 2019 which should cause higher volatility of our quarterly organic growth. We expect 2019 organic growth to accelerate compared with 2018 and we confirm our objective of +4.0% organic growth for the full year 2020.

We are counting on a 30 to 50-basis point increase of our operating margin rate in 2019 and 2020. Growth of our headline diluted EPS should be between 5 and 10% at constant exchange rates in 2019 and in 2020.

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Disclaimer

Certain information contained in this document, other than historical information, may constitute forward-looking statements or unaudited financial forecasts. These forward-looking statements and forecasts are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These forward-looking statements and forecasts are presented as at the date of this document and, other than as required by applicable law, Publicis Groupe does not assume any obligation to update them to reflect new information or events or for any other reason. Publicis Groupe urges you carefully to consider the risk factors that may affect its business, as set out in the Registration Document filed with the French Autorité des Marchés Financiers (AMF) and which is available on the website of Publicis Groupe (www.publicisgroupe.com), including an unfavorable economic climate, an extremely competitive market sector, the possibility that our clients could seek to terminate their contracts with us at short notice, the fact that a substantial part of the Group's revenue is derived from certain key clients, conflicts of interest between advertisers active in the same sector, the Group's dependence on its directors and employees, laws and regulations which apply to the Group's business, legal action brought against the Group based on allegations that certain of the Group's commercials are deceptive or misleading or that the products of certain clients are defective, the strategy of growing through acquisitions, the depreciation of goodwill and assets listed on the Group's balance sheet, the Group's presence in emerging markets, exposure to liquidity risk, a drop in the Group's credit rating and exposure to the risks of financial markets.

Publicis Groupe has applied IFRS 15 "Revenue" accounting standard since January 1, 2018. Details of 2017 quarterly and full year revenue before and after IFRS 15 impact, 2017 net revenue by quarter and by geography, and the main items of 2017 half year and full year results before and after IFRS 15 impact, have been disclosed in a press release dated July 6, 2018.

Publicis Groupe has applied IFRS 16 "Leases" early accounting standard, as of January 1, 2018. Publicis Groupe has retained the "prospective method" (so called modified retrospective method by the accounting standard) by which the cumulative effect of the standard will be accounted for as an adjustment to the opening equity, considering the "right of use" asset equals the amount of the lease commitment, adjusted for rents paid in advance. The opening balance sheet with the application of IFRS 16 as of January 1, 2018 have been disclosed in a press release dated July 6, 2018. Besides, the 2017 consolidated income statement has not been restated. The Group has disclosed 2018 half-year results with the application of IFRS 16 and has provided the financial data before taking into account this new accounting standard to allow performance comparisons with 2017. The same has been disclosed for 2018 annual results.

Publicis Groupe has early applied IFRIC 23 "uncertainty over income tax treatment" since January 1, 2018, comparative data from the previous period have been restated.

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Appendices

Net revenue [1]: organic growth calculation

(million euro)	Q1	Q2	Q3	Q4	12 months
2017 net revenue [1]	**2,267**	**2,397**	**2,185**	**2,483**	**9,332**
Currency impact [3]	(217)	(145)	(17)	5	(374)
2017 net revenue [1] at 2018 exchange rates (a)	2,050	2,252	2,168	2,488	8,958
2018 net revenue before acquisition impact [2] (b)	2,083	2,203	2,197	2,481	8,964
Net revenue from acquisitions [2]	(1)	(5)	-	11	5
2018 net revenue [1]	**2,082**	**2,198**	**2,197**	**2,492**	**8,969**
Organic growth (b/a)	**+1.6%**	**-2.1%**	**+1.3%**	**-0.3%**	**+0.1%**
Organic growth ex PHS [4]	**+1.9%**	**-1.4%**	**+2.2%**	**+0.5%**	**+0.8%**

Impact of currency at end December 2018 *(million euro)*	
GBP [3]	(9)
USD [3]	(219)
Others	(146)
Total	**(374)**

(1) Revenue less pass-through costs. See definition in appendix

(2) Acquisitions (Ardent, The Abundancy, The Herd Agency, Ella Factory, SFR Studio, Translate Plus, Plowshare, Harbor & Village, Optix, Independent Ideas, Domaines Publics, Payer Sciences, One Digital, The Shed, Kindred, Xebia, IDC Creation), net of disposals

(3) EUR = USD 1.180 on average in 2018 vs. USD 1.127 on average in 2017
EUR = GBP 0.885 on average in 2018 vs. GBP 0.876 on average in 2017

(4) Publicis Groupe made effective the disposal of Publicis Health Services in January 2019

New Business: Main wins in 2018

PUBLICIS COMMUNICATIONS

Mercedes-Benz (Global), Campbell Soup Company (USA), Ricola (Global), Swarovski (France), Zhuyeqing Tea (China), Carrefour (China), Luzhou Laojiao, Whitail (China), Adobe (India), Asics (Singapore), P&O Ferries Holdings (UK), Department of Transport and Main Roads - Queensland Government (Australia), Lapp Holding AG (Germany), Hotwire (USA), Sentosa (APAC), ABInBev (USA), Muthoot Pappachan Group (India), Kraft Heinz (China), Tourism Fiji (Global), Red Bull (Brazil), Mentos & Fruittella (Brazil), Hamburger Hochbahn AG (Germany), Tourism Ireland (UK), Brand Factory (India), Monte Carlo Fashions (India), Betway (Global), Atlantis Bahamas (Global), Western Union (Global), Burger King (UK), Cathay Pacific (Global), Massage Envy (USA), The J.M. Smucker Company (USA), Campbell's (Global), Samsung Visual Display (Global), Wingstop (USA), Visionworks (USA)

PUBLICIS MEDIA

7Travel (Australia), Aberdeen Asset Management (Taiwan), Abu Dhabi DCT (UAE), Aisance (Thailand), Almara (Middle East), American Standard (Singapore), Amplifon New Zealand (New Zealand), Avanir (USA), Banyan Tree Group (Global), Betadine Throat Spray (Thailand), Campbell Arnott's (Australia & NZ), Campbell's Soup Company (North America), Che Tai International (Taiwan), Clarins Group (France), Clas Ohlson (Norway), Didi Chuxing (China), Dubai Corporation for Tourism & Commerce Marketing (UAE), Easy Rent (Toyota) (Taiwan), Elizabeth Arden (China), Etisalat Misr (Egypt), GAC Group (China), Heineken (Taiwan), Henryk Kania (Poland), Hyderabad (HIL) Industries (India), Iberdrola (Norway), IQIYI (Taiwan), Khumo Tyres (Australia), Laneige (Amorepacific Group) (Taiwan), Lionsgate Entertainment (Mexico), Lucano Group (Italy), Marriott International (Global), Marti Derm (Bonaquet) (China), Maspex (Poland), Mcdonald's (Middle East), Metro-Goldwyn-Mayer Studios (USA), Mondelez International (North America), Telemundo (USA), NIIT Ltd. (India), Ola Cabs (India), Pierre Fabre (China), Pizzardi Editore (Italy), Porter (Taiwan), Puig (Argentina), Red Bull (USA), Shopee (Taiwan), The Body Shop (Singapore), Victorian Electoral Commission (Australia), ZEE5 (India), Akash Institute (India), Alfa Romeo (China), Allianz (Taiwan), Canon (Hong Kong), Comvita (Hong Kong), Costa Coffee (UK), DTCM (UAE), Diamond Producers Association (China), Didi (Australia), Discover Hong Kong (Taiwan), Dunkin Donuts (USA), Ego Pharmaceuticals (Taiwan), ENI (UAE), Football Federation Australia (Australia), Fuji Pharma (Taiwan), Galderma (Hong Kong, India), Genentech Inc (USA), Glovo (Italy), GOME Electrical Appliances (China), HDFC Life (India), IKEA (Middle East), Ixigo (India), Jacobson Medical (Hong Kong), Line Corporation (Thailand), Lion & Globe (Hong Kong), L'Oreal (LATAM), Macy's (USA), Mcdonald's (France), Midland Realty (Hong Kong), Universal Kids (USA), Nonno Nanni (Italy), P&O Ferries (EMEA), PTT Exploration and Production (Thailand), Royal Carribbean Cruises (Hong Kong), Sensee (France), Singha Estate (Thailand), SRL Diagnostics (India), Starbucks (Singapore), TAITRA (Taiwan), Tencent - JOOX (Hong Kong), Thai Life (Thailand), WAVO (UAE), Welspun (India), Whitbread (UK), Driven Brands (USA), Far East Tone (Taiwan), Lenovo (Global), Mcdonald's (LATAM), Mondelez International (APAC), NestBank (Poland), Nestle (Singapore), Panera (USA), Peter's Ice Cream (India), Procter & Gamble (Australia, NZ, Russia), Spykar (India), Starbucks (Canada), Welspun (India), Yamaha (India), Avon Products (Global), Canal Digital (Nordics), Coca Cola (Caribbean), Daimler - Mercedes Benz (Korea), Delivery Hero Korea (Korea), Expo 2020 (UAE), Fiat Chrysler Automobiles (NAM), FIO banka (Czech Republic), Generali (Czech Republic), GlaxoSmithKline (Global), Inspire Brands (Arby's) (USA), Lactalis (Global), Luxottica Group (Global), Nestle (Malaysia & Singapore), Organización Nacional de Ciegos Españoles (Spain), Singapore Government (Singapore), Tesco (Slovakia), The J.M. Smucker Company (USA)

PUBLICIS.SAPIENT

Carrefour (Global), Marriott International (Global), Mercedez Benz (Global), Education Corporation of America (USA), Medtronic (USA), Simon Property Group (USA), Capital Group (USA)

PUBLICIS HEALTH

Alexion Pharmaceuticals (USA), AVANIR Pharmaceuticals (USA), DBV Technologies (USA), Eli Lilly & Co. (USA), Galderma (USA), ParatekPharmaceuticals (USA), Pfizer Inc. (UK & USA), Roche (USA), Astrazeneca (USA), Bayer (USA), Bristol-Myers Squibb (USA), EyePoint Pharmaceuticals (USA), Masimo Corporation (USA), Merck & Co. (USA), Novo Nordisk (USA), Merz Aesthetics (USA), Proctor & Gamble (USA), Rhythm Pharmaceuticals (Europe), Sarepta Therapeutics (USA), Allscripts (USA), Edwards LifeSciences (USA), Endo Pharmaceuticals (USA), Gilead Sciences, Inc. (USA), Purdue Pharmaceuticals (USA), Tris Pharma, Inc. (USA), UPMC BigData (USA), Urovant Sciences (USA), Bausch & Lomb (USA), Boehringer Ingelheim (USA), GlaxoSmithKline (USA), Novartis (USA), Spark Therapeutics (USA)

2018 press releases

05-01-2018	Publicis Groupe half-year financial statement liquidity contract
22-01-2018	Nick Law Joins Publicis as Chief Creative Officer of Publicis Groupe and President of Publicis Communications
23-01-2018	Carrefour group signs strategic partnership with Publicis.Sapient to accelerate its digital transformation
23-01-2018	Press release “Anonymous Letter”
29-01-2018	Publicis Groupe and Microsoft Announce Partnership for Marcel AI Platform
01-02-2018	Publicis Groupe Announces Global Leadership Promotions Across its Solutions & Regions
01-02-2018	Loris Nold appointed to the newly created role of CEO of Publicis Groupe APAC
01-02-2018	Alexandra von Plato Appointed Chief Executive Officer of Publicis Health
08-02-2018	Publicis Groupe : 2017 Annual Results
14-02-2018	Viva Tech 2018
14-02-2018	Leo Burnett Chicago Names Kieran Ots EVP, Executive Creative Director
26-02-2018	Robett Hollis and FrontSide join Saatchi & Saatchi New Zealand
28-02-2018	Saatchi & Saatchi New Zealand wins global Tourism Fiji account
05-03-2018	Brill and Crovitz announce launch of NewsGuard to fight fake news
20-03-2018	Publicis 2020: *Sprint To The Future*
27-03-2018	Publicis Groupe Named 2018 Adobe Experience Cloud Partner of the Year
29-03-2018	Publicis Media launches Global Commerce capability to manage the intersection of media and marketplaces
10-04-2018	Leo Burnett wins international Betfair account
19-04-2018	Publicis Groupe: Q1 2018 revenue
23-04-2018	2017 Registration Document available
25-04-2018	Publicis Groupe appoints leadership team to lead Indian market
30-04-2018	Publicis Media aligns EMEA & APAC markets under unified leadership
24-05-2018	Publicis Groupe unveils Marcel
28-05-2018	Combined General Shareholders’ Meeting
13-06-2018	Tom Kao appointed as Publicis Groupe Hong Kong CEO
22-06-2018	Publicis Groupe clients champion creativity in Cannes
26-06-2018	Publicis Groupe appoints Raja Trad to the newly created role of Chairman Middle East
03-07-2018	Publicis.Sapient boosts digital business transformation capability with global engineering executive hires
04-07-2018	Statement
06-07-2018	Impact of application of IFRS15 and IFRS16 accounting standards

12-07-2018	Publicis Groupe Expands its Country Model to Cover All of its Markets
17-07-2018	Lenovo Appoints Publicis Media Bespoke Unit to Handle Global Media Strategy, Planning and Buying
17-07-2018	Publicis Health Acquires Payer Sciences
18-07-2018	Publicis Groupe Appoints Leader in Ukraine
18-07-2018	Publicis Groupe: First Half 2018 Results
01-08-2018	Publicis Communications acquires One Digital in Brazil
03-08-2018	Overview of the share buyback program authorized by the Combined Ordinary and Extraordinary General shareholders' Meeting of May 30, 2018
03-08-2018	Half-year financial report ended June 30,2018
07-08-2018	Publicis Groupe pays tribute to Joël Robuchon
08-08-2018	Publicis Groupe announces new appointments in Israel
05-09-2018	Publicis Groupe announces leadership appointments in Russia
12-09-2018	The Publicis Groupe Management Board
18-09-2018	Publicis Media agencies named a leader and a strong performer by independent research firm
20-09-2018	Publicis Media advances commerce practice with regional leadership appointments
26-09-2018	Publicis Groupe announces leadership appointments in Poland
02-10-2018	Publicis Groupe Announces UK Country Leadership Team Headed by CEO, Annette King
04-10-2018	Publicis Groupe Acquires Kindred Group in Czech Republic
18-10-2018	Publicis Groupe: Third Quarter 2018 Revenue
22-10-2018	Publicis Groupe announces its plans to purchase Xebia France
24-10-2018	Publicis Groupe appoints Jane Lin-Baden as Managing Partner Asia Pacific
24-10-2018	Publicis Groupe Announces Regional and Local Leadership Appointments in Nordics
25-10-2018	Maurice Lévy Recognized for his Outstanding Contribution to Peace and Innovation
25-10-2018	VivaStories When Startuppers Connect with Established Companies at Viva Technology
29-10-2018	Publicis Groupe Names Leadership Team in LATAM; Expands Country Model to Mexico
31-10-2018	Diana Littman Joins Publicis Groupe as CEO, MSL US
01-11-2018	Publicis Groupe appoints Chief Strategy Officer in Japan
06-12-2018	Vittorio Bonori Appointed Publicis Groupe Italy CEO
10-12-2018	Press Release
11-12-2018	Publicis Groupe Appoints Regional Chief Operating Officer for Northern & Central Europe
20-12-2018	Publicis Groupe announces its intention to acquire Soft Computing

Definitions

Net revenue or Revenue less pass-through costs: Pass-through costs mainly concern production and media activities, as well as various expenses incumbent on clients. These items that can be re-billed to clients do not come within the scope of assessment of operations, net revenue is a more relevant indicator to measure the operational performance of the Groupe's activities.

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

EBITDA: Operating margin before depreciation.

Operating margin: Revenue after personnel costs, other operating expenses (excl. non-current income and expense) and depreciation (excl. amortization of intangibles arising on acquisitions).

Operating margin rate: Operating margin as a percentage of net revenue.

Headline Group Net Income: Net income attributable to the Groupe, after elimination of impairment charges / real estate transformation expenses, amortization of intangibles arising on acquisitions, the main capital gains (or losses) on disposals, change in the fair value of financial assets, the impact of US tax reform and the revaluation of earn-out costs.

EPS (Earnings per share): Group net income divided by average number of shares, not diluted.

EPS, diluted (Earnings per share, diluted): Group net income divided by average number of shares, diluted.

Headline EPS, diluted (Headline Earnings per share, diluted): Headline group net income, divided by average number of shares, diluted.

Capex: Net acquisitions of tangible and intangible assets, excluding financial investments and other financial assets.

Free Cash Flow before changes in working capital requirements: Net cash flow from operating activities less interests paid & received, repayment of lease liabilities & related interests and changes in WCR linked to operating activities

Free Cash Flow: Net cash flow from operating activities less interests paid & received, repayment of lease liabilities & related interests

Net Debt (or financial net debt): Sum of long and short financial debt and associated derivatives, net of treasury and cash equivalents.

Average net debt: Average of monthly net debt at end of month.

Dividend pay-out: Dividend per share / Headline diluted EPS.

Consolidated income statement

(in millions of euros)	2018 (1)	2017 (2)
Net revenue(3)	**8,969**	**9,332**
Pass-through revenue	982	914
Revenue	**9,951**	**10,246**
Personnel expenses	(5,747)	(5,977)
Other operating expenses	(2,155)	(2,603)
Operating margin before depreciation & amortization	**2,049**	**1,666**
Depreciation and amortization expense (excluding intangibles arising from acquisitions)	(526)	(161)
Operating Margin	**1,523**	**1,505**
Amortization of intangibles arising from acquisitions	(69)	(73)
Impairment loss	(131)	(115)
Non-current income and expense	(20)	(1)
Operating income	**1,303**	**1,316**
Financial expenses	(81)	(101)
Financial income	70	50
Cost of net financial debt	**(11)**	**(51)**
Revaluation of earn-out payments on acquisitions	(13)	(66)
Other financial income and expenses	(60)	(10)
Pre-tax income of consolidated companies	**1,219**	**1,189**
Income taxes	(285)	(312)
Net income of consolidated companies	**934**	**877**
Share of profit of associates	(4)	(5)
Net income	**930**	**872**
Of which:		
- Net income attributable to non-controlling interests	11	10
Net income attributable to equity holders of the parent company	**919**	**862**
Data per share *(in euros)* - **Net income attributable to equity holders of the parent company**		
Number of shares	*229,231,677*	*226,384,707*
EARNINGS PER SHARE	*4.01*	*3.81*
Number of diluted shares	*234,564,382*	*230,673,578*
DILUTED EARNINGS PER SHARE	*3.92*	*3.74*

(1) The financial statements at December 31, 2018 were prepared with the early application of IFRS 16 (use of the prospective method without restating the previous year)

(2) In accordance with IFRS 15 and the IFRIC 23 interpretation, applied as of January 1, 2018, the comparative information for 2017 was restated.

(3) Net revenue: Revenue less pass-through costs. Pass-through costs mainly concern production and media activities, as well as various expenses incumbent on clients. These items that can be re-billed to clients do not come within the scope of assessment of operations, net revenue is a more relevant indicator to measure the operational performance of the Groupe's activities.

Consolidated statement of comprehensive income

(in millions of euros)	2018	2017
Net income for the year (A)	**930**	**872**
Comprehensive income that will not be reclassified to income statement		
- Actuarial gains (and losses) on defined benefit plans	22	13
- Deferred taxes on comprehensive income that will not be reclassified to income statement	(2)	28
Comprehensive income that may be reclassified to income statement		
- Remeasurement of hedging instruments	6	(9)
- Consolidation translation adjustments	73	(597)
Total other comprehensive income (b)	**99**	**(565)**
Total comprehensive income for the year (a) + (b)	**1,029**	**307**
Of which:		
- Total comprehensive income attributable to non-controlling interests	10	5
- Total comprehensive income attributable to equity holders of the parent company	1,019	302

Consolidated balance sheet

(in millions of euros)	December 31, 2018 [1]	December 31, 2017[2]
Assets		
Goodwill, net	8,751	8,450
Intangible assets, net	1,125	1,124
Right-of-use assets related to leases	1,732	-
Property, plant and equipment, net	611	590
Deferred tax assets	150	130
Investments in associates	62	64
Other financial assets	215	169
Non-current assets	**12,646**	**10,527**
Inventories and work-in-progress	367	385
Trade receivables	9,115	8,907
Assets on contracts	874	843
Other current receivables and assets	689	649
Cash and cash equivalents	3,206	2,407
Assets held for sale	183	62
Current assets	**14,434**	**13,253**
Total assets	**27,080**	**23,780**

Equity and liabilities		
Share capital	94	92
Additional paid-in capital and retained earnings, Group share	6,759	5,864
Equity attributable to holders of the parent company	**6,853**	**5,956**
Non-controlling interests	0	2
Total equity	**6,853**	**5,958**
Long-term borrowings	2,425	2,780
Long-term lease liabilities	1,648	-
Deferred tax liabilities	446	419
Long-term provisions	384	415
Non-current liabilities	**4,903**	**3,614**
Trade payables	12,176	11,541
Liabilities on contracts	284	423
Short-term borrowings	449	350
Short-term lease liabilities	393	-
Income taxes payable	365	389
Short-term provisions	125	98
Other creditors and current liabilities	1,432	1,391
Liabilities held for sale	100	16
Current liabilities	**15,324**	**14,208**
Total equity and liabilities	**27,080**	**23,780**

[1] The financial statements at December 31, 2018 were prepared with the early application of IFRS 16 (use of the prospective method without restating the previous year)

[2] In accordance with IFRS 15 and the IFRIC 23 interpretation, applied as of January 1, 2018, the comparative information for 2017 was restated.

Consolidated statement of cash flows

(in millions of euros)	**2018**	**2017** [2]
Cash flows from operating activities		
Net income	930	872
Neutralization of non-cash income and expenses:		
Income taxes	285	312
Cost of net financial debt	11	51
(Gains) losses on disposal of assets (before tax)	20	-
Depreciation, amortization and impairment loss	726	349
Share-based compensation	63	55
Other non-cash income and expenses	76	74
Share of profit of associates	4	5
Dividends received from associates	2	2
Taxes paid	(328)	(264)
Change in working capital requirements [1]	153	69
Net cash flows generated by (used in) operating activities (I)	**1,942**	**1,525**
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(207)	(136)
Disposals of property, plant and equipment and intangible assets	11	5
Purchases of investments and other financial assets, net	(11)	2
Acquisitions of subsidiaries	(260)	(289)
Disposals of subsidiaries	19	1
Net cash flows generated by (used in) investing activities(II)	**(448)**	**(417)**
Cash flows from financing activities		
Dividends paid to equity holders of the parent company	(210)	(170)
Dividends paid to non-controlling interests	(10)	(10)
Proceeds from borrowings	11	19
Repayment of borrowings	(159)	(27)
Repayment of lease liabilities	(374)	-
Interest paid on lease liabilities	(58)	-
Financial interest paid [2]	(69)	(90)
Financial interest received [2]	66	52
Net purchases of non-controlling interests	(21)	(35)
Net (purchases)/sales of treasury shares and warrants	9	(291)
Net cash flows generated by (used in) financing activities (III)	**(815)**	**(552)**
Impact of exchange rate fluctuations (IV)	**133**	**(379)**
CHANGE IN CONSOLIDATED CASH AND CASH EQUIVALENTS (I + II + III + IV)	**812**	**177**
Cash and cash equivalents on January 1	2,407	2,228
Bank overdrafts on January 1	(27)	(25)
Net cash and cash equivalents at beginning of year (V)	**2,380**	**2,203**
Net cash and cash equivalents at end of year	3,206	2,407
Bank overdrafts at end of year	(14)	(27)
Net cash and cash equivalents at end of year (VI)	**3,192**	**2,380**
Change in consolidated cash and cash equivalents (VI - V)	**812**	**177**

(1) Breakdown of change in working capital requirements		
Change in inventory and work-in-progress	42	(17)
Change in trade receivables and other receivables	(274)	(693)
Change in accounts payable, other payables and provisions	385	779
Change in working capital requirements	**153**	**69**

(2) Financial interest has been reclassified to Net cash flows generated by (used in) financing activities.

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 equity holders of the parent company*	*Non-controlling interests*	*Total equity*
226,295,805	**December 31, 2017**	**92**	**3,680**	**2,326**	**(337)**	**195**	**5,956**	**2**	**5,958**
	First-time application of IFRS 16			10			10		10
226,295,805	**January 1, 2018**	**92**	**3,680**	**2,336**	**(337)**	**195**	**5,966**	**2**	**5,968**
	Net income			919			919	11	930
	Other comprehensive income, net of tax				74	26	100	(1)	99
	Total comprehensive income for the year			**919**	**74**	**26**	**1,019**	**10**	**1,029**
4,323,480	Dividends	2	243	(455)			(210)	(10)	(220)
210,612	Share-based compensation, net of tax			63			63		63
	Effect of acquisitions and commitments to buy out non-controlling interests			(1)			(1)	(2)	(3)
87,984	Stock warrant exercise	0	3				3		3
322,427	(Purchases)/sales of treasury shares			13			13		13
231,240,308	**December 31, 2018**	**94**	**3,926**	**2,875**	**(263)**	**221**	**6,853**	**-**	**6,853**

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 equity holders of the parent company*	*Non-controlling interests*	*Total equity*
225,367,784	**January 1, 2017**	**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 comprehensive income 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	Stock 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**

Impact of IFRS16 on the opening balance sheet

(in millions of euros)	**Information December 31, 2017 restated [(1)]**	**Initial application of IFRS 16**	**Information January 1, 2018 with IFRS 16**
Assets			
Rights-of-use assets related to leases	-	1,906	1,906
Property, plant and equipment, net	590	(43)	547
Other financial assets	169	23	192
Other non-current assets	9,768	-	9,768
Other current receivables and current assets	649	(4)	645
Other current assets	12,604	-	12,604
Total assets	**23,780**	**1,882**	**25,662**
Equity and liabilities			
Total equity	**5,958**	**10**	**5,968**
Long-term borrowings	2,780	(89)	2,691
Long-term lease liabilities	-	1,681	1,681
Long-term provisions	415	(11)	404
Other	419	-	419
Non-current liabilities	**3,614**	**1,581**	**5,195**
Short-term lease liabilities		356	356
Short-term provisions	107	(4)	103
Other creditors and current liabilities	1,391	(61)	1,330
Other	12,534	-	12,534
Current liabilities	**14,032**	**291**	**14,323**
Total equity and liabilities	**23,780**	**1,882**	**25,662**

(1) In accordance with IFRS 15 and IFRIC 23 Interpretation applied as of January 1, 2018, comparative data from previous period have been restated.

Impact of IFRS 16 on the consolidated balance sheet

(in millions of euros)	**Information December 31, 2018 published**	**IFRS 16 impacts**	**Information December 31, 2018 with IAS 17**	**Information December 31, 2017 restated [1]**
Assets				
Rights-of-use assets related to leases	1,732	(1,732)	-	-
Property, plant and equipment, net	611	42	653	590
Deferred tax assets	150	(9)	141	130
Other financial assets	215	(19)	196	169
Other current receivables and current assets	689	19	708	649
Assets available for sale	183	(24)	159	62
Other	23,500	2	23,502	22,180
Total assets	**27,080**	**(1,721)**	**25,359**	**23,780**
Equity and liabilities				
Total equity	**6,853**	**13**	**6,866**	**5,958**
Long-term borrowings	2,425	93	2,518	2,780
Long-term lease liabilities	1,648	(1 648)	-	-
Long-term provisions	384	9	393	415
Other	446	-	446	419
Non-current liabilities	**4,903**	**(1 546)**	**3,357**	**3,614**
Short-term lease liabilities	393	(393)	-	-
Short-term provisions	125	35	160	98
Other creditors and current liabilities	1,432	194	1,626	1,391
Liabilities available for sale	100	(26)	74	16
Other	13,274	2	13,276	12,703
Current liabilities	**15,324**	**(188)**	**15,136**	**14,208**
Total equity and liabilities	**27,080**	**(1 721)**	**25,359**	**23,780**

(1) In accordance with IFRS 15 and IFRIC 23 Interpretation applied as of January 1, 2018, comparative data from previous period have been restated.

Impact of IFRS 16 on the Consolidated Income Statement

(in millions of euros)	Information December 31, 2018 published	IFRS 16 impacts	Information December 31, 2018 with IAS 17	Information December 31, 2017 restated (1)
Revenue	**9,951**	**-**	**9,951**	**10,246**
Personnel expenses	(5,747)	-	(5,747)	(5,977)
Depreciation and amortization expense (excluding intangibles from acquisitions)	(526)	375	(151)	(161)
Other operating expenses	(2,155)	(397)	(2,552)	(2,603)
Operating margin	**1,523**	**(22)**	**1,501**	**1,505**
Operating income	**1,303**	**(22)**	**1,281**	**1,316**
Cost of financial debt	(11)	(11)	(22)	(51)
Revaluation of earn-out payments on acquisitions	(13)	-	(13)	(66)
Other financial income and expenses	(60)	66	6	(10)
Pre-tax income of consolidated companies	**1,219**	**33**	**1,252**	**1,189**
Income taxes	(285)	(8)	(293)	(312)
Net income of consolidated companies	**934**	**25**	**959**	**877**
Share of profit of associates	(4)	-	(4)	(5)
Net income	**930**	**25**	**955**	**872**
Of which: - Net income attributable to minority interests	11	-	11	10
Group net income	**919**	**25**	**944**	**862**

(1) In accordance with IFRS 15 and IFRIC 23 Interpretation applied as of January 1, 2018, comparative data from previous period have been restated.

Impact of IFRS 16 on the Consolidated Statement of Cash Flows

(in millions of euros)	**Information December 31, 2018 published**	**IFRS 16 impacts**	**Information December 31, 2018 with IAS 17 [(1)]**	**Information December 31, 2017 restated [(2)]**
December 31, 2018				
Cash flows from operating activities				
Net income	930	25	955	872
Neutralization of non-cash income and expenses:				
Income taxes	285	8	293	312
Cost of net financial debt	11	11	22	51
Depreciation, amortization and impairment loss	726	(463)	263	349
Other non-cash income and expenses	76	22	98	74
Other	(239)	-	(239)	(202)
Change in working capital requirements	153	(24)	129	69
Net cash flows generated by (used in) operating activities (I)	**1 942**	**(421)**	**1 521**	**1,525**
Cash flows from investing activities				
Net cash flows generated by (used in) investing activities(II)	**(448)**	**-**	**(448)**	**(417)**
Cash flows from financing activities				
Repayment of lease liabilities	(374)	374	-	-
Interest paid on lease liabilities	(58)	58	-	-
Interest paid	(69)	(11)	(80)	(90)
Others	(314)	-	(314)	(462)
Net cash flows generated by (used in) financing activities (III)	**(815)**	**421**	**(394)**	**(552)**
Impact of exchange rate fluctuations (IV)	**133**	**-**	**133**	**(379)**
Change in consolidated cash and cash equivalents (I + II + III + IV)	**812**	**-**	**812**	**177**

(1) As from January 1, 2018, interest was reclassified under Cash flows from financing activities
(2) In accordance with IFRS 15 and IFRIC 23 Interpretation applied as of January 1, 2018, comparative data from previous period have been restated.

Earnings per share
(basic and diluted)

(in millions of euros, except for share data)		2018	2017
Net income used for the calculation of earnings per share			
Group net income	**A**	919	862
Impact of dilutive instruments:			
- Savings in financial expenses related to the conversion of debt instruments, net of tax		-	-
Group net income – diluted	**B**	919	862
Number of shares used to calculate earnings per share			
Number of shares at January 1		230,627,725	225,945,387
Shares created over the year		2,426,498	2,529,801
Treasury shares to be deducted (average for the year)		(3,822,546)	(2,090,481)
Average number of shares used for the calculation	**C**	229,231,677	226,384,707
Impact of dilutive instruments:			
- Free shares and dilutive stock options [(1)]		4,815,491	3,682,435
- Equity warrants [(1)]		517,214	606,436
Number of diluted shares	**D**	234,564,382	230,673,578
(in euros)			
Earnings per share	A/C	**4.01**	**3.81**
Diluted earnings per share [(1)]	B/D	**3.92**	**3.74**

[(1)] Only stock options and warrants with a dilutive impact, i.e. whose strike price is lower than the average strike price, are included in the calculation. At December 31, 2018 and 2017, all stock options and warrants not yet exercised at the reporting date had a dilutive impact on the current basic earnings per share.

Headline earnings per share
(basic and diluted)

(in millions of euros, except for share data)		2018	2017
Net income used to calculate headline earnings per share[(1)]			
Group net income		919	862
Items excluded:			
- Amortization of intangibles from acquisitions, net of tax		55	55
- Impairment loss [(2)], net of tax		103	115
- Main capital gains and losses on disposals and change in fair value of financial assets, net of tax		10	-
- Net effect of the tax reform in the United States		(18)	(61)
- Revaluation of earn-out payments		13	66
Headline Group net income	**E**	1,082	1,037
Impact of dilutive instruments:			
- Savings in financial expenses related to the conversion of debt instruments, net of tax		-	-
Headline Group net income, diluted	**F**	1,082	1,037
Number of shares used to calculate earnings per share			
Number of shares at January 1		230,627,725	225,945,387
Shares created over the year		2,426,498	2,529,801
Treasury shares to be deducted (average for the year)		(3,822,546)	(2,090,481)
Average number of shares used for the calculation	**C**	229,231,677	226,384,707
Impact of dilutive instruments:			
- Free shares and dilutive stock options		4,815,491	3,682,435
- Equity warrants		517,214	606,436
Number of diluted shares	**D**	234,564,382	230,673,578
(in euros)			
Headline earnings per share [(1)]	E/C	**4.72**	**4.58**
Headline earnings per share – diluted [(1)]	F/D	**4.61**	**4.50**

(1) EPS after elimination of 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) At December 31, 2018, this amount corresponds to impairment losses on rights-of-use assets related to leases of euro 114 million and impairment losses on available for sale assets for euro 14 million.