PUBLICIS
GROUPE

Janus
Volume 2

The Publicis way
to behave and operate

May 2019

FOREWORD

The purpose of this document is to provide an accounting policies and procedures framework applicable to all "Business Units" and "Solutions Hubs" for such Groupe reporting purposes in order to enable performance to be evaluated in a consistent and comparable manner within Publicis Groupe. It constitutes an update of a previous version, issued on May 2018. In this document Solutions Hubs means gather the 4 Solutions Hubs from Publicis Communcation, Publicis Media, Publicis.Sapient to Publicis Healthcare, as well as other clusters …

The main change compared to previous version regards Lease contracts. In office rental contracts, all rents should continue to be recorded into occupancy costs, the new lease accounting standard (IFRS 16) impacts should only be booked into "Lease accounting" caption below the operating income. The main section modified to take into account this new standard are :

- Depreciation and Amortization
- Lease accounting
- Financial income and expenses
- Right of use assets
- Lease Liabilities
- Provision for onerous contracts

The other caption modified regards other operating and expenses and income tax payable (uncertainties over income tax treatment).

The Groupe has decided to implement a phase 2 of All in one project therefore Business Units involved by the All In One project in 2019 should apply carefully in 2019 the specific instructions received in respect of this project.

The policies and procedures are of a high-level nature and as such represent the strict minimum standard that the Groupe requires its Business Units to comply with. Business Units and Solution Hubs may not develop any procedures that in any way contradict these policies and procedures – only more detailed rules for the application of these policies and procedures are permitted. Publicis Groupe will periodically update these policies and procedures in response to the changing business environment, changes in accounting standards and accounting issues that arise at Groupe level.

Should any questions arise or matters addressed in this document not be fully understood, Business Units and Solution Hubs are required to contact Jean-Michel Etienne, the Publicis Groupe CFO or Bruno Teppaz, the Publicis Groupe CAO.

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Finally, should a topic of material consequence to your organization not be addressed in this document, please advise Jean-Michel Etienne or/and Bruno Teppaz in writing for follow up.

Dissemination is an important step towards standardization of policies, procedures and reporting worldwide. Your support and co-operation is appreciated.

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Publicis Groupe (the Groupe) prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). This Volume 2 of Janus provides an accounting policies and procedures framework applicable to all Business Units and Solution Hubs for Groupe reporting purposes.

No other interpretations of accounting policies and procedures are allowed. If specific topics or transactions are not treated by Janus, it must be submitted to Groupe CFO and/or CAO to state the appropriate accounting treatment.

The strict application of these rules must be followed in order to enable performance to be evaluated in a consistent and comparable manner within Publicis Groupe.

Therefore, a particular attention should be paid to the appropriate evaluation of the Revenue and Net Revenue through this set of guidance.

Net Revenue (Revenue less-pass-through costs) is defined as the Revenue less directly billable costs including Media costs bought in advance when acting as Principal (see. Net Revenue and Pass-through Costs II.4). This indicator is considered to be the most relevant indicator to measure the operational performance of the Groupe's activities. It's also the basis of the ASF calculation and allocation (see. II.13).

These principles apply for monthly, and annual reporting, and in the preparation of annual commitment and rolling forecasts.

The manner in which Publicis Groupe's reporting structure is organized is determined by management's information needs for decision-making and performance evaluation purposes. Business Units are derived from this reporting structure and are defined, in this volume, as entities or subsidiaries that submit financial reporting, annual commitment and forecasts to the Groupe. All Business Units and Solution Hubs are consolidated directly at Groupe level. Sub-consolidations are not to be performed for Groupe reporting without proper authorization from Publicis Groupe Finance Department.

Compliance, by each and every Business Unit, with the Groupe accounting policies and procedures set out in this volume is critical in order to enable the Groupe to conform with its financial reporting obligations under French law. Business Unit and Solution Hubs CEOs and CFOs, in signing their annual Management certification letters to the attention of Groupe management, confirm that these policies and procedures (together with those in volume 1) have been complied with and that such compliance has been documented. When the accounting records and financial reporting of the Business Unit are prepared by the SSC in liaison with the Business Unit CFO, the Managing Director and the Chief Accounting Officer of the SSC also confirm that aspects of Janus volume 2 that are the responsibility of the SSC have been complied with.

Business Unit's financial statements are prepared for Groupe reporting purposes in accordance with Groupe accounting policies irrespective of any local accounting standards, tax policies or local regulations. Local statutory financial statements must however comply with the accounting standards applicable locally to each Business Unit. Each Business Unit or Solution Hub must take the necessary measures to comply with Groupe requirements in addition to complying with local accounting standards.

When local standards applicable to a Business Unit differ materially from Groupe accounting policies, adjustments are to be recorded for Groupe reporting purposes in order to comply with Groupe accounting policies. Adjustments are material when they have a 100 000 Euros pre-tax impact on the income statement and/or a 1 million Euros reclassification impact on the balance sheet. These adjustments should be recorded directly by the Business Unit in its reporting package. When no statutory financial statements is legally required, Group reporting in HFM should correspond to the local general ledger.

For Groupe reporting purposes, each Business Unit or Solution Hub should therefore prepare reconciliations between shareholders' equity and net income calculated according to local standards and that stated in accordance with Publicis Groupe accounting policies. This reconciliation should identify all reconciling items without exception. The external auditors must validate these reconciliations at least once a year.

No exception is allowed from rules without specific authorization from the Groupe Finance Department.

Who?

It is the responsibility of the Business Unit or Solution Hub's CFO to ensure that all Business Units within their control comply with the above policies, including the preparation of statutory financial statements in accordance with local accounting standards and tax regulations.

Going concern

Business Units are normally viewed as going concerns, that is, as continuing in operation for the foreseeable future. It is assumed that Business Units have neither the intention nor the need to liquidate or curtail materially the scale of their operations.

Should a Business Unit find itself in a situation where the going concern assumption can no longer be considered appropriate, assets and liabilities in the balance sheet should be valued on a liquidation basis. The Groupe Finance Department should be consulted before applying this method.

The six basic assumptions and accounting principles applied by the Publicis Groupe are:

1- consistency/comparability
2- accruals/matching
3- prudence
4- materiality
5- substance over form
6- completeness

Five conventions and concepts are applied by the Publicis Groupe:

7- current / non-current distinction
8- limited offset of assets and liabilities
9- measurement concepts
10- subsequent events
11- prior period adjustments

1) Consistency/Comparability

It is assumed that accounting policies are consistently applied from one period to another in accordance with Publicis Groupe accounting policies (s). Any change in accounting practice or policy requires the approval of the Groupe Finance Department.

2) Accruals/matching

Revenues and costs are recognized as they are earned or incurred (and not as cash is received or paid) and are recorded in the financial reporting in the period to which they relate. Net income or loss for an accounting period is determined through the process of associating revenues recognized with those expenses and costs necessary to generate such revenues.

3) Prudence

Uncertainties inevitably surround many transactions. This should be acknowledged by exercising prudence in preparing financial reporting. Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated. Prudence should not, however, lead to the creation of unjustified or general/unspecified provisions.

4) Materiality

Financial reporting, annual commitment and forecasts should take into account all items material enough to affect evaluations or decisions based on the accounting figures at the level of each Business Unit. Items are material when they have a 100 000 Euros pre-tax impact on the income statement and/or a 1 million Euros reclassification impact on the balance sheet.

5) Substance over form

Transactions and other events should be accounted for and presented in accordance with their substance and economic reality and not merely their legal form.

6) Completeness

To be reliable, the information in financial reporting must be complete, subject to materiality and the relative cost of preparing it compared to its utility. An omission can cause information to be misleading.

7) Current / non-current distinction

Given the fact that the operating cycle in the Groupe's business is relatively short, a one-year timeframe is used by the Groupe as a basis for the classification of assets and liabilities between current and non-current.

8) Limited offset of assets and liabilities

Assets and liabilities should be separately recognized. There should be no offset between the two except where a legal or contractual right of offset exists.

9) Measurement concepts

Assets are recorded on initial recognition at the amount of cash paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash expected to be paid to satisfy the liability in the normal course of business.

While most assets are valued after initial recognition at cost (less any accumulated depreciation, amortization or impairment, if applicable), some assets (and some liabilities) are subsequently valued at fair value (notably marketable securities, investments in non-consolidated companies and derivatives). Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arms length transaction.

Inflationary accounting (where assets and liabilities are carried at values other than at historical cost) should not be used for Groupe reporting without the express written approval of the Groupe Finance Department.

10) Subsequent events

Subsequent events are those events, both favorable and unfavorable, that occur between the balance sheet date and the date when the Groupe financial statements are published. Adjustments to assets and liabilities are required for subsequent events that provide additional evidence of conditions that existed at the balance sheet date. No adjustment is required for subsequent events indicative of conditions that arose after the balance sheet date, however their disclosure is necessary when they are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions.

11) Prior period adjustments

Prior period adjustments may arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.

Adjustments arising from errors or omissions in prior years but also aged unreconciled items arising from acquisitions and transfers of business should be recorded in the current year's income statement under the relevant headings to which the costs/revenues relate.

No adjustment should flow through equity except with the written prior approval of Groupe Finance Department for the exceptional treatment through equity.

In principal, HFM and statutory financials should be closed at the same time, to avoid differences and lack of control. However, if necessary from a local audit, tax or other local regulations point of view, statutory books can be closed after HFM closing. All adjustments taken in Statutory Financials after HFM closing should be accounted for in HFM through P&L in the following year.

Who?

It is the responsibility of the local Business Unit or Solution Hub's CFO to ensure that all Business Units within their control comply with the above accounting framework.

Why?

The objectives of this policy are:

- to set out Groupe policy in respect of preparation of local statutory financial statements, and
- to ensure that all statutory financial statements and other documents required to be filed with companies' offices, tax authorities and other governmental and regulatory authorities are filed correctly and on time and that any deficiencies in this process are tracked at Groupe level.

For whom?

This policy applies to all legal entities that are controlled by the Groupe.

How?

Preparation of statutory financial statements

The financial year for statutory accounting and taxation purposes should be from January 1st to December 31st to coincide with the Publicis Groupe financial year. Exceptions to this policy should be approved by the Groupe CFO and can only be justified by obligatory local rules or for tax reasons (that were preliminary validated by the Groupe Tax Director).

This Janus 2 accounting policies and procedures must be applied in preparing statutory financial statements unless these rules are not compliant with local accounting standards (or in cases where the statutory financial statements are the basis for tax calculations and the use of local accounting standards is more advantageous).

Business Units must always be able to reconcile Groupe Financial Reporting to local statutory figures. Furthermore, for hard-close, half-year and year-end closing purposes, Business Units must submit an "S-Form" in HFM™ which reconciles their Reporting figures to the local general ledger. The final Equity reconciliation between statutory accounts and HFM™ will have to be performed as part of the "Country By Country Reporting" process in the specific "CBCR" scenario and must be reviewed by the statutory auditors as part of their audit.

No differences other than differences in accounting standards (including those arising for tax reasons as referred to above) may exist between Groupe Financial Reporting and the local general ledger.

The "S-Form" reconciling the December Groupe Financial Reporting figures to the local general ledger must be updated (rolled forward) into the "CBCR" scenario at the time of completion of the statutory financial statements. The Equity reconciliation in the "CBCR" scenario is necessary in particular to take into account of advisory fees, bonus pool and tax pushdowns.

Country CFOs should review the appropriateness of all reconciling items in the "S-Form" and the Equity reconciliation into the "CBCR" scenario.

The Groupe CFO must be informed of any potential qualification of statutory financial statements by auditors before the statutory financial statements are finalized.

Filing procedures

All statutory financial statements and other documents required to be filed with companies' offices, tax authorities and other governmental and regulatory authorities must in all cases be filed correctly and within the legal time limits set by such authorities. The Groupe requires that statutory financial statements are filed as soon as Groupe numbers are definitive and not later than six months after the year end even if the legal time limits are longer.

When statutory financial statements are required, they should be audited to the greatest extent possible by the entity's external auditors at the same time as such auditors perform their audit on the Groupe consolidation package.

Records of filing of all such documents must be held in the legal entity's head office for the period required under local legislation and must be in a form capable of being communicated on request of the Solution Hub CFO or the Groupe General Secretary.

The Groupe General Secretary and the Solution Hub CFO must be informed of all such documents that have not been filed by the due date for filing. This information must also be provided to the Groupe CFO in order to avoid recognition of any unexpected liabilities or fines or the unexpected disappearance or derecognition of assets.

Lastly a copy of the annual statutory financial statements of all legal entities that are wholly or majority controlled by the Groupe must be made available by the SSC (where they exist) or submitted the Groupe Finance Department for approval for entities not integrated into an SSC.

Country By Country Reporting ("CBCR")

The CBCR is a tax report which has to be prepared by Publicis Groupe and communicated to the French tax authority at the end of each year. The reporting can be transferred to other tax authorities when they have implemented the OECD BEPS action 13 in their country.

As soon as the statutory accounts are definitive and not later than six months after the year end, each legal entity need to report into the "CBCR" scenario the information below:

- Legal entity's information: legal name, address, zip code, country, jurisdiction, intra-community VAT number
- Status of statutory accounts filling
- Main business activities
- Equity reconciliation between statutory accounts and HFM™
- CBCR indicators from statutory accounts (with reconciliation to HFM™): external and internal income (CBCR revenue), Profit before Tax, Tax paid, Income Tax accrued, Stated capital, Distributable reserves, Tangible Assets.

Who?

CFOs of all legal entities that are either wholly or majority controlled by the Groupe are responsible for compliance with this policy.

In situations where the Subsidiary Board secretary is a person other than the CFO, he is responsible for all filing procedures as set out above.

Solution Hub CFOs are ultimately responsible for ensuring that statutory financial statements are prepared and filed on time in accordance with local legislation and regulations.

Billings

Why?

To ensure that Billings are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

Publicis considers the presentation of Billings in accordance with Groupe policy to be particularly important.

For Whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of Annual Commitment and Rolling Forecasts.

What?

The Groupe analyses a Business Unit's billings into two categories:

- Billings outside the Groupe (to third parties), and
- Intercompany billings

1) Billings outside of the Groupe

The Groupe generates revenues from planning, creating and placing advertising in various media and from consulting to commerce, including creation data and production platforms. This includes traditional advertising and media activities as well as digital activities.

The term "billings" represents the total amount of costs and services that are invoiced to clients and includes both media and production costs as well as the actual commission or fee that is earned for rendering such services.

Billings therefore refers to the invoiced amounts under contractual or other written arrangements generated from the Business Unit's accounting system and recorded as sales, but adjusted by accrued revenue and deferred income (see "How?" section hereafter and II.3 Revenue recognition).

Under Groupe policies, "capitalization" of billings by Business Units (i.e. increasing both billings and cost of billings by amounts calculated either by taking advertising revenues of clients and applying a coefficient or by reporting advertising budgets managed as billings) is expressly prohibited. Such amounts must under no circumstances be included in the amount of third party billings reported to the Groupe.

Many forms of contractual arrangement exist. A combination of such arrangements can exist with a single client. Some of the principal ones are:

Creative, Digital and Production activities (including all non-media buying activities):

- Flat, or fixed, fee arrangements. Such fees generally cover the Business Unit's salaries, overhead and a mark-up.
- Variable fee based on the volume of the clients advertising budgets (irrespective of whether media buying is handled inside or outside the Groupe).
- Arrangements based on the time that Business Unit employees work for the customer (based on time-sheets and a charge-out rate).

- Arrangements for billing direct external technical & production expenses and other costs including "Out of pocket" expenses, with or without a mark-up ("Out of pocket" expenses include airfares, mileage, hotels, meals, telecommunications expenses, etc.).

Media buying activities:

- The media buying Business Unit either receives a bill from the media and re-invoices the client, plus commission, or the media directly invoices the client and the media buying Business Unit only invoices a commission.

Thus, overall, the Business Unit's revenue is either a commission, a flat-fee, a volume-based fee or a time-based fee. Its billings are equal to its revenue plus pass-through costs in respect of media-buying, direct production & external technical costs and other billable costs including specifically re-billable out-of-pocket expenses (See "How?" section hereafter for determination of billings).

Billings should be reported between "Agent" and "Principal" (see. "Revenue recognition" II.3), according to the client contract, **when the Groupe** is acting respectively as an Agent or as Principal. More specifically:

- If acting as an agent, the Business Unit should report in:
    - "Billings Media – Agent"
    - "Billings Prod and Other – Agent"
- If acting as principal, the Business Unit should report in:
    - "Billings Media – Principal"
    - "Billings Prod and Other – Principal".

In most instances, Media contract commission covers distinct services (see. II.3 – step 2) such as strategy consulting services (also called media planning) and execution of media purchases (also called media buying). Therefore, the commission would need to be allocated and reported respectively as "Billings Media – Agent" and "Billings Media – Principal". The price allocation would have to be performed on the basis of the weight of FTE costs working on each distinct service. Media costs billed to the client when acting as an agent will be reported as "Billings Media – Agent".

When a Business Unit use the service of another, the Business Unit which have the contract with the external client will need to report its Billings Outside the Groupe as "Principal" or "Agent", depending on the Agent vs. Principal treatment of the providing Business unit (see. example in appendix II.3 - p11/13)

All amounts billed to third parties must be included in Billings and not offset against corresponding Cost of billings (when acting as an "agent"), even if for statutory accounts Billings and Costs of billings are netted or recognized directly through balance sheet.

Lastly, Billings are stated net of rebates and trade discounts granted, or passed through, to clients but, at Business Unit level, gross of any cash discounts for early payment granted to customers (the latter being recorded as a financial expense in "Early payment discounts", a sub-caption of "Financial Income (Expense)" – see II.19).

2) Intercompany billings

Intercompany invoices are issued when a Business Unit (the "client Business Unit") uses the services of another Business Unit and should be classified in one of three ways:

- When the item or service purchased by the client Business Unit is directly billable to a third party client, the income generated from the sales invoice is recorded in "Intercompany billings".
- When the item or service purchased by the client Business Unit is not directly billable to a third party client, and especially if it is for the client Business Unit's own purposes, the sales invoice is recorded in "Other Income from IC Recharge".
- Nevertheless, when the Business Unit **is a Production Platform**, the income generated from the sales invoice is recorded in "I/C Production Platform Recharge". This applies only to Sapient India GDD model and to Prodigious offshore centers (see. II.7) and not to country Prodigious. For convenience, Prodigious offshore centers entities are denominated accordingly in HFM (e.g. "Prodigious Offshore center Costa Rica").

In all cases the Business Unit providing services to the client Business Unit accounts for the costs it incurs in its own income statement under the different captions it would have used had its customer not been a Groupe Business Unit. Under no circumstances must the Business Unit providing the services net the billing against its own costs.

Intercompany billings **exclude**:

- Inter agency staff recharges: loaned or seconded personnel do not constitute services provided to another Business Unit. Inter agency staff recharges (income and expense) are recorded as Personnel costs on the "Intercompany staff cost recharges" caption in both the providing and the client Business Unit irrespective of the billable nature of the work performed (see. II.6 and II.7), and
- All income and expenses arising on property leases between Groupe Business Units, irrespective of whether the lessor owns the property or not, are recorded as General and Administrative expenses in "Intercompany rental income and expense".
- All billings between Production platforms and other Business Units. These are recorded in "I/C Production Platform Recharge" as stated above (see. II.7).
- All billings between Business Units for services that are not directly billable to clients. These are recorded in "Other Income from IC Recharge" as stated above.

(Intercompany billings also exclude intercompany interest recharges and proceeds on sales of assets).

How?

1) Billings outside the Groupe (to third parties)

Billings are recognized and valued using the accruals method (they are recognized when they are earned).

In concrete terms this means that the total amount of billings for the period is equal to:

- Invoices issued to customers in the period, in accordance with contractual arrangements, for their gross amount,
- Plus accrued revenue (see. Contract Assets – Accrued Revenue III.15) (gross revenue, or margin, earned in the period but not billed),
- Less deferred income (see. Contract Liabilities – Deferred Income III.41) (gross revenue, or margin, billed in the period but not earned).

The determination of when revenue is earned is discussed in detail in II.3 "Revenue recognition". It is to be noted that <u>only revenue is accrued or deferred</u>. Pass-through costs when acting as an "agent" are only booked in billings when they are actually invoiced. When the Business Unit is acting as "principal", pass-through costs incurred should be directly included into Billings and Cost of Sales in the same period.

Accounting treatment of pass-through costs:

- Pass-through costs billed in advance (i.e. costs not yet incurred) should not have any impact on Billings nor Cost of Billings; but should be recognized only in the Balance Sheet by debiting the Accounts Receivable and crediting Work in Progress.
  At each monthly closing, negative Work in Progress on the related services will be reclassified into:
  - "Deferred Income" when the Business Unit is acting as Principal.
  - "Accrued Payables" when the Business Unit is acting as an Agent and the payment was not yet received, "Advance payments received from clients" otherwise.
- Pass-through costs incurred but not yet invoiced to the client should be reported into Work in Progress (see. III.14) then:
  - When the Business Unit is acting as an Agent, these costs will be included in Billings and Cost of Billings only when the invoice will be issued to the client.
  - When the Business Unit is acting as Principal, at each monthly closing WIP will be offset against the relevant Cost of Sales caption, and these costs will be included in the Accrued Revenue with a double entry into Billings.

<u>Important:</u> when a Business Unit is acting as Principal and the revenue is recognized overtime, no WIP should be recognized at month end closing. All external costs included into WIP will have to be reclassified into Cost of Sales and the appropriate Revenue reported into Billings.

When advance requests are received when acting as an agent, these items should be booked in the HFM caption "Advance payments received from clients" with a counterpart in cash (no impact on Billings nor Cost of Billings) – see III.40.

Accrued revenue is recognized in Contract Assets under "Accrued revenue" on a net basis when acting as an agent and on a gross basis when acting as a principal. Similarly, deferred income is recognized in Contract Labilities under "Deferred income" on net basis only when acting as an agent and on a gross basis when acting as a principal.

No account is taken of Cost of billings Outside the Groupe in the determination of Accrued revenue or Deferred income (see. II.2 for specific guidance on Intercompany Cost of Billings and Accrued revenue).

Cost of billings Outside of the Groupe are only recognized when the billings are issued. If the costs have previously been incurred (and are thus included in Work in Progress), Cost of billings are recognized by crediting Work in Progress. If the costs have not been incurred, Cost of billings are recognized by crediting "Accrued Trade Payables" or "Advance payments received from clients" if cash has been collected from the client – see II.2.

Billings exclude value added tax (VAT) and other sales taxes (except in the limited circumstances where sales taxes are pass-through costs in accordance with the client's contractual arrangement in which case they qualify to be added to Billings and Cost of Billings).

All billings in foreign currencies, and related receivables, are accounted for in accordance with the Groupe's policies for recognition and valuation of items and balances denominated in foreign currencies which are set out in II.21 "Exchange gains and (losses)".

2) Intercompany billings

Intercompany billings should, logically, be recognized and valued in the same way as billings to third parties.

However Intercompany billings must be eliminated on consolidation, and thus the key issue from a consolidation perspective is that they be symmetrically recognized in billings by the providing Business Unit and in Cost of billings by the client Business Unit.

Intercompany billings should thus be strictly limited to the amounts billed under contractual arrangements between the Groupe Business Units. No accrued revenue can be recognized in Intercompany receivables and Intercompany billings cannot under any circumstances be affected by accrued (unbilled) revenue.

However, accrued revenue should be recognized (with a double entry to Billings outside the Groupe) in respect of services rendered to other Groupe companies where:

- such revenue is in respect of services that will ultimately be directly billable to an external client (i.e., services that will constitute intercompany cost of billings – see II.2 - for the client Business Unit),
- the revenue has been earned under Groupe revenue recognition policies (see II.3. "Revenue Recognition") from the Groupe's perspective (not that of the providing Business Unit), and
- for any revenues whose amounts are not specifically referenced in written contracts/arrangements, the client Business Unit (which will be invoiced) has confirmed the amount of revenues which can be accrued to the providing Business Unit.

Note: The above policies do not apply to the specific case of centrally billed clients as described in section 3 hereafter. In particular, no accrued revenue can be recognized at Business Unit level in respect of centrally billed clients.

3) Specific case of centrally billed clients

For larger clients, Regional or Global Center Business Units centralize all, or part, of invoicing and collection on behalf of the multiple Business Units performing the services defined in the contractual arrangement. Coordination of recognition of Billings is necessary between the Centers and the Business Units in order to ensure that the adjustments to "Billings outside of the Groupe" are recognized in the same period.

Accounting of such transactions at the Regional or Global Center level:

The Center initially records under the "Billings outside of the Groupe" caption the total amount invoiced to the client and the related trade receivable. On the 24th of each month, the Center must inform the local Business Units of the amount (estimated if necessary) of third party billings during the month corresponding to work performed by each Business Unit. Allocations should be based on written agreements entered into between the Center and the Business Units. At this date, the amount initially recorded as "Billings outside the Groupe" by the Center is reduced by the amount allocated to the Business Units with the corresponding balance sheet impact being recorded under Intercompany Payables.

Accounting of such transactions at the Business Unit level:

On the 24th of the month (no later than the 28th of each month), the Business Unit obtains the allocated revenue from the Center and records the corresponding amount as "Billings outside of the Groupe" with the balance sheet impact being recorded under Intercompany Receivables. **Under no circumstances must local Business Units record any additional accrued revenue or accrued billings in respect of work performed on centrally billed clients.**

Who?

Reporting of Billings in accordance with Groupe policy and communication of the quarterly ad hoc report is the responsibility of the Business Unit's CFO. All centrally billed client issues are the responsibility of the Regional or Solution Hub's CFO.

Cost of billings

Why?

To ensure that Cost of billings are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of Annual Commitment and Rolling Forecasts.

What?

An assessment must be done for each individual client contract to determine whether third party costs should be included in Cost of Billings.

Third party costs should only be included in Cost of Billings when it is clear that the Business Unit acts as an agent with respect to the provision of distinct services (see definition in II.3) in which a third party is involved. In such a situation, the Business Unit's service is in substance to arrange for the third party to provide the services rather than providing itself. A Business Unit is acting as an agent <u>when it does not control the service before it transfers such service to the client and then is not the primary responsible for rendering the services</u>. In this case, the third party costs should be reported in Cost of Billings. This is known as a Net revenue treatment.

Alternatively, a Business Unit can be deemed to act as a principal for a distinct service in a contract. This is when the Business Unit controls the service before it transfers such service to the client and then is the primary responsible for rendering the services. The Business Unit may render the service itself or it may engage another party (a subcontractor) to satisfy some or all of the service on its behalf. In this case, the third party costs should **not** be reported in Cost of Billings. This is known as a Gross revenue treatment. The third party costs should be reported in most relevant P&L caption, according to their nature, such as freelance costs, Costs of sales (Media costs, Production costs, out of pocket expenses, etc.).

Cost of billings includes the Business Unit's production and media buying costs to the extent the Business Unit acts as an agent on the designated distinct production and media buying service which are directly billable to clients **in respect of billings to clients in the period**.

Depending on its source, an item of Cost of billings is classified as "outside of the Groupe" or "intercompany".

Cost of billings **includes** the following items, which are further discussed below:

1) Cost of billings outside the Groupe (when acting as an agent)
2) Intercompany Cost of billings (whenever the Business Unit acts as an agent or principal)

Cost of billings specifically **excludes** the following:

- All external costs incurred by a Business Unit when acting as Principal. These costs should be recorded as "Pass-through Costs" under the relevant accounts (see. II.4);
- Costs incurred by a Business Unit acting as an Agent that are unbillable to a client. Unbillable expenses represent costs incurred that are not specifically identified as being billable under the contract with the client. Client related unbillable costs as defined above should be recorded as Other Cost of Sales (see. II.5).
- All out of pocket expenses either billable or unbillable, should be recorded into "Pass-through Costs" (see. II.4).
- Intercompany costs incurred by a Production platform with another Business Unit. Those costs which should be recorded as "I/C Production Platform Recharge".
- Any amounts paid to employees, salaries, bonuses and employee benefits which should be recorded as Personnel costs (see II.6).
- General & administrative expenses as defined by II.8.
- Bad debt allowance (see II.9).
- Changes in provisions for risks and charges (provision for litigation, provisions for foreseeable losses on contracts, etc.) – see II.15.

The three main components of Cost of billings are:

1) <u>Cost of billings outside of the Groupe (only when acting as an agent)</u>

This account includes **external** purchases and costs incurred by a Business Unit on behalf of a client in servicing their business, billed to clients per the contractual arrangement, such as media space costs, TV and advertising production costs, photographer's fees, print and paper, etc. It excludes billable and unbillable out of pocket expenses, which should be recorded in "Pass-through Costs" (see II.4).

A number of aspects of external expenses need to be treated with care in order to achieve consistent reporting of Cost of billings by all Business Units and Solution Hubs:

a) Production or Digital freelance costs

Cost of billings includes freelance costs only <u>when all of the criteria are reached</u>:

- only to the extent that such individuals are working on a distinct service under the direct supervision of the client,
- only where such people are employed by an external legal entity. For the avoidance of doubt, any freelancers paid through payroll are reported in Personnel Costs (see II.6),
- only when the Business Unit is acting as an agent and where Client Contracts stipulate that the costs are directly billable.

Production freelancers typically invoice the Business Unit on a completed task basis. Such freelance costs should be recorded as part of Work in Progress until their recognition in the income statement under Cost of billings.

See II.6 "Personnel costs" for the accounting treatment of all freelance costs that do not meet the above criteria.

b) *Rebates and discounts on purchases (except Media Volume rebates)*

Rebates and discounts on purchases represent reductions from the standard purchase price of a good or service. Rebates and discounts that are definitively earned reduce Cost of billings (and Work-in-Progress for unbilled amounts). Refer to Revenue recognition – II.3 for Media Volume Rebates.

However, at Business Unit level, cash discounts received for early payments made to suppliers are financial income and are recorded in "Early payment discounts" a sub-caption of "Financial Income (Expense)" - (see II.19). Business Units, particularly Media Business Units, are however reminded that it is not Groupe policy to pay suppliers early in order to obtain cash discounts. Such payments should only be made where the annualized rate of return on making the early payment is greater than the Groupe's weighted average cost of capital.

c) *Services or production work refused by clients*

A client may refuse to accept the work performed by a Business Unit if it does not meet its expectations. The related costs incurred should be recorded under a specific caption called "Unbillable WIP Write-offs – client related" in Cost of Sales.

WIP Write-offs should be limited to two cases :

- when a Business Unit is <u>acting as Principal and revenue is recognized at a point in time</u>.

  If revenue is recognized overtime, all third party costs should be reported directly into Costs of Sales when incurred ("Billable Production costs" or "Billable Other Costs").
- when the Business unit is <u>acting as an Agent, the case should theoretically not be possible</u>, as the Business Unit considered it has no control over the service or production. In the eventuality it happens, the Business Unit should review its Agent vs. Principal assessment to confirm or not the accounting treatment. In any case, WIP write-off when acting as agent should be exceptional.

2) ***<u>Intercompany Cost of billings</u>***

Intercompany invoices are issued when a Business Unit (the "client Business Unit") uses the services of another Business Unit to provide services to third parties. The invoices issued by the providing Business Unit are classified in the income statement of the client Business Unit in accordance with whether they are directly billable, or not, to the third party customer. <u>Note: Loaned or seconded personnel do not constitute services provided to or by another Business Unit. Inter agency staff recharges (income and expense) are recorded as Personnel costs in both the providing and the client Business Unit irrespective of the billable nature of the work performed (see. II.7).</u>

Accounting for Intercompany transactions at the client Business Unit level (being the Business Unit which recognizes the Cost of billings)

The client Business Unit accounts for the invoice received from the providing Business Unit in:

- "Intercompany Cost of billings", if the work carried out by the providing Business Unit corresponds to a product or service that is directly billable to an external client, for contracts **<u>whether agency act as an Agent or as Principal</u>**,
- "IC Production Platform Recharge", if the providing Business Unit **<u>is a Production Platform</u>** (see. II.7),

- the appropriate Operating expenses income statement account depending on its nature if the work carried out is not directly billable (example: intercompany rental are recorded as "IC Rental Income/Expense").
    - Note: For Operating expenses the "client Business Unit" must indicate that it is of an intercompany nature (in the context of allocation of Operating expenses between "Outside the Groupe" and "Intercompany").

Note: Intercompany Cost of billings are purchases from other Groupe Business Units (instead of from third parties) and NOT the Cost of Billings related to sales to other Groupe Business Units.

How?

Cost of billings in an accounting period corresponds to the cost portion of Billings recognized in the period (see II.1 "Billings") **for the portion of such billings actually billed to clients in the period** in application of the accruals or matching principle (I.2 "Accounting Framework").

They are NOT adjusted to take account of the portion of Billings recognized comprised of accrued revenue or deferred income (being respectively revenue earned in the period not billed and revenue billed in the period not earned – See II.1 "Billings").

Cost of billings are only recognized when the billings are issued. If the **costs have previously been incurred** (and are thus included in Work in Progress), Cost of billings are recognized by crediting Work in Progress. If the costs have not been incurred, Cost of billings are recognized by crediting "Accrued Trade Payables" or "Advance payments received from clients" if cash has been collected from the client.

In concrete terms this means that Cost of billings for the period simply represents the amount that corresponds to the Billings to customers under contractual arrangements.

Externally billable costs incurred by a Business Unit on behalf of a client which have not been billed at the end of the period should be recorded in Work in Progress (refer to III.14).

Specific guidance on Intercompany Cost of Billings:

In order to ensure the IC reconciliation, the intercompany invoice from a providing Business Unit should be recorded whether Billings have been recognized or not, by:

- debiting Intercompany Cost of Billings and crediting IC Payables; and
- crediting External Cost of Billings and debiting WIP.

Who?

Reporting of Cost of billings in accordance with Groupe policy is the responsibility of the Business Unit's CFO.
Nevertheless, SSCs should ensure the sufficient substantiation of the revenue recognition.

Revenue Recognition

Why?

To ensure that Revenue is recognized in a consistent manner by all Business Units and Solution Hubs for Groupe reporting purposes.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of Annual Commitment and Rolling Forecasts.

What?

Revenue is calculated using the following formula:

Billings (refer to II.1)
Minus Cost of billings (refer to II.2).

As Revenue is a key line item in the Groupe's income statement, which forms the focus for many internal and external analyses, it is of vital importance.

Most of these revenue analysis are part of HFM monthly reporting and should be completed with great attention. These analyses include Revenue by named clients, by activity (advertising, media, SAMS, with a breakdown digital/non digital), by type (fees, commissions, etc.) and a breakdown of digital revenue by activities.

However, as it is mechanically a sub-total calculated according to the above formula, all aspects of revenue recognition mentioned hereafter must be applied in determining recognition of Billings under II.1 "Billings" and Costs of Billings under II.2 "Cost of billings".

How?

Business Units have to apply a <u>5-step model + Agent vs. Principal assessment</u> (described below), on each contract to determine when to recognize the revenue, and at which amount. <u>The revenue analysis through all steps is mandatory to avoid any risks on the revenue recognition.</u>

<u>Each main and standard contracts need to be analyzed through the 5 steps using the analysis template available in the Appendix (page 12/13)</u>. In all cases, all revenue streams need to be covered by an analysis grid.
In case of services internally subcontracted, the revenue analysis should be done by the Business Unit which has contracted with the external client in order to standardize revenue recognition on the contract.
Business Unit CFO's have the responsibility to prepare and keep the analysis grids, and make them available for review by FMC, Internal and External audit.

First of all, it should be understood that service performed by a Business Unit for a Client is considered creating an Asset which will be transferred to the client.

The five-step model that should be applied and documented to recognize revenue from contracts with clients include the following steps:

- **Step 1: Identify the contract:** i.e. determine if a contract exists with a client,

In order to recognize revenue, the following general criteria must be met:

- A written acknowledgement from the client (i.e. client purchase order, an approved written estimate, client contract, e-mail, etc.) indicating permission to proceed must exist,
- The price, or budget, must be referenced by the arrangement with the client or reliably estimable with reasonable certainty,
- Collectability must be probable.

- **Step 2: Identify the performance obligations**: i.e. identify the distinct services in a contract the client has contracted for, (for the avoidance of any doubt, "performance obligation" and "distinct services" have the same meaning),

A service that is promised to a client is distinct if both of the following criteria are met:

- The client can benefit from the service either on its own or together with other resources that are readily available to the client (that is, the service is capable of being distinct)

  AND
- The Business Unit's promise to transfer the service to the client is separately identifiable from other promises in the contract (that is, the promise to transfer the service is distinct within the context of the contract).

If a number of distinct services are rendered under a single contract/arrangement, and each service can be sold separately and is independent from the other services within the contract, revenue should be recognized separately in respect of each such service.

Conversely, where services rendered under more than one contract/arrangement are highly interrelated and depend on each other, they should be accounted for as a single service.

- **Step 3: Determine the total Transaction Price:** i.e. determine the amount of consideration a Business Unit expects to be entitled to in exchange for services transferred,

The transaction price of a contract is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services, it includes:

- fix remuneration (ex. retainer fee, fixed fee)
- variable remuneration (ex. bonus, volume rebates, mark ups)
- out-of-pocket expenses reimbursed by the client

The variable part of the contract will only be included to the extent that it is **highly probable** that a significant revenue reversal will not occur subsequently.

Factors that indicate the "highly probable" condition is reached for incentives:

- Client Approval obtained (qualitative & quantitative KPIs)
- Payment received from the client (qualitative & quantitative KPIs)
- Calculation possible with available data (quantitative KPIs)

➢ **Step 4: Allocate the Transaction Price:** i.e. allocate the Transaction Price determined in Step 3 to each distinct promise / performance obligation identified in Step 2,

Contractual arrangements, in most instances, include a breakdown of the total contractual price that ties or can be tied to the services provided under the contracts. The Business Unit should allocate this total contractual price to each distinct service at contract inception based on their respective stand-alone selling prices.

Contractual prices may usually reflect the stand-alone selling prices of the distinct services.

When such breakdown is not available or when there is objective evidence that the contractual price breakdown does not reflect the stand-alone selling price of the distinct services in the contract, the Business Unit should determine such stand-alone selling price for each distinct service.

Stand-alone selling prices should be evidenced with objective documentation built on:

- Observable stand-alone selling prices applied by the Business Unit for similar services (preferred approach), or a range price, provided that the range reflects reasonable stand-alone pricing of each service as if it were priced on a stand-alone basis
- If no observable stand-alone selling price is available, a "costs plus margin" method, where margin reflects the margin rate that is usually achieved by the Business Unit for similar services sold separately.

➢ **Step 5: Recognize revenue**: i.e. assess the timing of revenue recognition.

Performance obligations or distinct services are satisfied by transferring control of goods and/or services to a client. This control either transfers over time or at a point in time.

In most cases the client simultaneously receives and consume benefits provided of the Business Unit or the performance creates an asset with no alternative use and the Business Unit has an enforceable right to payment (for performance completed to date), therefore the revenue will be recognized overtime.

Publicis Groupe's revenue is mainly derived from fees for services and from commissions earned from the placement of advertisements in various media. Revenue is recognized when the services are performed or delivered. Revenue is calculated on an accrual basis.

Several exceptions could happen in short term contracts (< 3 months) and not significant specific contracts (such as adding a functionality in a digital contract) where revenue is recognized point in time when control is transferred (at the delivery of the digital product/work).

- **Agent vs. Principal**

As already mentioned, distinct service performed by a Business unit is considered creating an Asset; this is the transfer of control of this asset which will have to be considered when assessing if the Business Unit acts as "Agent" or "Principal".

In other words, a Business Unit will be acting as an "Agent" with respect to a distinct service when Business Unit does not control the service before it is transferred to the client (see II.2 as costs are reported as "Cost of billings") or as "Principal" when the Business Unit controls the service before it is transferred to the client (the costs have then to be reported in most relevant P&L caption, according to their nature, i.e. Cost of Sales).

When a third party is involved in providing a distinct service to a client, a Business Unit would be considered acting as Principal if it obtains control of specified good/service as follows:

- it obtains control of an asset before transfers to the client;
- it has the ability to direct the third party, without client approval, to provide some or all of such service to the client; or
- it obtains such good or service from the third party that it then integrates or combines with other services to provide the output that was promised to the client.

There are 3 indicators to consider to assess if the Business Unit controls the good or service before it transfers to the client. Such indicators provide evidence that a Business Unit is acting as principal:

- the entity has the primary responsibility to provide the services to the client;
- the entity has "inventory risk" before the good or service is transferred to the client;
- the entity has latitude in establishing pricing (this criteria has less weight than the fulfilment and inventory risk).

If a number of distinct services are rendered under a single contract/arrangement, the "Agent" vs "Principal' analysis should be performed in respect of each such distinct service.

Under a distinct service, the Business unit can only be acting as an "Agent" OR as "Principal" but never both.

Balance sheet considerations related to revenue recognition:

Accrued revenue *is recognized in "Contract Assets - Accrued revenue", see III.15.*

Deferred income *is recognized in a liability account "Contract liabilities - Deferred income", see III.41*

Who?

Revenue recognition and reporting of Revenue in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

APPENDIX :

Specific guidance

1) Stand-alone selling price of distinct services

In our industry all services are specific to a Client with no observable price, contracts fee are usually priced on a staff based plan, then remuneration of the distinct services written in the contract would be considered as the stand-alone selling price.
When several services are remunerated with a single fee, the allocation of the fee should be based on the weight of labor cost dedicated on each distinct services.

Examples of allocation of transaction price to distinct services:

- Fixed fee contract including 2 distinct services, one acting as an agent and another one acting as principal (e.g. Media strategy/planning (principal) with media buying (agent) or creative and marketing services (principal) with production supervision (agent)):

  At the contract inception the Business Unit need to clearly allocate the staff on each distinct services. In case that an employee works on both services, an allocation of his time based on historical data should be done.

  Example: Media planning and buying contract

  - Media buying fee $= \frac{\text{Staff costs on media buying}}{\text{Staff costs on all the contract}} \times \text{Fee}$
  - Media strategy/planning fee $= \frac{\text{Staff costs on media planning}}{\text{Staff costs on all the contract}} \times \text{Fee}$

  Media space costs would be recorded as “Billings – Agent” and Costs of Billings only when billed.

- Fixed fee contract with two distinct services acting as principal (e.g. Creative and marketing services (Principal) and Production (principal)):

  If the measure of progress on the two distinct services are the same (e.g. poc based on labor hours), no allocation of the fee is needed. Third party costs reimbursed by the client will be recorded into revenue as “Billings – Principal” when costs are incurred.

  As a reminder, third party costs incurred when acting as principal need to be directly expensed as Costs of Sales in the P&L and not recorded into WIP at month end closing.

2) Measure of progress for revenue recognition

Revenue is recognized in the accounting period in which the service is rendered. Services are considered to be rendered by reference to the percentage-of-completion method, irrespective of whether invoices have been issued to the client or not, once the outcome of the transaction can be estimated reliably
Percentage-of-completion method, calculated by the costs incurred to date compared to total expected contract costs at completion, would be the more relevant measure of progress, nevertheless straight-lining would be appropriate if nature/number of tasks are not predefined, the pattern of costs is not predictable and the level of efforts are expected to be incurred evenly over the contractual period.

Examples of measure of progress:

- For fixed fee arrangements: when a team is dedicated to the client, or when the entity has a "stand-ready" obligation and level of efforts are not predictable, straight-line method might be appropriate to recognize the revenue.
- For time based arrangements: based on labor hours where a contract or written client acknowledgement specifically states the revenue earned per period or per hour or day worked,
- For projects based arrangements: if services are specific to a client and the entity has an enforceable right to payment for the work performed to date, revenue would be recognized based on labor hours and/or third party costs incurred.
- For production and events contract (acting as principal): resource consumed (labor hours and third party costs incurred) would be the appropriate method to recognize revenue on a gross basis.
- For mark ups arrangements when acting as an agent:
  - For media space buying services: recognition at date of publication or broadcast.
  - For production supervision: recognition based on costs incurred

In general revenue should be recognized at the time that the services are considered to be rendered (irrespective of whether the invoice is issued or not). Thus:

- When an **identical service is not rendered** each month (e.g. the service is not provided consistently), the Business Unit must estimate revenues, costs and the extent of progress toward completion in a prudent manner (percentage of completion method). No margin should be recognized until the overall result of the contract and it progress can be estimated on the basis of reliable management information systems.
- If a client is billed once every quarter under a fixed fee arrangement and an **identical service** is rendered each month (i.e. monthly revenues, costs and progress are identical), 1/3rd of the quarterly revenue billable should be accrued (increase in Billings and increase in Accrued revenue) at the end of each of the first two months.

In the opposite situation if the entire fee for the quarter is issued on the first day and an identical service is rendered each month, 2/3rds of the revenue should be deferred (reduction in Billings and increase in the "Deferred Income" (Contract Liability)) at the end of the first month and 1/3rd thereof should be treated in the same manner at the end of the 2nd month.

In a relatively small number of cases client contracts may envisage that revenue is earned in a manner different to the manner in which the Groupe's revenue recognition policy states. In such circumstances:

- If Groupe policy requires earlier recognition of revenue than that identified in the contract, the revenue should be accrued (increase in "Billings" and increase in "Accrued revenue" in Contract Assets) unless the Business Unit CFO consider that a significant reversal of revenue could occur. In this situation, the revenue would be capped to the amount already billed,
- If Groupe policy requires later recognition of revenue, the difference should be deferred (decrease in "Billings" and increase in "Deferred income" in Contract Liabilities).

Lastly, Groupe policy is that revenue is accrued (increase in "Billings") or deferred (reduction in "Billings") solely for the amount of gross revenue, or margin, earned by the Groupe. No account is taken of "Cost of billings outside the Groupe" in calculating accrued or deferred revenue.

"Cost of billings outside of the Groupe" are only recognized when the billings are issued. If the **costs have previously been incurred** (and are thus included in "Work in Progress"), "Cost of billings" are recognized by crediting "Work in Progress". If the costs have not been incurred, "Cost of billings" are recognized by crediting "Accrued Trade payables" or "Advance payments received from clients" if cash has been collected from the client.

3) Incentive bonuses (including performance penalties)

Some contractual arrangements with clients include performance incentive provisions which allow the Business Unit to earn additional revenues as a result of its performance for the client, measured against specified quantitative and qualitative objectives. This is a form of variable consideration per the contract. For example, an incentive component is frequently included in arrangements with clients based on improvements in an advertised Solution Hub's awareness or image, or increases in a client's sales or market share of the products or services being advertised.

The incentive portion of revenue under these arrangements is recognized when it is "highly probable" such incentive bonuses would be gained, i.e. when all of the following conditions are met:

a) when performance is measured against qualitative objectives determined by the client and client acceptance is demonstrated through written client confirmation and/or payment,
b) when specific quantitative goals are achieved and can be substantiated, and the bonus is no longer contingent or refundable under the contractual arrangement with the client,
c) and in both cases, when collectability is assured.

4) Volume rebates on media purchases

Volume rebates on media purchases only increase Revenue where this is authorized by local legislation and **is compliant with client contracts**. Rebates and discounts that are definitively earned increase "Billings Media - Agent" (and "Accrued revenue" for unbilled amounts).

Volume discounts under supplier agreements are recognized as the transfer of service(s) occurs when the following conditions are met:

a) their calculation is objectively defined in the contract;
b) when specific quantitative goals are achieved.

In practice, because rebates may be subject to substantive negotiations, bargaining and concessions, volume discounts can, in certain circumstances, be recognized in advance of either a written agreement, an invoice/credit note or cash being received from the client. Recognition is allowed when it is highly probable that any specific quantitative goals relating to the client are being delivered over the period of the agreement. However, recognition must only be realized as the transfer of service(s) occurs, be based on reliable estimates and not result in a future reversal when the goal(s) are definitely achieved.

Billings should be recognized for volume discounts in monthly financial reporting and forecasts once the above conditions are met.

When client arrangements request the return of all or a part of the rebates and discounts, the revenue should be recognized as follows:

- When rebates or discounts are earned but not yet billed or received, the revenue from Media vendor should be recorded net from the amounts to be returned to clients by crediting "Billings Media –Agent" and debiting "Accrued revenue",
- When rebates or discounts are billed or received but not returned to clients yet, the revenue from Media vendor should be recognized gross in "Billings Media – Agent" and the amounts to be returned to the client should be recognized as a client credit note by debiting "Billings Media – Agent" and crediting "Account receivables".

In any case, rebates or discounts should not be paid to clients before being received from suppliers.

5) Volume discount on Billings

Any volume discount granted to a client should be recognized as a reduction of "Billings".
Reduction of "Billings" should be recognized progressively for volume discounts in monthly financial reporting and forecasts once the contract conditions are met (i.e. volume discounts should be anticipated following progress of volume multiplied by the discount rate stated in the client arrangement).

When discounts are earned by the clients but not returned yet, the related liability should be reported under the HFM caption "Accrued trade payables".

6) Out-of-Pocket expenses reimbursed by the client (see. specific guidance II.4 p2/2)

Revenue on reimbursement of out-of-pocket expense are considered as variable consideration and should not be anticipated. It should be recognized as revenue when:

- Costs are incurred if it's certain that the Business Unit will be reimbursed by the Client; or
- Costs are billed to the client.

7) Barter transactions (non-monetary transactions)

As mentioned in Volume 1 of Janus**, as a general policy Groupe discourages entering into Barter Transactions**. **As a result, all Business Units must obtain the approval of the Groupe CFO before entering into any Barter Transactions.**
Normally, barter transactions should be recognized at fair value of the services received, or if the latter is not available, at fair value of the services surrendered.
Groupe policy is to measure revenue from a barter transaction involving for example advertising services at the fair value of the advertising services provided by the Groupe to the other party. This fair value can only be determined by reference to non-barter transactions that:

a) involve advertising similar to the advertising in the barter transaction;
b) occur frequently;
c) are a representative sample of similar advertising transactions;
d) involve cash consideration; and
e) do not involve the same third party as in the barter transaction.

Revenue from barter transactions increases "Billings". Barter transactions should be disclosed on a supplementary schedule. The Business Unit's CFO must ensure compliance with this disclosure requirement.

Agent vs. Principal recognition examples

Media buying services – act as agent

Here are some of the most common situations the Groupe is acting as an agent and the revenue should be recognized net:

- Media purchases are made after the client confirmed its intention to buy and its acceptance of the media purchase price. Media costs are re-invoiced to the client on a transparent price basis or not.
- Media costs are recharged to the client on a "cost-plus" basis. The Business Unit remuneration is transparent and known by the client.

Media buying services – act as principal

Here are some of the most common situations the Groupe is acting as a principal and the revenue should be recognized gross:

- Media trading packages – Media space is bought in advance before any instruction from client. In such case the Group held inventory risk which implies it acts as a principal.
- Media commitment to a vendor – The Business Unit is committed to buy a certain volume of Media space and therefore has an inventory risk.

Creative / Public relations services – act as principal

Here is the common situation where the Groupe is acting as a principal and the revenue should be recognized gross and reported as principal:

- The Business Unit delivers advertising communication services / Public relations services for a fixed fee and a bonus based on qualitative and quantitative KPIs. No third party vendor are involved.

Events contracts – act as principal:

Here is the common situation where the Groupe is acting as a principal and the revenue should be recognized gross and reported as principal:

- The Business Unit organizes an event for his client using third party vendor approved or not by the client. Third party costs are recharged to the client 1:1 and/or at a cost plus basis. The Business Unit has the ability to direct third party vendors to create the asset which will be then transferred to the client therefore the Business Unit has the control and acts as principal.

Production work – act as principal

Here are some of the most common situations the Groupe is acting as principal and the revenue should be recognized gross:

- The production is made in-house in the Business Unit's studio (ex. Prodigious agencies);
- The choice of the supplier is at the discretion of the Business Unit. The client is recharged for production costs on the basis of the "client agreed price" and not on "real production costs spent by the Business Unit";
- The filming part is performed by a third party provider approved by the client and treated as a pass-through cost. The Business Unit performs the post-production service (film editing based on rushes received, voices and sounds, special effects adding,…). As the Business Unit performs significant transformation or integration of the asset created by a third party to create the deliverable, it will be considered acting as a Principal and revenue will be recorded gross, that means all pass-through costs will be reported into Cost of Sales.

Production work – act as agent

Here is the most common situation where the Groupe is acting as an agent and the revenue should be recognized net:

- The Business Unit is only responsible for monitoring/supervising the third party production company on behalf of the client and does not perform any modification neither integration services with the third party deliverables.
  Even if the contract stipulates that the responsibility remains on the Business Unit side, if concrete evidence indicate that that the client controls all production phases (meeting minutes, "go prod" mails, etc..), the Business Unit would be considered acting as an agent and would record revenue net (responsibility ≠ control).

Digital contracts – act as principal

Here is a common example where the Groupe is acting as principal and the revenue should be recognized gross:

- The construction of a website for a client. The client is charged with a flat fee for a deliverable and the Business Unit can contract with any supplier without client pre-approval.

Work subcontracted to another Groupe Business Unit

When a Business Unit use the service of another one within the Groupe, the Business Unit which contracted with the external client need to report its Billings Outside the Groupe as Principal or as Agent depending of the role of the subcontracting Business Unit.

Example :

Business Unit named **"Agency"** has got a contract with an external client named **"Client"** to provide Creative/Marketing services remunerated by a fixed fee. Additionally, for each production decided by the **"Client"**, the **"Agency"** will be responsible to present one quotation from a selected production agency for small projects or 3 bids for larger projects.

Case 1 : **"Agency"** got their own producers personnel in charge to request quotations, advise the Client, supervise the Production, etc...
The **"Agency"** presented to the "**Client"**, two quotations from third party production agencies and one from Business Unit **"Prod"** (e.g. Prodigious). **"Prod"** was selected by the "**Client"** to produce the ad.
In that scenario, **"Prod"** is the primary responsible of the production, therefore it is acting as principal, then:

- In the "**Agency"**: revenue regarding production ad will have to be recorded as "Billings – Prod & Other – Principal" and intercompany costs from **"Prod"** will be reported as "Costs of Billings – Groupe".
- In **"Prod"**: revenue will be reported as "Billings Groupe (Interco)" and third party costs as Costs Sales.

Case 2: **"Agency"** delegate all production responsibilities (ask quotations to third parties, propose own estimates, supervise the work done, etc…) to **"Prod".**
"Prod" could be either Principal or Agent depending of the work performed on the production. As, **"Prod"** only reports its billings as "Billings Groupe (Interco)", then **"Prod"** needs to communicate to the **"Agency"** the treatment to adopt on each job, in order for the **"Agency"** to record the "Billings outside the Groupe" in the correct account (Agent or Principal).

If a centrally billed scheme is in place, **"Prod"** would directly record its "Billings outside the Groupe" on Production in either Agent or Principal account.

APPENDIX

Revenue Analysis template :

Contract :
Preparer :
Date :

STEP 1 - Identify the contract with the customer

1. **Contract name / Contract type**

2. **Signature/Approval date & Duration**

3. **Parties**
   Which party is the seller and which one is the client?

4. **Contract modifications**
   Describe if the contract has been modified or is expected to be modified

STEP 2 - Identify the performance obligations

1. **Contract description and obligation of the parties**
   NB: please make reference to the contract clauses

   Description

   Performance obligations identified

Performance obligations	Capable of being distinct	Distinct in the context of the contract	Comments

2. **Principal versus Agent**
   NB: For each of the Performance obligations identified above, identify if Publicis acts as an Agent or a Principal

Performance obligations	Agent (Y/N)	Principal (Y/N)	Comments

STEP 3 - Identify the transaction price

1. **Description of the contractual price**
   eg: Fix fee / variable fee / incentives / rebates / out-of pocket reimbursement / …

STEP 4 - Allocate the transaction price

1. **Allocate the transaction price to each performance obligation**
   eg: Fix fee / variable fee / incentives / rebates / out-of pocket reimbursement / …

Description of the allocation method used

Allocation

Performance obligations	Allocation Method	Allocated Amount	Comments

STEP 5 - Recognize revenue

1. **Description of applicable framework in case of early termination by the client (for convenience)**
   NB: "applicable framework" refers to either contractual clause or legal environment

2. **For each performance obligation, determine the revenue recognition method**

Performance obligations	Overtime / Point in time ?	If overtime: measure of progress? If point in time: date of revenue recognition?	Comments

3. **If variable consideration(s) have been identified during step 3: describe the applicable timing of recognition**

4. **Description of current accounting treatment**
   a) Which method is used: point in time or overtime?
   b)If point in time: when is the revenue accounted for (client acceptance, billing, …)?
   c) If overtime: how is progess measured (straight line, milestones, hours spent, …)?
   d) Variable considerations: when are they recognized?

a)

b)

c)

d)

5. **If any, description of the difference between IFRS 15 and current accounting treatment**

Approved by the Groupe CFO Jean-Michel Etienne	**Operating procedures – accounting** **Net Revenue and Pass-through Costs**	PUBLICIS GROUPE **II.4 – Page 1/3** Revised on: May 2019

Why?

To ensure that Net Revenue and Pass-through Costs are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

The Groupe has decided to use the Net Revenue or Revenue less Pass-through Costs as the key indicator to measure the operational performance of the Groupe's activities for internal and external purposes, therefore from now on organic growth is calculated on the Net Revenue. Furthermore, the Net Revenue becomes the basis of the ASF allocation. Consequently, it is crucial that all Business Units and Solution Hubs make close attention to Pass-through Costs in order to appropriately calculate the Net Revenue.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly, and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

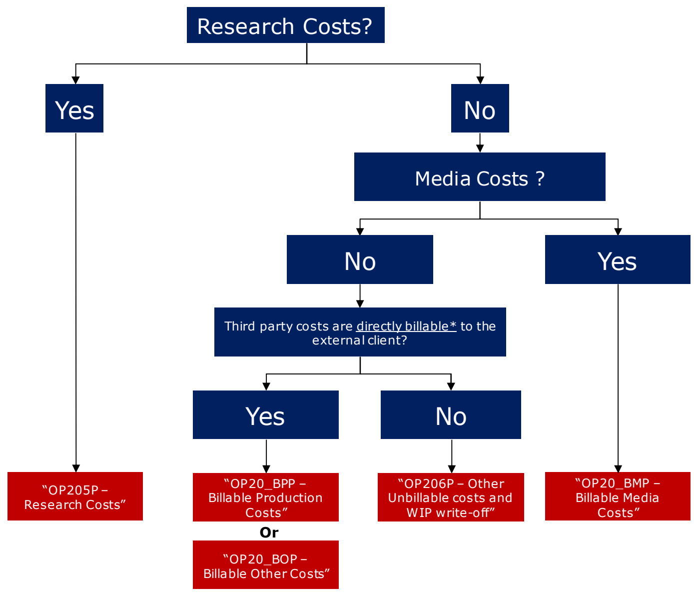
Net Revenue is calculated by the Revenue less Pass-through Costs. Pass-through Costs include operating expenses that are directly allocated to the services rendered and directly billable to the client when the Business Unit is acting as "Principal" and Media Costs when acting as "Principal". It also includes all Out of pocket expenses either way the Business Unit is acting as an "Agent" or as "Principal".

Pass-through Costs **include** costs such as:

- Directly billable costs when acting as principal (excluding media costs): costs that are authorized at the inception and pass-through to the client i.e. the client clearly accepted and authorized the Business Unit to incur these third party costs and intend to reimburse it. These costs include:
  - Out of pocket expenses pass-through to the client, either way the Business Unit is acting as an "agent" or as "principal";
  - Costs to fulfill client contracts mainly production costs and other costs (eg. fees paid to transport authority on the Outdoor advertising business, third party production costs, etc…).

- Media costs when acting as principal: third party costs incurred by the Business Unit without prior authorization of the client. It mainly includes Media space bought in advance and sold back to the client

<u>Guideline on third party costs account's classification when the Business Unit is acting as Principal:</u>



**** Directly billable costs*** : Directly billable costs include estimated costs from the quotation validated by the client

They **exclude** the following:

- Third party costs that are directly billable to clients when the Business Unit is acting as an "agent" on a distinct service – this should be reported in Cost-of-Billings;
- Third party costs that are unbillable to clients – this should be reported in Other Costs of Sales;
- Intercompany costs recorded by the providing Business Unit as Billings Groupe (Interco) – this should be reported in Costs-of-Billings - Groupe;
- Other operating expenses that could not be directly allocated to a specific contract / client – these should be reported in General and Administrative expenses;
- Personnel costs, in any form whatsoever
- Foreign exchange differences which should be recorded as Exchange Losses or Exchange Gains (even if the gain/loss can be directly allocated to a client);
- Any Taxes

<u>Specific guidance on Out of pocket expenses billable to the client</u>

The Groupe incurs incidental expenses related to client services that in practice are commonly referred to as "Out of pocket" expenses. Those expenses include, but are not limited to, expenses related to airfare, mileage, hotel stays, out-of-town meals, photocopies, and telecommunications, courier and facsimile charges.

Travel costs related to Publicis personnel are not a distinct service provided by a third-party to the client. They are costs incurred by Publicis for the purpose of fulfilling its distinct services. They should then be allocated based on actual costs incurred per distinct service. If Out of pocket expenses are not available per Publicis employee, Publicis entity shall define an appropriate allocation method.

The costs reimbursements are variable consideration and should therefore be recognized in revenue directly in the period of service in which the related costs are incurred (i.e. Out-of-pocket expenses should be recorded into Costs of Sales and into Billings in the same period when incurred).

Out of pocket expenses should not be recorded in Cost of Billings but in Cost of Sales even if they are directly reimbursable by the client.

Automatic entry regarding minimum guarantees on outdoor concessions agreements

Minimum guarantees paid or accrued on concession contracts should continue to be recorded into "Billable – Other costs" at Business Unit level.

As these contracts are identified as Leases, reversal of minimum guarantees paid or accrued on concession contracts should be recorded into "Lease accounting" caption (see.II.18) presented below the operating income.

An automatic entry will reclass the reversal posted below the operating income into "Pass-through" costs. The automatic entry is only done at Groupe level for external publication purpose only.

The Net revenue and operating income will not be impacted by this automatic entry at Business Unit and Country/Solution level.

Who?

Reporting of Net Revenue and Pass-through Costs in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Other Costs of Sales

Why?

To ensure that Other Cost of sales are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly, and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Other Cost of Sales include operating expenses that are directly allocated to the services rendered but unbillable to the client either the Business Unit is acting as "Principal" or as "Agent". Distinction between distinct services where agencies act as "Agent" and act as "Principal" has to be done in order to report costs in dedicated account.

Other Cost of Sales **include** un-billable and not directly billable client related costs:, it includes :

- Client luncheons and receptions,
- Unbillable Out of pocket expenses,
- Research expenses; and
- WIP write-offs

They **exclude** the following:

- Third party costs that are directly billable to clients when the Business Unit is acting as an "agent" on a distinct service – this should be reported in Cost-of-Billings;
- Third party costs that are pass-through to clients when the Business Unit is acting as "Principal" on a distinct service – this should be reported in Pass-through Costs;
- Intercompany costs recorded by the providing Business Unit as Billings Groupe (Interco) – this should be reported in Costs-of-Billings - Groupe;
- Other operating expenses that could not be directly allocated to a specific contract / client – these should be reported in General and Administrative expenses;
- Personnel costs, in any form whatsoever
- Foreign exchange differences which should be recorded as Exchange Losses or Exchange Gains (even if the gain/loss can be directly allocated to a client);
- Any Taxes.

Who?

Reporting of Other Costs of Sales in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Personnel Costs

Why?

To ensure that Personnel Costs are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs. This is vital to allow meaningful calculation of the ratio of personnel costs to revenue and its comparison between Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Personnel costs cover all costs of employment of personnel. Personnel includes any person appearing on the payroll ledger of a Business Unit (employed on a no term or fixed term contract, full time or part time), trainees and freelancers (except Production Freelancers if these are billed directly to the client according to Client Contracts).

Personnel costs are split in the Groupe P&L subaccounts as follows:

1. **Fixed personnel costs:**

   a. **Salaries**:

      i) Salaries – Payroll: Covers all payments to employees and staff for their total salaries and wages, including any overtime, sick pay, vacation or holiday pay, and any notice periods during which the employee works (see Janus 1). Salaries also include commission based remuneration (sales commissions).
      Sales commissions relates to the part of an employee compensation package that comes in addition to the base salary. They are typically linked to revenue growth objectives set for the employee and often subject to the respect of a minimum operating margin level. Sales Commission are usually indicated in the employment contract as part of the employee's compensation. They are considered as salary costs. Sales commission's schemes must be approved by the Groupe HR and Groupe Finance.

      ii) Provision for holiday pay (vacation): Only represents the changes in the provision for holiday pay (vacation) between two balance sheet dates. When an employee takes his vacation, the related payroll cost is included under Salaries.

   Salary costs should be split by operational departments and for total administrative functions as described in Janus 2 II.24.

   b) **Benefits,** which include the following accounts:

      i) Social charges: Amounts paid to the state or third parties for staff welfare (health insurance, medical benefits, social security costs, unemployment contributions, state pension, payroll taxes, etc.) related to salaries (social charges on bonus and share based incentives are reported separately in the corresponding accounts (see below "Social charges on bonus" and "Social charges on share based incentives").

ii) Retirement indemnities & pensions: Covers expenses associated with pension and post-employment benefits other than financial components of defined benefit pension cost (Interest costs and expected return on plan assets – see III.30 "Pensions and long term benefits" for a full presentation of accounting for pensions).

iii) Deferred Compensation - Jubilee & Other Collective Plans: mainly relates to plans available to groups of individuals, such as Jubilee awards, the French "medaille du travail"… These schemes are not dependent on any financial performance criteria.

iv) Retention Compensation - Individual: The Retention Compensation schemes are all the mechanisms which compensate, in cash, a condition of presence to be respected by the employee in application of an agreement between an entity and an employee (individual). These schemes are not dependent on any financial performance criteria.

c) Other Employee Costs, which include the following accounts:

i) Intercompany staff recharge (seconded or loaned staff). This account includes:

- the expenses related to all personnel costs invoiced by other Groupe Business Units.
- the income for the amounts of personnel costs invoiced to other Groupe Business Units

This caption can present either a debit or a credit balance.

All invoicing of personnel costs between Business Units (except for transactions between Business Units and Shared Services Centers that must be recognized in specific accounts see. II.10) must be reported as an income or an expense in this heading in order to ensure:

- the total amount of these recharges at the level of the Groupe is nil
- each Business Unit recognizes a personnel cost for the Groupe staff that it uses.

ii) Other employee related costs: Covers any other form of benefits received by an individual that could be considered as part of compensation, including other fringe benefits not specified above (to be defined locally), all external expatriation-related costs, and items negotiated as part of an employment contract such as, housing allowance, cost of living allowance, tuition allowance, language training costs and car allowances paid through payroll, and other employee related costs not included in the above captions such as the change in the provision for litigation related to employee claims, referral fees and costs related to social works and programs.

2. **Severance costs**: Covers any redundancy indemnities (severance payments) paid or accrued for employees as a condition of their termination of employment from the Business Unit, including those that occur in the context of a restructuring plan. It also covers the notice period, if any, only in the cases where the period is not worked. It also includes salary bridging provision.

All restructuring plans must be authorized in the respect of the conditions set out in Volume 1 of Janus and regularly reported on to, the Groupe Finance Department.

3. **Freelance costs**:

The costs of self-employed Freelancers and Temporary staff provided by a 3rd Party are to be reported as either:

Costs of long-term temporaries and freelancers: costs of people whose contracts are for more than 90 days or who are continuously engaged in the Business Unit for more than 90 days, or

Costs of short-term temporaries and freelancers: Costs of people whose contracts are for less than 90 days or who are not continuously engaged in the Business Unit for more than 90 days.

The costs of employees from 3rd Party service agreements or outsourced labor dispatch schemes, where the persons are performing services that are core to our business and are not directly reimbursable according to Client Contracts are to be classified as Freelancer costs (and Freelancers headcount).

The above excludes the cost of Production Freelancers if these are billed directly to the client according to Client Contracts. These are included in Cost of Billings (see Cost of Billings II.2)

A summary of the classification and treatment of different types of Freelancers is included in Headcount (see. II.24).

Freelancers costs should be split between total operational and total administrative costs (see. II.24).

4. **Bonuses & other incentives:** Covers all types of performance-based payments in addition to fixed salary, including all legal profit-sharing schemes under which a portion of profits are attributed to employees, Share based incentives, Earn-out compensation and all related social charges.

   a) Bonus: Bonus are split in the Groupe P&L in several categories:

   - **Contractual Bonus:** which is a payment obligation to one person or a group of people, usually but not systematically linked to the Business Unit performance or the individual performance, but not dependent on the Solution Hub or Groupe performance.

   Contractual Bonus also include:

   - Any kind of sign-on or welcome bonus,
   - Any guaranteed bonus, not linked to performance,
   - 13th/14th month, linked to performance (If not linked to performance, the 13th/14th month payment should be reported in "salaries").

   - **Bonus Pool:** which includes discretionary bonuses (see. below) for Solution Hubs which are part of the Groupe Bonus Pool Systems. This caption should be used only by Solution Hub HQs.

   - **Discretionary Bonus:** which are bonuses not guaranteed and paid on the basis of discretionary management decisions. The classification of a bonus will derive whether it is a Contractual or a Discretionary Bonus. The fact a bonus is referred to in a contract does not automatically define it as a Contractual Bonus.

- **Spot Bonus** – one-off bonus paid to employees for achieving specific unusual short-term objectives. Spot bonus should be granted on exceptional basis and approved as per Janus I guidelines.

- **Social charges on bonus:** Social charges for all types of bonuses (contractual, discretionary, spot).

b) Other incentives:

- **Legal profit sharing**: Covers profit sharing schemes that are mandatory under local employment regulations.

- **Share based incentives**: include costs associated with share-based payment transactions with employees. Groupe Finance Department performs all calculations in respect of stock option expense relating to the plans granted by the Groupe. The total expense is booked at Groupe level. As a consequence, Business Units must not report in HFM any stock option expense. In the case an entity has to account for these expenses for statutory purposes, this should be cancelled in HFM reporting. For entities that would have granted stock option or free shares plans (in particular plans granted prior to the acquisition by the Groupe), the corresponding stock option expense may be reported but should be submitted to Groupe Finance for prior approval. For information purposes only, Business Units should be aware that accounting for stock options involves recognizing the fair value of the stock options granted as an expense over the vesting period, with a corresponding increase in equity (III.26 "Other Comprehensive Income").

- **Social charges on share based incentives**: include social charges and other similar taxes on share based incentive plans granted by the Groupe. The general rule is to accrue at Groupe level these social charges and tax impacts during the vesting period. For HFM reporting, the social charges on share based payments are only reported by the employing entities when triggering event occurs (generally when options are exercised or at time free shares vest).

In the case an entity has to accrue, during the vesting period, for these expenses for statutory purposes, this should be cancelled in HFM reporting. In order to estimate the charges to be reported at entity level, the Solution Hubs should request, for each of their agencies, from their Solution Hub HR Director the number of free shares and options granted to the Participants, and any other data needed for the calculation. The calculation of the social charges should be made, according to local regulations, by agency CFOs and Solution Hub HR with the help of the SSC CAO and HR.

- **Earn-Out Compensation:** are payments negotiated at the acquisition of an agency, which are usually based on a combination of financial performance and on a condition of presence for ex shareholders.

Personnel Costs **exclude**:

- Reimbursement of employees expenses incurred for company purposes (such as mileage allowances and petrol, hotel and travel expense, etc.) to be recorded as General & Administrative expenses when they are not directly billable to clients, but under "Out of pocket expenses", a sub-caption of Cost of billings, when they are directly billable to clients (see II.2) or under 'Unbillable out of pocket expenses", a sub-caption of Cost of sales, when they are billable to client as per client contract but refused by the clients.

- Company cars, which are recorded as General & Administrative expenses when they are under a service contract or through the depreciation expense when they are owned as a Lease contract (see III.4 "Right-of-use assets").
- Recruitment costs, which are recorded as General & Administrative expenses.
- Training costs which are recorded as General & Administrative expenses.
- Financial components of defined benefit pension cost (Interest costs and expected return on plan assets – see III.30 "Pensions and long term benefits").

Intercompany Production Platform Recharge includes all transactions with Productions Platforms (for example Sapient GDD and Prodigious offshore centers). The account is reported outside "Personnel costs" in HFM in a subtotal "Personnel costs including Production Platform recharge".

How?

All components of personnel costs, including bonuses and incentives, must be accrued each month. The objective is to achieve an accurate estimate of results of operations for each period and to present fairly the financial position at the end of the period.

Holiday pay, bonuses and profit sharing schemes:
Accruals should be recognized for bonuses and profit sharing schemes in monthly financial reporting once it becomes probable that a bonus (or profit share) will be payable.

Groupe policy is that it is considered probable that a bonus (or profit share) will be payable once a bonus (or profit share) expense is included in the most recent full year forecast, or once the related bonus criterion is reached per the latest forecast. In such cases, the accrual is equal to:

- For contractual bonuses, the time-apportioned share of annual bonuses or the amount of bonus earned if the performance criteria is delivered;
- For bonuses linked to revenue/pre-bonus operating profit/operating profit/or other quantitative criterion the PBOI (Pre-Bonus Operating Income) completion ratio should be applied so that the right amount of Bonus can be accrued. The rule is as follows:

  YTD Bonus to be accrued = (YTD PBOI / PBOI of latest FY RF) X Bonus of latest FY RF

  Both Bonus and related social charges should be accrued monthly following the PBOI completion ratio (NB : Business Unit and Solution Hub CFOs are personally responsible for ensuring that profit forecasts used in bonus calculations are reliable).

Under Groupe policy, bonuses are only payable if they have been previously accrued in financial reporting to the Groupe. Remaining amount of bonus accrued in the prior year and not yet paid within the 5 first months of the following year should be justified to the Groupe finance team.
Unless instructed in writing by the Groupe CFO, bonus in excess of the amount finally approved by the Groupe should be released to equity.

Holiday (vacation) pay should also be accrued monthly on the basis of the accumulated rights of employees to paid vacation at a later date. This accrual should be recorded monthly even if the rights accumulated during the year are lost at the end of the year.

To the extent that the terms of the employment contract and applicable local regulations attribute benefits to an individual, such as holiday pay earned over the year, the cost of those benefits shall be accrued over that period of the employee's service in a systematic manner.

At the end of a period, the aggregate amount accrued shall equal the value of the benefits expected to be provided to the employee for the employee's services to that date. Changes in the provision for holiday pay (vacation) between two balance sheet dates should be recorded in the income statement under "Provision for holiday pay", a sub-caption of Personnel costs.

Who?

Reporting of Personnel Costs in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Why?

To ensure that inter agency staff recharges are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

A Business Unit (the "providing Business Unit") often loans staff to another Business Unit (the "client Business Unit"). As the loaned staff is still being paid out of the providing Business Unit's payroll, the related personnel costs are re-charged to this client Business Unit (Inter agency staff recharges).

The Groupe encourages loaning and sharing of operational staff resources between Business Units with a view to optimizing efficiency.

How?

1) ***At the providing Business Unit level***

The Business Unit providing or loaning staff to the client Business Unit accounts for the personnel costs it incurs in the adequate income statement caption based on its nature (i.e. the employee's salary is recorded under Salaries, the related expenses under Social Charges, both sub-accounts of Personnel costs).

When the providing Business Unit re-invoices the client Business Unit for the portion of the personnel costs it should bear, the income generated from this re-charge should be recorded in the income statement in the relevant account (see. decision tree below). On the balance sheet, the receivable should be recorded under Intercompany Receivables.

NB:

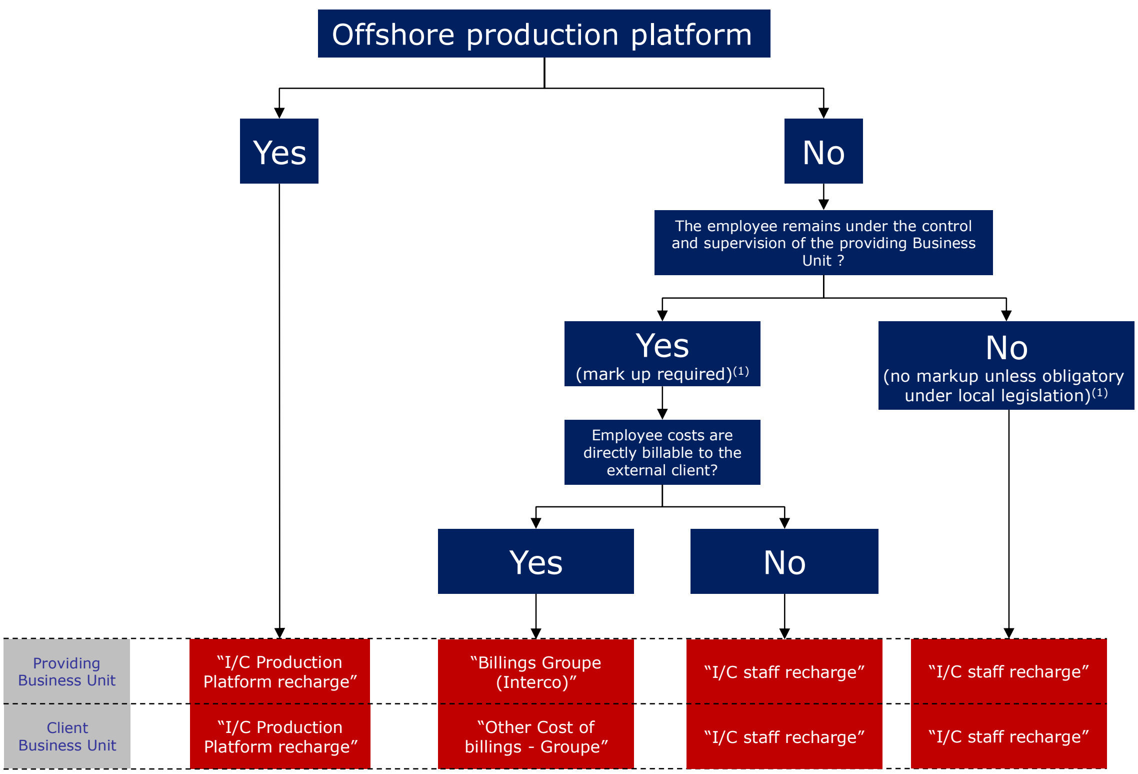
Group policy is that all staff recharges between Business Units should be charged at arms lengths in accordance with local legislation. Generally a mark-up and an overhead component will be required where the employee remains under the control and supervision of the providing Business Unit (i.e. effectively a service provider to the client Business unit). Where the employee is under control and supervision of the client Business Unit for the period of the loan or secondment (i.e. effectively an employee of the client Business Unit) a markup would not generally be required unless obligatory under local legislation (tax or otherwise).

Any mark-up should be kept to the minimum legally acceptable. Business Units should seek to the Regional Tax Directors where such positions exist or the Groupe Tax Director to provide them the mark-up.

2) At the client Business Unit level

The client Business Unit accounts for the staff costs re-charged by the providing Business Unit as personnel cost or Intercompany Costs of Billings depending on which entity supervise the employee (see. decision tree below). On the balance sheet, the payable should be recorded under Intercompany Payables.

3) Simplified decision tree to record loaned staff vs I/C production platform recharge



[1] See Janus 2 II.6 1) for further details on valuation of I/C transactions

Who?

Accounting and reporting of inter agency staff recharges in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

General & Administrative Expenses

Why?

To ensure that General & Administrative expenses are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs. This is vital to allow meaningful calculation of the ratio of G & A expenses to revenue and its comparison between Business Units.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual Commitment and rolling forecasts.

What?

General & Administrative expenses include all operating expenses not specifically allocated to the other operating cost sections: Cost of billings, Personnel costs, Cost of sales, Bad debt allowance and write-off, Other operating income & intercompany income and expenses, Depreciation, Changes in provisions for risk & charges.

They **include** costs non billable to clients such as:

- Bad debt allowance and write-off (see. II.9 Bad debt allowance and write-off):
    - Increase or reversal in provisions against Trade Receivables and/or Other Debtors
    - Expenses on the definitive write-off of uncollectible Trade receivable and/or Other Debtor balances.

- Occupancy costs:
    - Third party Office rent expense (see definition below);
    - Reversal of Lease expense (technical account):
    - Office maintenance, utilities & services charges ;
    - Rental income on subleases to third parties (see definition below);
    - Intercompany rental income and expense;
    - Equipment rental;
    - Reversal of Equipment rental (technical account):
    - Facility management;

- Shared Services Costs (see II.10 Shared service costs):
    - They include all Shared Services Centers costs and related recharge for services rendered by SSC's to Groupe Business Units. These services are split between Business and IT Services and further split between Core and Non-Core Services.
    - They also include services rendered intra Shared Service Centers.

- Other General & Administrative Expenses:
    - Audit fees;
    - Mileage allowances – petrol
    - Travel & Living;
    - Legal fees;
    - Recruitment costs;

- New business expenses (see definition below);
- Agency Publicity, Sponsoring and Internal Communication;
- Charitable and Donations;
- Insurance;
- Service costs – Accounting, treasury, tax;
- Service costs – Other services;
- Taxes (other than income taxes) (see definition below);
- Studies, Research and Modelling;
- Training costs, seminars and events;
- Consultancy fees;
- Office supplies and stationery;
- Telecommunications, telepresence and mail;
- Service costs – IT;
- Bank fees;
- Other expenses/income (see. II.12).

They **exclude** the following:

- Rental income from third parties on property owned by the Business Unit which should be recorded as Other Operating Income;
- Costs incurred by a Business Unit which are directly billed to the clients when acting as an Agent on a distinct service, that should be recorded as Cost of billings (or in Work in Progress if billable but unbilled – see II.2);
- Costs incurred that are billable to the client when acting as Principal on a distinct service and costs to fulfill client contract which are not directly billed to the client, such costs are included in Cost of sales;
- Personnel costs (see definition of Personnel costs in II.6). In particular G&A excludes the cost of long-term and short-term temporaries and freelancers – such costs are included in personnel costs (see appendix in Headcount II.24);
- Interest expense which should be recorded either as Interest expense or Interest expense on finance leases according to the type of financial indebtedness on which the interest is due;
- Bad debt expenses which should be recorded as Bad Debt Allowance;
- Foreign exchange differences which should be recorded as Exchange Losses or Exchange Gains;
- Taxes on income which should be recorded as Current Income Tax, and
- Depreciation and amortization.

Rent expense and rental income

Rental expenses and income should continue to be booked into occupancy costs as well as the P&L effect of the vacant location . Impacts of new lease accounting standard are required to be recorded at Business Unit level in dedicated accounts mapped below Operating income.
<u>Separate accounting treatment need to be made depending if rental contract is identified as a Lease or not:</u>

- For rental contracts not assessed as Leases (contracts less than 12 months, value < 5,000$, intercompany sublease, etc..): recognize rent expense and income on a straight line basis. Intercompany rental income and expense are not assessed as lease contract.

- For rental contracts assessed as Leases:
  Step 1: Continue to record the rental expenses and income in the occupancy costs on the straight line basis without any effect related to the change of lease accounting standard (see below);
  Step 2: Record the reversal of straight line rental expenses and income into "Reversal of Lease expense" presented below the Operating income (see. "Lease accounting" caption in II.18). Only rents must be reversed. Utility costs, service charges, taxes… must not be reversed.

  In addition, P&L impacts related to vacant location are recorded and reversed following the same rules than the rental expenses and income (Step 1 & 2 above).

Office rental expense and income is included in two separate captions in General and Administrative expenses:

- **Third party Office rent expense** is the rent expense incurred on the Business Unit's property leases with third parties. It excludes utilities and service charges (which are shown on a separate line). No rental income is netted against this expense.
- **Rental income on subleases to third parties.** It should be noted that this income only concerns subleases to third parties in respect of which a corresponding expense is recorded on "Third party Office rent expense" above. Rental income where the Business Unit is the owner of the property is recorded in Other Operating Income (See II.12).

All rental expense should be recognized on a straight-line basis over the period from the inception of the lease to the first break-date (i.e. without penalties) of the lease.

In concrete terms this means:

- The benefit of rent "holidays" or rent free periods should be recognized on a straight-line basis over the abovementioned period.
- Where stepped contractual rent increases exist a straight-line expense should be recorded,
- Government tax breaks and incentives for relocation should be recognized on a straight-line basis,
- Cash incentives received from landlords should be recognized on a straight-line basis.

New business expenses

This caption includes the costs incurred relating to new client development or promotional activities (pitch costs), whether the pitch was successful or not, but excludes the following:

- salaries, wages and related benefits of personnel performing new business activities, which should be recorded as Personnel Costs,
- travel, entertainment and other out of pocket costs, which should be recorded based on their nature under Travel & living, Mileage allowances – petrol sub-caption of General & Administrative expenses,
- expenses incurred during the proposal process that may be billed to the client under the terms of existing contracts; which should be recorded as Work in Progress until their recognition in the income statement.

Costs incurred on new business activities should not be deferred under any circumstances. All costs should be expensed as incurred unless they are directly billable to clients under existing contracts in which case they should be recorded in Work in Progress until billed.

Taxes (other than income taxes)

All taxes (excluding income taxes) are recorded based on the following principles:

- The obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation.
- The liability is recognized progressively if the obligating event occurs over a period of time.

If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

The same recognition principles are applied in interim financial reports.

The illustrative examples of how to account for various types of levies are briefly summarized below:

Type	Obligating event	Interim reports
Levy triggered progressively as revenue is generated in current period	Generation of revenue (recognize progressively)	Recognize progressively based on revenue generated
Levy triggered in full if entity operates in a specific business at the end of the reporting period	Operating in this specific business at the end of the reporting period (full recognition at that time)	Only recognize in an interim period that includes the last day of the annual reporting period
Levy triggered if revenues are above a minimum threshold	Reaching the minimum threshold (recognize an amount consistent with the obligation at that time)	Only recognize in an interim period where the minimum threshold has been met or exceeded

Penalties and interests for late payment are also included in Taxes (other than income taxes).

***General & Administrative expenses I/C and third party declaration**:*

The different captions of General & Administrative expenses are broken down for Groupe reporting purposes as follows:

- Intercompany G&A expenses: Includes all G&A expenses that were charged by another Groupe entity to the Business Unit. It does not include staff costs recharged to the Business Unit for loaned staff, which should be recorded as Intercompany staff costs recharges, a sub-caption of Personnel costs.
- Outside Groupe G&A expenses: Includes all G&A expenses that do not meet the definition of Intercompany G&A expenses.

This breakdown is necessary to obtain the correct amount of G&A expenses at a consolidated level.

Who?

Reporting of General & Administrative expenses in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Approved by the Groupe CFO Jean-Michel Etienne		**Operating procedures – accounting** **Bad Debt Allowance and Write-Off**	PUBLICIS GROUPE **II.9 – Page 1/1** Revised on: May 2019

Why?

To ensure that Bad Debt Allowance and Write-Off are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

The Bad Debt Allowance heading in the income statement includes:

- increases in provisions against Trade receivables balances and increases in provisions against Other Debtors,
- reversals of provisions against Trade receivables balances and reversals in provisions against Other Debtors due to recoveries of amounts previously deemed doubtful.

The Write-Off heading in the income statement includes:

- expenses on the definitive write-off of uncollectible Trade receivable and Other Debtors balances.

Bad Debt Allowances & Write-Offs do not include the changes in:

- provisions on loans, advances & deposits, which should be recorded under Provisions on Financial Assets Outside the Groupe, a sub-caption of Financial income.

Note: For Groupe reporting purposes, provisions on Intercompany Receivables and Intercompany loans, advances & deposits must in no circumstances be recorded.

How?

As the **Bad Debt Allowance** and Write-Off **expense results directly from the change in balance sheet estimates which, themselves, must be reviewed on a monthly basis** (see III.17 “Trade receivables allowance policy” and III.19 “Other Debtors”), Bad Debt Allowance and Write-Offs are effectively recognized on a month-by-month basis.

All general bad debt allowances recorded solely in order to comply with local legislation should be reversed as an adjustment (reconciling item) for Groupe reporting.

Who?

Reporting of Bad Debt Allowance and Write-Off in accordance with Groupe policy is the responsibility of the Business Unit’s CFO.

Shared Service Costs

Why?

To ensure that Shared Service costs are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Shared Service Centers are defined as separate organizations, focused exclusively on the provision of various administrative functions to Business Units. (cf. Janus 1).

- All services rendered by the Shared Service Centers to Groupe Business Units should be recorded under this caption. They include:
  - Business Services: accounting, treasury, tax legal, Payroll/HR, real estate, coordination, procurement and any other services as stated in the global SLA.
  - IT Services: such as connectivity, Global productivity platform, customer services, security, core application, etc… (see detailed list in appendix of "3.29 – HFM SSC Accounts 2016 Instruction" available on the Groupe Finance Portal).
- Shared Services Costs also include the services (Costs and Income) rendered intra SSC.

The sharing of administrative staff between Business Units (e.g. receptionists, janitors, nurses, etc.) does not constitute a shared service cost.

Also, the share of premises between Business Units does not constitute a Shared Service. Where this occurs, the corresponding income and expense are recognized in "Intercompany rental income and expense" (see II.11) and not in shared services costs, with no exception.

The Groupe is highly committed to develop Shared Service Center platforms to improve the efficiency of operations and to save costs.

How?

Shared services should be recognized by the Business Unit as General & Administrative expenses. Shared services in the Groupe are defined as belonging to one of the two administrative functions referred to above.

1) At the Shared Service Center level

The Shared Service Center record the costs incurred in the usual income statement account (i.e. Personnel costs, General & Administrative expenses, Depreciation…).

When the Shared Service Center re-charge a Business Unit, the related income should be recorded through Business Services recharge or IT Services recharge in specific accounts which are splitted between Core and Non-Core Services.

Cross charges between SSC should be recorded in intra SSC accounts which are restricted to SSC units.

On the balance sheet, the corresponding receivable should be recorded under Intercompany Receivables.

2) At the Business Unit level

The Business Unit records the Shared Service Center costs under Business Services Costs and IT Services Costs which are splitted between Core and Non-Core Services.

The Business Unit should also report the shared services as "Intercompany G&A expenses" in the analysis of G&A between "Intercompany" and "Outside the Groupe".

On the balance sheet, the payable should be recorded under Intercompany Payables.

Who?

Accounting and reporting of shared service costs in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Intercompany Income and Expenses

Why?

To ensure that Intercompany Income and Expenses are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Intercompany Income and Expenses include the following:

1) ***Intercompany Production Platform Recharge:***

Refer to II.6 – Personnel Costs.

2) ***Groupe Advisory Service Fees (ASF) income (expense):***

Refer to II.13 – Advisory Service Fees.

Solution Hub HQ Advisory Service Fee **income and expense** should also be recorded in this account.

3) ***Intercompany coordination fees income (expense):***

Coordination fees are required to be paid to Business Units managing the Worldwide or Regional relationship with the related international client. These fees fund the GCL (Global Client Leads) and their support infrastructure in providing central control and resources for such international accounts.

This account records both the income earned by Business Units invoicing such fees (except when authorization has been granted by the Groupe Finance Department to include such income in billings – see II.1) and all expenses incurred by Business Units receiving such fees.

4) ***Other intercompany management and guarantee fees income (expense):***

This account includes income and expenses in respect of all intercompany management, service and other fees recharged between Groupe Business Units, not included in **1)** and **2)** above.

It specifically includes all income and expense arising on parent company guarantees (e.g., when a parent company guarantees a subsidiary's lease).

5) *Other Income/Expenses from IC Recharge:*

Intercompany invoices are issued when a Business Unit (the "client Business Unit") uses the services of another Business Unit for its own purpose, for an internal project for example, or to provide services to third parties.

This account includes the income generated by the providing Business Unit from billing the client Business Unit.

This account **exclude** the following:

- Work which will be directly billable to the client Business Unit's customers (income in respect of such work is included in "Intercompany billings"),
- Income from Intercompany staff cost recharges whether billable or not to the client Business Unit's customers. This income is netted against personnel expenses under the "Intercompany staff cost recharges" heading (see II.6 "Personnel costs" and II.7 "Inter agency staff recharges"), and
- Intercompany rental income, which is included in Intercompany rental income and expense in General and Administrative expenses (see II.8 "General and Administrative expenses").

Thus this account only records income from amounts billed to other Groupe Business Units in respect of non-rental General and Administrative expenses. Such income is analyzed between "Accounting, Treasury and Tax", "IT" and "Other" for Shared Services Centers and classified as "Other" for Business Units.

6) *Other operating income:*

This includes miscellaneous income generated outside of normal trading activities, such as rental income from third parties on property owned by the Business Unit, insurance indemnities received, etc (see II.12 "Other operating income & expenses").

How?

Intercompany income should not be recognized unless a contract or a purchase order exists.

All intercompany income and expenses referred to above should be recognized at the date of the invoice except for ASF which is subject to a separate policy outlined in II.13.

Accrued revenue or deferred income should not be recognized in respect of the above intercompany income and expenses.

Recognition of third party other operating income is performed in accordance with standard cut-off techniques.

Who?

Reporting of Other Operating Income/Intercompany Income and Expenses in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Why?

To ensure that Other Operating Income are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Other Operating Income include the following:

1) ***Other operating income:***

This includes miscellaneous income generated outside of normal trading activities, such as rental income from third parties on property owned by the Business Unit, insurance indemnities received, etc.

Business Units have to do their best to find a proper account in G&A expenses before considering using "Other operating Income" account.

2) ***Change in provision for risks and charges:***

Refer to II.15 – Change in provision for risks and charges.

3) ***Exchange Gains/Losses:***

Refer to II.21 – Exchange Gains and (Losses).

4) ***Government grants:***

Government grants are direct economic assistance provide by government, government agencies and similar bodies whether local, national or international.

How?

Recognition of third party other operating income is performed in accordance with standard cut-off techniques.

Who?

Reporting of Other Operating Income in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Approved by the Groupe CFO Jean-Michel Etienne	**Operating procedures – accounting** **Advisory Service Fees**	PUBLICIS GROUPE **II.13 – Page 1/2** Revised on: May 2019

Why?

To ensure that Advisory Service Fees are properly recorded for Publicis Groupe reporting purposes and that they are calculated and presented in a consistent manner in both the balance sheet and the income statement

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly, and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Advisory Service Fees (ASF) represent the allocation, to all entities in the Groupe, of the direct and indirect costs incurred by Groupe Headquarters (i.e. Publicis Groupe HQ, Solution Hub Global HQ) to perform specialized advisory services on behalf of the Business Units. The qualified and experienced personnel of Groupe Headquarters carry out specific tasks or research for the Business Units. The Business Units thus benefit from the knowledge and expertise of such personnel.

In exchange for specialized advisory services rendered by Groupe Headquarters to the Business Units, each Business Unit is required to pay to Publicis Groupe Holding BV each year a service fee called the Advisory Service Fee (“ASF”).

ASF charge from Publicis Groupe HQ and Solution Hub Global HQ are recorded in the “ASF Expense” heading.

All other service fees charged to Business Units (including from Solution Hub Global HQ) should be recorded under “Other Intercompany management fees income (expense)”. In addition, other management fees can only be recorded upon receipt of an invoice.

How?

Advisory Service Fees are allocated to Business Units on the basis of:

- the proportion of Net Revenue (Revenue less pass-through costs) to the total Publicis Groupe Net Revenue for Publicis Groupe HQ costs and
- the proportion of Net Revenue to the total Solution Hub Net Revenue for Solution Hub Global HQ costs.

Income statement recognition of ASF fees is calculated on the basis of the Net Revenue (revenue less pass-through costs) multiplied by an ASF rate. This ASF rate is determined by the Groupe Finance Department once a year during the commitment process. This income statement expense is booked monthly for all months up to and including December.

➢ The ASF accrual is recorded as “Advisory Service Fee Accrual”, a liability account in the balance sheet (Note: Only accruals for ASF from Publicis Groupe HQ & Solution Hub Global HQ are recorded herein).

As Net Revenue is reported in HFM in local currency, the Advisory Service Fee expense in the income statement and the corresponding balance sheet liability are also denominated in local currency. However, ASF invoices issued by Publicis Groupe Holdings BV are denominated in euros. Hedging the resulting foreign exchange exposure is the responsibility of the Business Unit when applicable (this concerns Business Units whose reporting currency is not euros).

As explained in Appendix 1 hereto, ASF invoices/credit notes received from Publicis Groupe Holdings BV are never recorded in income statement (always in the balance-sheet). This applies for all invoices/credit notes (progress fee, November invoice and final adjusting invoice/credit note).

The difference between the total income statement expense and the actual invoices/ credit notes is dealt with through a sub-account of retained earnings (See III.24 "Retained Earnings" and a brief description hereafter).

The manner in which ASF is to be recorded in the balance sheet both during the year and at year end (Year-end true up) is set out in detail in **Appendix 1** hereto.

No transactions other than the ASF ones should be booked in the ASF accounts, i.e.:

- ASF expense (in income statement)
- ASF accrual, ASF payable, ASF receivable and ASF true-up (in the balance-sheet)

The difference between ASF charged in the income statement (based on a percentage of Net Revenue) and the annual invoice resulting from the true-up exercise does not give rise to deferred tax. It is a permanent difference in the tax proof for Groupe reporting purposes.

Who?

Reporting of Advisory Service Fees in accordance with Groupe policy is the responsibility of the Business Unit or Solution Hub's CFO.

Four major ASF "events" occur each year:

- An accrual is recognized every month on the basis of a percentage (ASF rate) applied to Net Revenue (the ASF rate is provided by the Groupe Finance Department each year),
- A progress fee is issued in mid-year (usually in May),
- A final year end ASF invoice is issued (usually in November), and
- In the spring of the following year (usually May), a final adjusting invoice (or credit note) is issued in respect of the prior year (it arises as the year end ASF invoice is based on forecast figures and is adjusted in the following year to be in line with actual costs).

Four balance sheet accounts exist in respect of advisory service fees:

- **An "Advisory Service Fee accrual" account in liabilities**, which is credited monthly as the counterpart of the ASF expense in the income statement.

  Movements on this account are as follows:
  - it is credited each month with the double entry to the income statement,
  - it is debited in mid-year (usually in May) to record the ASF progress fee, as a counterpart of the account "Advisory Service Fee payable",
  - it is debited prior to year-end (usually November) to record the year end ASF invoice as a counterpart of the account "Advisory Service Fee payable", and
  - the remaining balance after the above entries is reversed at year-end, through the "Advisory Service Fee true-up" account in retained earnings.

  No other entries should be booked to this account.

  Monthly entry
  Debit ASF Expense
  Credit: Advisory Service Fee accrual
  (entry booked in local currency)

  Progress fee entry (in May)
  Debit: Advisory Service Fee accrual
  Credit: Advisory Service Fee payable
  (the amount being the local currency equivalent of the ASF invoice)

  Year-end invoice entry (in November)
  Debit: Advisory Service Fee accrual
  Credit: Advisory Service Fee payable
  (the amount being the local currency equivalent of the ASF invoice)

  Year-end entry
  Debit or Credit: Advisory Service Fee accrual
  Debit or Credit: Advisory Service Fee true-up
  (being the full elimination of the local currency accrual remaining on the Business Unit's books, whether positive or negative)

- **An "Advisory Service Fee true-up" account in retained earnings**. This account records only two entries each year:
  - At year end, a debit or credit to eliminate the remaining year-end balance on the Advisory Service Fee accrual account referred to the previous page;
  - In spring of each year (usually May), a debit or credit to reflect the final invoice (or credit note) adjusting the prior year ASF invoice. This is a double entry to the "Advisory Service Fee payable" account referred to below.

- **An "Advisory Service Fee payable".** This account records all invoices (or credit notes) received by the business units from Publicis Groupe Holdings BV (on behalf of Publicis Groupe HQ and Global Solution Hub HQ) and all payments made to such entities. It is a genuine intercompany balance sheet account, denominated in Euros, and as such must be reported in intercompany accounts under the intercompany procedure (IV.2).

Movements in the "Advisory Service Fee payable" account are as follows:

1. It is credited with the progress fee invoice and the year-end invoice received from Publicis Groupe Holdings BV (by the debit of "Advisory Service Fee accrual" account, as described on the previous page),

   Debit: Advisory Service Fee accrual

   Credit: Advisory Service Fee payable

2. It is debited or credited with the final invoice (credit note) adjusting the prior year ASF invoice (double entry to the "Advisory Service Fee true-up" account in retained earnings, as described above),

   Debit or Credit: Advisory Service Fee payable

   Debit or Credit: Advisory Service Fee true-up

3. It is debited by all amounts paid to Publicis Groupe Holdings BV in Euros,

   Debit: Advisory Service Fee payable

   Credit: Cash

   Where withholding taxes or other taxes are incurred in relationship with ASF, the above entry should be modified. Withholding taxes and other taxes on ASF are a charge of the recipient of the income (i.e. Publicis Groupe Holdings BV) and not one of debtor (i.e. the Business Unit) (see Janus II.22 "Income tax expense").

   However, the debtor is the one committed to pay to the tax authorities withholding taxes and other taxes due, the ASF payment by the debtor to the recipient being net of taxes. But because withholding taxes and other taxes are only payable to the tax authorities when the payment to the recipient occurs, no debt towards tax authorities must be recognized beforehand.

   Consequently, as long as the ASF invoice is not paid, the ASF payable must be reported for its gross amount (without deducting any tax).

   At the time of payment to the recipient, the ASF payable (gross) is debited by all taxes payable to local tax authorities with a credit in bank for the net amount and another credit in bank (or in other creditors/tax authorities) for withholding taxes and other taxes,

   Debit: Advisory Service Fee payable

   Credit: Tax authorities payable

   Credit: Cash

4. At every month end until the final settlement, the ASF payable is converted into local currency at the exchange rate applicable at the month end (treated like any other receivable/payable in foreign currency – differences taken to Exchange gain/Loss)

   Debit/Credit: Advisory Service Fee payable

   Debit: Exchange Loss

   Credit: Exchange gain

An "Advisory Service Fee receivable". This account is used by the Business Unit to report the ASF payable balance at month end closing when this balance is a debit (e.g. when a Business Unit receives a credit note as ASF adjustment related to the previous year which is greater than the current progress fee or when November invoice is a credit note).

Why?

To ensure that Depreciation and Amortization are properly recorded for Groupe reporting purposes and that they are calculated and presented consistently by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Depreciation or amortization is an expense resulting from the systematic allocation of the cost of an asset (less its residual value) over its useful life.

Depreciation and Amortization include the following items:

1) Amortization of Intangible Assets: includes all amortization allowances and write-offs of intangible assets with a finite useful life (client lists, software, etc).

   Notes a) Intangible assets with an indefinite useful life (tradenames, etc.) are subject to impairment tests rather than amortization (see II.16 "Impairment of goodwill and intangibles with indefinite useful lives" and III.1 "Intangible Assets")

   b) Groupe policies, set out in III.1 "Intangible assets", apply concerning the capitalization of intangible assets. All capitalization of intangible assets requires the approval of the Groupe Finance Department.

2) Depreciation of Tangible Assets: includes all depreciation allowances on property, plant and equipment (such as buildings, office furniture, equipment, computer hardware, etc.),. Depreciation of Tangible Assets specifically includes accelerated depreciation and write-offs of equipment, fixtures and fittings, etc. arising in all circumstances. This should be reported in Depreciation and not in Non-Current Income Expense.

It excludes:

- Depreciation of the right-of-use assets related to lease: recorded at entity level below the Operating Income under "Lease accounting" (see. II.18).
  At Groupe level the amount recorded below the operating income is automatically reclassified under "Depreciation and amortization" caption for statutory consolidation purpose.

How?

Depreciation and amortization are recognized monthly using the straight-line method, which entails allocating the same depreciation charge to each month of an asset's estimated useful economic life. No other method should be used.

The useful economic lives to be used for Groupe reporting purposes are as follows:

TANGIBLE ASSET CATEGORY	USEFUL ECONOMIC LIFE
Land	Not depreciated
Buildings	20 to 70 years
Fixtures, fittings and general installations	10 years
Leasehold improvements	Period of lease – maximum 10 years
Leasehold improvements or other assets financed by the Landlord	Earliest of period of lease or useful life of the asset.
Office equipment & furniture	5 to 10 years
Machinery and production equipment	5 to 10 years
Company cars	4 years
Desktop, Laptop and Server Hardware	4 Years
Desktop OS	Refresh with hardware
Desktop Productivity suite	2-3 years, depending on business needs
Network Infrastructure	6-7 years

Who?

Reporting of Depreciation and Amortization in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Why?

To ensure that Changes in provisions for risks and charges are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Provisions for risks and charges are liabilities, generally of a long-term nature or of uncertain timing or amount. They are recorded in the balance sheet. Policies for their recognition and valuation are described in III.27 to III.31.

All changes in provisions for risks and charges are recorded, subject to a number of exceptions listed in section 2 below, in the income statement caption "Changes in provisions for risks and charges".

1) *Principal types of provision in respect of which changes are recorded in "Changes in provisions for risks and charges"*

- provisions for onerous contracts (See III.29) (Group should be informed of any provision above 100k€),
- provisions for litigation - See III.31 (note: excluding provisions for litigation with employees and freelancers which are recorded under "Employee and related payables" in the balance sheet and changes therein are recorded in Severance Costs, subsection of Personnel costs),
- provisions for risks in respect of taxes other than income taxes (See III.31)

In respect of such provisions the income statement caption "Changes in provisions for risks and charges" includes:

- **Increases** in provisions for risks and charges,
- **Reversals** of provisions for risks and charges (whether triggered by a cost being occurred or whether no longer required), and
- **Costs incurred** in relation to provisions for risks and charges previously recognized.

Approval of the Groupe Finance Department must be obtained for any individual increase, decrease or cost recorded in this income statement caption which is greater than 100 000 Euros.

2) ***Principal types of provision for risks and charges in respect of which changes are recorded directly under the related income statement account (i.e., exceptions to the rule set out in section 1 above)***

Changes in certain types of provisions for risks and charges are, on the contrary, recorded directly under the related income statement account:

- changes in provisions for pensions and post-employment benefits are recorded in either Personnel costs or Financial income (expense) (see III.30 "Provisions for pensions and other long term benefits" for a full presentation of accounting for pensions),
- changes in provisions for employee redundancy are recorded in Personnel costs (see III.28);
- changes in provisions for income tax risks are recorded in income tax expense (see II.22).

Furthermore, where provisions for risks and charges are discounted (which occurs when the effect of discounting is material – i.e., when the pre-tax effect is greater than either 10% of the provision or 100 000 Euros), increases in provisions resulting from the unwinding of the discount are recognized as a component of "Interest on discounted long-term provisions" (a sub-caption of "Financial Income (expense)" – see II.19) instead of in "Changes in Provisions for Risks and Charges". All discounting of long-term provisions must be approved by the Groupe Finance Department.

Changes in respect of provisions for risks and charges other than for those identified in sections 1) and 2) above should be recorded either in the income statement account most relevant to the provision or in the account referred to by this policy. Any decreases in such provisions must however be recorded in the same income statement account that the original increase was recorded in.

How?

Changes in provisions for risks and charges are recorded in the income statement at the date of the related increase or decrease in the balance sheet provision.

Reference should be made in particular to III.31 "Other provisions for risks and charges", which provides both general recognition criteria for all provisions and specific criteria in respect of recognition of provisions for tax risks.

Who?

Reporting and approval of Changes in provisions for risks and charges in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Approved by the Groupe CFO Jean-Michel Etienne	**Operating procedures - accounting** **Impairment of Goodwill and Intangibles with Indefinite Useful Lives**	PUBLICIS GROUPE **II.16 – Page 1/1** Revised on: May 2019

Why?

Ensure that any impairment losses in respect of such assets (Referred to below as "Impairment") are properly recorded for Groupe reporting purposes, in a context where goodwill and intangible assets with indefinite useful lives are not amortized.

For whom?

Impairment tests are never performed at Business Unit level unless instructions to do so are received from the Groupe Finance Department.

The role of Solution Hub or if necessary Business Units, in respect of Impairment, is to supply all requested information to the Groupe Finance Department and to record all accounting entries as instructed.

What and how?

Impairment tests are carried out by comparing the assets' net carrying values to their recoverable values.

As this matter is not dealt with locally, detailed methodology is not set out in this policy. Solution Hub CFO's of if necessary Business Unit CFO's requiring further information should address any queries to the Groupe Finance Department.

Who?

Accounting for Impairment is the responsibility of the Groupe Finance Department.

Why?

To ensure that Capital Gains and (Losses) on Asset Disposals are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

To ensure that intercompany loan forgiveness income (expense) is recorded symmetrically in the Groupe reporting of both Business Units.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Capital Gain (Loss) on Asset Disposals includes the following on transactions with both third parties and other Groupe entities:

- Profits/losses on disposals of tangible and intangible assets. For disposals that are part of a restructuring plan, coordination with the Groupe Finance Department is required to determine the adequate accounting treatment,
- Profits/losses on disposals of investments (consolidated companies, non-consolidated companies and companies accounted for under the equity method),
- Profits/losses on surrender/early termination of lease contract and difference between the right-of-use and the net investment in case of sublease (See III.4 Right-of-use assets related to leases),
- Provisions for impairment of Investments in Non-Consolidated Companies (See III.8 “Investments in Non-Consolidated Companies”).

Capital Gain (Loss) on Asset Disposals also includes (in its sub-caption related to intercompany transactions), Intercompany loan forgiveness income (expense).

Capital Gain (Loss) on Asset Disposals **excludes**:

- Write-offs of the net book value of tangible and intangible assets when the asset is definitively withdrawn from use and no future economic benefits are expected from its disposal. Such write-offs are included in Depreciation and Amortization (II.14).
- Profits/losses on disposals of marketable securities (as they represent cash equivalents). Such profits should be recorded under "Interest income" and such losses should be recorded under "Interest expense", both sub-captions of Financial income.

<u>Remeasurement gain (loss)</u>
When the acquisition of an additional investment in an entity leads to a change in consolidation/valuation method the previously held interest is remeasured at fair value through Capital Gains (Losses) on asset disposal account at the time of the change (exclusive takeover, loss of control…).

How?

Transactions with third parties

Gains or losses arising from the retirement or disposal of an asset should be determined as the difference between the net disposal proceeds and the net book value of the asset per Groupe reporting at the date of disposal.

Transactions with other Groupe Business Units

1) Intercompany asset disposals or transfers (other than consolidated investments)
Capital gains (losses) resulting from an intercompany asset disposal/transfer should be clearly identified and disclosed separately for Groupe reporting purposes. According to Groupe policy (see III.3), assets acquired from other Groupe Business Units should be transferred at the selling Business Unit's net book value at the time of transfer, therefore capital gains (losses) resulting from an intercompany disposal should not exist. Intercompany transfers of Intangible assets and Investments should be valued and approved by the Groupe Finance Department.

2) Disposal/transfer of consolidated investments
Gains (losses) on disposals of consolidated investments are determined by the Groupe Finance Department in the context of preparation of the consolidated accounts. This calculation is based on the consolidated value of the investment.

The sale price of any consolidated investment must be approved by the Groupe CFO.

For Groupe reporting purposes, a Business Unit should report the gain (loss) on these investments as the difference between the net disposal proceeds and the cost of the investment on the Business Unit's books.

In case of winding-up, please contact Groupe Finance Department to determine the adequate accounting treatment.

3) Intercompany loan forgiveness income (expense):
The income statement effect of loan forgiveness (notably in cases of recapitalization of subsidiary Business Units) for both parties to the loan is also recognized in Capital Gain & Loss on Asset Disposals (see also III.10 “Intercompany Loans, Advances and Deposits” and III.34 “Intercompany Financial Debt»). Business Units using this account should liaise closely with the Groupe Finance Department in order to ensure that the accounting treatment is correct. Fully signed legal documentation must be in place prior to recognition.

Who?

Reporting of Capital Gains and (Losses) on Asset Disposals in accordance with Groupe policy is the responsibility of the Business Unit’s CFO.

Lease accounting

Why?

To ensure that the income statements impacts related to Leases are properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

All lease accounting impacts on P&L are required to be booked at Business Unit level in dedicated accounts into "Lease accounting" caption.

"Lease accounting" caption includes 2 separate parts:

- **Reversal of Lease expense:** the caption is split up into three accounts:
    - Reversal of third party office rent expense and effect of vacant location: shall be used to reverse the entries recorded into "Third party Office rent expense" and "Rental income on sublease to third parties" (see.II.8) when rental contracts are identified as Leases under lease accounting standard (see.III.4)
    - Reversal of outdoor contract expenses: shall be used to reverse the minimum guarantees paid or accrued, and recorded into "Billable - Other costs" (see.II.4);
    - Reversal of equipment rentals: shall be used to reverse rent expenses on other leasing contracts (cars, IT and other equipment).

The following occupancy costs should not be reversed:

- utilities, service charges and taxes should remain in occupancy costs;
- service contracts i.e. rental contracts not in the scope of lease accounting standard as described in the "Right-of use-assets" section (see. III.4);
- intercompany sublease contracts;
- sublease contracts to third parties classified as operating leases (see. III.4);

- **Depreciation of the Right-of-use assets (see. III.4).**

Depreciation of the Right of use assets starts at the commencement date of the lease. The depreciation runs to the end of lease term (see. III.4).

How?

Depreciation of the Right-of-use assets are recognized monthly using the straight-line method, which entails allocating the same depreciation charge to each month. No other method should be used.

Who?

Reporting of Lease accounting caption in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Financial Income (Expense)

Why?

To ensure that Financial Income (Expense) is properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Financial Income (Expense) includes the following items:

1) ***Interest expense*** represents the cost of borrowing funds from all third parties, whether they are banks and financial institutions or simply suppliers or other creditors. Interest expense **includes**:

a) Interest accrued on outstanding financial debt with banks;

b) Interest accrued under supplier contracts;

c) Interest accrued under agreements for maintenance of a revolving credit line;

d) Interest accrued for factoring/securitization and discounting of Trade Receivables (to be approved by the Groupe Finance Department – see III.16);

e) Interest expense required to be recognized in respect of derivatives (all accounting for derivatives must be performed in conformity with the separate detailed instructions issued by the Groupe Finance Department);

f) Interest accrued for outstanding redeemable preferred shares (to be approved by the Groupe Finance Department);

g) Losses on the disposal of marketable securities.

Interest Expense **excludes:**

a) Bank charges (fees charged by banks for the conduct of normal banking business) which are recorded as General & Administrative expenses;

b) Realized foreign exchange losses on settlement of monetary items in the period, which are recorded as "Exchange (Losses)";

c) Unrealized foreign exchange losses arising on translation of assets and liabilities denominated in foreign currencies, which are recorded as "Exchange (Losses)";

d) Amounts accrued in respect of outstanding Lease liabilities, recorded as "Interest Expense on Lease Liabilities";

e) Interest charged by federal or local tax authorities resulting from a tax audit, which should be recorded as "Income Tax Expense" (see II.22) or Taxes (other than income taxes) (see. II.8.

Note: For any interest-bearing assets, which can legally be offset against specified debt on the balance sheet, the interest income earned on the asset should be offset against the related interest expense; to the extent it does not exceed the interest expense on the related debt. Any residual interest income should be classified as Interest Income.

2) ***Interest expense on lease liabilities***: includes interest expense accrued on outstanding lease liabilities (see III.4).

3) ***Interest income*** represents the revenue earned from loaning funds to all third parties. Interest income **includes**:

a) Interest earned on interest bearing long term and short term financial receivables (example: interest-bearing deposits with banks);

b) Interest earned on interest-bearing marketable securities and gains on the disposal of marketable securities;

c) Interest earned on accounts and notes with customers;

d) Interest income required to be recognized in respect of derivatives (all accounting for derivatives must be performed in conformity with the separate detailed instructions issued by the Groupe Finance Department).

Interest income **excludes**:

a) Realized foreign exchange gains on settlement of monetary items in the period, which should be recorded as "Exchange Gains";

b) Unrealized foreign exchange gains arising on translation of assets and liabilities denominated in foreign currencies, which are recorded as "Exchange Gains".

Note: For any interest-bearing assets, which can legally be offset against specified debt on the balance sheet, the interest income earned on the asset should be offset against the related interest expense to the extent it does not exceed the interest expense on the related debt. Any residual interest income should be classified as Interest Income.

4) ***Exchange gains and exchange (losses)***: as defined in II.21.

5) ***Interest expense on unwinding of discount on long-term provisions:*** Long-term provisions are discounted when the effect of discounting is material. This discount unwinds as the date for settlement of the obligation nears, generating an interest expense in the income statement and an increase in the amount of the long-term provision in the balance sheet (See. III.28 "Provisions for restructuring", III.29 "Provisions for onerous contracts" and III.31 "Other provisions for Risks and Charges"). All discounting of long-term provisions must be approved by the Groupe Finance Department.

This caption also includes financial income (expense) from both interest costs on unwinding of discount and expected return on plan assets pertaining to defined benefit pension plans (see III.30 "Provisions for pensions and other long term benefits" for a full presentation of accounting for pensions and long term benefits).

6) ***Dividends received*:** includes dividends received and receivable from consolidated and non-consolidated companies recorded gross of withholding taxes (see II.20).

7) ***Provisions on financial assets outside the Groupe:*** includes the change in provisions on loans to third parties, loans to affiliates, financial receivables, guarantees & deposits and other financial assets. **NB: For Groupe reporting purposes, provisions on Intercompany Investments or Receivables balances must in no circumstances be recorded** - However when a company ceases to be consolidated, the need for a provision should be reviewed and, if necessary, a provision should be estimated and recognized.

8) ***Early payment discounts (EPDs)*** which include both cash discounts received from suppliers (See II.2 "Cost of Billings" and III.37 "Trade Payables") and cash discounts granted to clients (See II.1 "Billings" and III.16 "Trade Receivables").

9) ***Earn Out Revaluation:*** includes any revaluation of Earn Out after initial valuation. The account is only available at Group level and all accounting is performed by the Groupe finance Departement.

10) ***Change in fair value (gain/loss) of financial assets:*** includes any change in fair value for investments in non-consolidates companies and investment funds.

How?

Accrued interest must be recognized as on a time-proportion basis and should take into account the effective rate of interest on the financial debt (where this rate is different from the nominal rate). In addition to interest, all fees, transaction costs, premiums, discounts etc. are taken into account in calculating the effective interest rate.

Recognition of dividends is addressed in II.20 "Dividend Income".
Recognition of foreign exchange gains and losses is addressed in II.21 "Exchange gains and losses".

Who?

Reporting of Financial Income (Expense) in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Dividend Income

Why?

To ensure that Dividend Income is properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Both dividends received from other Groupe Business Units and from third parties are recorded in "Dividends Received", a sub-caption of "Financial Income".

However, dividends received from other Groupe Business Units should be declared as Intercompany transaction, to properly eliminate these transactions on consolidation.

How?

Dividends received are recorded on a cash basis, i.e., they are recorded at the date that payment is received.

For Intra Group dividends, it is the responsibility of the paying Business Unit to obtain confirmation that the receiving Business Unit has recognized an Intercompany Dividend Income within the period that matches its dividend payment (see "Retained Earnings" – III.24 and "Intercompany Procedures" – IV.2).

Dividends received are recorded in income at their **gross** amount inclusive of any withholding taxes paid (on the receiving Business Unit's behalf) by the payer.

The difference between the payment received and the gross amount of dividend income is recognized as income tax expense. If such withholding taxes are recoverable by the receiving Business Unit, this Business Unit will record a tax income (negative expense) and a corresponding receivable on the tax authorities (see II.22 – Income tax expense).

Current Groupe policy is for annual payment of a dividend representing at least 75% of net income or 100% of the amount distributable if 75% of net income cannot be distributed due to tax or statutory limits (see Volume 1).

Any payment of a dividend should be coordinated with Groupe Finance Department.

Who?

Reporting of Intercompany Dividend Income in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Why?

To harmonies the accounting treatment of transactions in foreign currencies, to establish rules for the valuation of assets and liabilities denominated in foreign currencies at the end of each period and to ensure that Exchange Gains and (Losses) are properly recorded for Groupe reporting purposes.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts. The translation of Business Unit financial statements denominated in local currency amounts into the currency of the consolidated financial statements (Euros) is not covered by this policy.

What?

Exchange Gains and Losses result from:

a) Foreign exchange differences arising on settlement of foreign currency amounts due or payable,

b) Foreign exchange differences arising on the translation of all monetary assets and liabilities (being payables, receivables, loans payable and loans receivable, cash and financial debt) at period end, and

c) Under certain circumstances, the effect of remeasurement of foreign currency derivatives (FX swaps, forward contracts, etc.).

The manner in which Exchange Gains and Losses arising under each of these circumstances should be accounted for is set out in the "How?" section below.

An automatic reclassification of Foreign Exchange Gains and Losses posted in the Financial Income exists in HFM to include the net FX P&L Impact in the Operating Income at Business Unit and Solution Hub level. This is done to capture exchange gain and losses in the operating performance of business units / Solution Hubs, and is reclassified at Groupe level for external publication purposes only.

How?

The Groupe Finance Department notifies all Business Units monthly of the exchange rates to be used at month-end.

Accounting for transactions in foreign currencies:

Foreign currency transactions (purchases and sales, borrowings, etc.) should be accounted for at the exchange rate prevailing at date of the transaction. Business Units must use reliable sources for such exchange rates (such as SSC treasury departments or their banks) – in the absence of such reliable sources, the previous month-end exchange rate as communicated by the Groupe Finance Department must be used.

Under no circumstances should an invoice or other transaction be booked at a budget or client agreed foreign exchange rate.

All such transactions generate foreign currency monetary assets and liabilities which are the source of Exchange Gains and Losses. This applies irrespective of whether such balances are settled (paid or received):

- In the period, or
- After the end of the period.

a) *Exchange Gains and Losses arising on settlement of foreign currency amounts due or payable*

The purchase or sale transaction is considered independently from the related payment. The exchange gain or loss resulting from the difference between:

- the value previously recorded for the receivable or payable and
- the actual amount received or paid

is recorded in the income statement under Exchange Gains or Losses.

b) *Exchange Gains and Losses arising on the translation of all monetary assets and liabilities at period end*

All monetary balances denominated in foreign currencies, including intercompany balances, should be translated at the exchange rate prevailing at the relevant month-end as communicated by the Groupe Finance Department. The gain or loss on translation should be recorded in the income statement under Exchange Gains or Exchange Losses.

Note: One exception applies to the accounting treatment set out at a) and b) above. In the case where the foreign exchange gains or losses are automatically billable to the client as per client arrangements, the amount of Work in Progress (or Cost of billings if the amounts have been billed) should be adjusted to include the amount of the gain or loss (and thus no Exchange Gain or Exchange Loss should be recorded).

c) *Under certain circumstances, the effect of remeasurement of foreign currency derivatives (FX swaps, forward contracts, etc.)*

All hedging transactions involving foreign currency derivatives must be performed in accordance with the conditions set out in Volume 1.

Accounting for derivatives used to hedge transactions must be performed in conformity with the instructions issued by the Groupe Finance Department. Guidance from Groupe Finance should be systematically sought to ensure proper accounting of these transactions.

Under those instructions:

- In certain circumstances (where the related hedged item is recognized in the balance sheet), the remeasurement of foreign currency derivatives (FX swaps, forward contracts, etc.) at period end may lead to recognition of Exchange Gains or Losses. However, in the great majority of cases, where hedges are effective (i.e., correctly matched) the foreign exchange gain or loss on remeasurement of the derivative should compensate the foreign exchange gain or loss on the underlying item (see **a)** and **b)** above),

- In other circumstances (such as in hedges of future sales and dividends), such remeasurement leads, depending on the effectiveness of the hedge, to recognition of Other Comprehensive Income (III.26) or Financial Income/Expense (II.19).

Who?

Accounting for transactions and balances denominated in foreign currencies and reporting of Exchange Gains and Exchange (Losses) in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

It is also the responsibility of the Business Unit's CFO to ensure that no hedging is entered into without the authorization of the Groupe Finance Department.

Why?

To ensure that the Income Tax Expense (both current and deferred) is properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

To facilitate analysis of the Groupe's effective tax rate ("ETR") with a view to its optimization over the long run.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Income Tax Expense **includes**

- all current income taxes,
- changes in deferred tax assets and liabilities,
- changes in provisions for risks in respect of income taxes (see III.31 "Other Provisions for Risks and Charges"),
- interests and penalties for late payment of income taxes,
- withholding taxes on dividends, Advisory Service Fees, interest and royalties received, as detailed below, and
- reimbursement of taxes (as described above) as well as related interest by tax authorities.

It is recorded in the income statement accounts "Current income tax" and "Deferred income tax".

It **excludes** taxes that are calculated on bases other than the taxable results of the Business Unit (property taxes, transfer taxes, etc), which are recorded in General & Administrative expenses and those directly related to personnel, which are recorded in Personnel costs. It also excludes VAT and sales taxes.

How?

All Business Units must record income tax expense in Groupe reporting (at year end this must be split between current and deferred).

1) <u>Rules applicable for the preparation of year-end reporting, annual commitment and rolling forecasts</u>

<u>Standalone Business Units (not part of tax group)</u>

Current tax expense is calculated at year-end on the basis of locally applicable tax rates and legislation enacted by the balance sheet date.

Current tax income (negative expense) should only be recognized by standalone Business Units when there is a right of carryback of current year losses against profits of prior periods (i.e. a refund is expected to be obtained from the tax authorities). No tax income may be recorded in respect of carryforward of current period losses by standalone Business Units (refer to III.32 "Deferred tax assets, Deferred tax liabilities") without the prior approval of the Groupe Tax Director (who decides whether recovery is probable or not).

When legal entity is constitutes with several Business Units, only one Business Unit can record income tax. Previously the entity should inform and get the agreement of Groupe Finance.

Deferred tax expense (income) is equal to the difference between opening* net deferred tax liabilities (assets) and closing net deferred tax liabilities (assets). Groupe accounting policies in respect of deferred taxes are set out in III.32.

(* being prior year closing net deferred tax liabilities (assets))

Business Units that form part of tax groups

Current tax expense is calculated at year-end on the basis of locally applicable tax rates. Each Business Unit must record its current tax expense based on the information provided by the Tax Manager in charge of the Tax Group or by the person in charge of the Tax Group.

If a Tax Group wants to record income tax only at head of Tax Group level, Groupe Finance should be informed in order to confirm its agreement.

Business Units must pay to the head of the tax group all advance and final payments of income tax that it requests.

Current tax income (negative expense resulting from group relief) should only be recognized by Business Units that are heads of tax groups (not by individual Business Units). It represents the saving which results from offsetting taxable losses of certain Business Units against the taxable profits of other Business Units. Current tax income which results from the recovery at the level of a tax group of losses recorded by subsidiary Business Units should be recorded only in the Business Unit which is the head of the tax group (unless there is a legal requirement to pay the amount of tax recovered to loss-making Business Units. No other allocation or payment is made to the loss-making Business Units).

Business Units that form part of tax groups can use their previous losses to reduce taxable profit for the current year and thus reduce their current year tax expense – in such circumstances the head of the tax group should recognize an equal and opposite income tax expense.

All tax accounting entries, and the income tax expense of Business Units that form part of tax groups, must be approved by the head of the local tax group.

Current tax expense (income) also includes changes in provisions for risks in respect of income taxes.

Deferred tax expense (income) is equal to the difference between opening net deferred tax liabilities (assets) and closing net deferred tax liabilities (assets). It is recorded by all Business Units. Groupe accounting policies in respect of deferred taxes are set out in III.32.

2) Specific rules applicable to the preparation of monthly and quarterly reporting

For monthly and quarterly reporting no distinction is made between current and deferred taxes. The Income Tax Expense is calculated on the basis of the expected ETR for the full year**. The Effective Tax Rate (ETR) is obtained by dividing the profit before tax for the full year by the expected tax expense (Current and Deferred) for the full year.** It thus takes account of permanent differences.

The impact of non-taxable dividend income or equity accounted income should be removed from the ETR calculated automatically by the reporting system. For monthly and quarterly reporting, in cases where profit before tax includes non-taxable dividend income or equity accounted income, such amounts should be removed from profit before tax before application of the adjusted ETR.

Standalone Business Units (not part of tax group)

The Income Tax Expense is obtained by applying the ETR for the full year to profit before tax* in the monthly or quarterly report.
(*excluding non-taxable dividend income or equity accounted income)

Standalone Business Units should not report tax income (negative expense) in their monthly and quarterly reporting unless there is a right of carryback against profits of prior periods.

Business Units that form part of tax groups

The Income Tax Expense in forecasts and in interim (monthly and quarterly) reporting should be calculated on the basis of the expected ETR (effective tax rate) for the year as communicated by the head of the tax group to which the Business Unit belongs.

Individual Business Units should not report tax income (negative expense) in their monthly and quarterly reporting. Instead Business Units that are heads of tax groups should record tax income on Profit before tax including loss before tax of the loss-making Business Units.

Calculation of tax income (expense) of the tax group is as follow:

[Accounting profit before tax of all Business Units in tax group* **X** ETR of the tax group]

- [the sum of the Income Tax Expense recorded in the profitable Business Units]

= Income tax expense of the Tax Group
(*excluding non-taxable dividend income or equity accounted income)

All tax accounting entries and income tax expense of Business Units that form part of tax groups must be approved by the head of the local tax group.

3) Withholding taxes:

a) On dividends, advisory service fees, interest and royalties received:

The Groupe policy is that the Income Tax Expense must be recorded at the level of the Business Unit receiving the dividend, advisory service fee, interest or royalties (i.e., it records the income on a gross basis and the Income Tax Expense is equal to the difference between the income and the payment received).

If such withholding taxes are recoverable by the receiving Business Unit (either in cash or by offset against a liability to the tax authorities) it records tax income (negative expense) and a corresponding receivable on the tax authorities from whom the tax is recoverable.

Note: Intra-Groupe dividends are thus recognized at their gross amount inclusive of withholding taxes as a reduction to Retained earnings in the subsidiary Business Unit paying the dividend (see III.24). Similarly, advisory service fees interest and royalties are recorded for their gross amount in the subsidiary Business Unit paying them – the withholding tax is recognized by the receiving Business Unit.

b) Other than dividends, advisory service fees, interest and royalties received:

Any withholding tax not covered by the above should be reported in Other Taxes (G&A), which the following exceptions:

- If the withholding tax is directly reimbursable according to the client contract, the withholding tax should be reported in cost of billings
- If the withholding tax is linked to a client contract but is not directly reimbursable, the withholding tax should be reported in Client cost (Unbillable WIP write off client related)
- If the withholding tax can be used as a corporate income tax credit, the withholding tax should be reported in Income Tax Expense.

Who?

Reporting of Income Tax Expense in accordance with Groupe policy is the responsibility of the Business Unit's CFO. Regional Tax Directors, where such a position exists, must approve the reporting of Income Tax Expense in accordance with Groupe policy in the Business Units in their region for Actuals, annual commitment and rolling forecast.

The Groupe Tax Director is in charge of managing the overall Groupe effective tax rate.

Profit (Loss) on Equity Accounting

Why?

To ensure that Profit (Loss) on Equity Accounting is properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

All equity accounting should be performed at Groupe level. Business Units that locally perform equity accounting should contact the Groupe Finance Department. For Business Units that are granted the authorization to perform equity accounting, the calculation is performed for monthly and annual reporting, and in the annual commitment and rolling forecasts.

What?

Profit (Loss) on Equity Accounting includes the share of the net income of Investments Accounted for Under the Equity Method (III.7).

It is essential that all profits and losses on equity accounting are recorded in this income statement caption and that they are NOT recorded in operating results.

How?

Such profit (loss) is calculated through the following formula:

Net income of the Equity Accounted Investment	X	Percentage ownership of the investment by the Business Unit performing the equity accounting

Such a share of profit (loss) may need to be adjusted for:

- any restatement of net income in accordance with Groupe accounting principles,
- the income statement effect of reversal of any fair value adjustments on acquisition (if any), and
- elimination of profits or losses on transactions between the Business Unit and the associate, if any, in proportion to the investor Business Unit's interest in the associate.

Further information on policies in respect of accounting for investments under the equity method is given in III.7 "Investments accounted for under the equity method".

The double entry to the profit (loss) thus generated is an increase (decrease) in the amount of the investment recorded in Investments Accounted for Under the Equity Method

Who?

Reporting of Profit (Loss) on Equity Accounting in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Headcount

Why?

To ensure that Headcount is calculated and presented in a consistent manner by all Business Units and Solution Hubs. Keep the control on Headcount reporting with an easy reconciliation with the agency payroll ledger.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly, quarterly and year-end reporting. It must also be applied in the preparation of annual Commitment and rolling forecasts.

What?

Total Headcount are classified as follows:

1. **Headcount on payroll** (Section 1 below) – split as follows:
   - Headcount on payroll (excluding student trainees), split by:
     - No term contract
     - Fixed term contract
   - Student trainees
2. **Freelance headcount** (Section 2 below) – split as follows:
   - Long term Freelance headcount
   - Short term Freelance headcount

The total number of Headcount for a period is the sum of the Headcount on payroll during the period (i.e. a month), plus the Freelance Headcount, during the same period.

I. Categories of Headcount

1. Headcount on payroll

Headcount on payroll includes all employee appearing on the agency payroll ledger of a business unit at the end of a given month (whatever the number of days of his presence during the month). Headcount on payroll are split between no term contract, fixed term contract, and student trainees (when paid through the agency payroll ledger).

Headcount on payroll should reconcile with the agency payroll ledger and with the salary account (OP110T) in Groupe P&L.

If someone is on the payroll ledger of an agency, he is counted as one headcount, even if his contract has ended and he has physically left during the month.

Headcount on payroll (excluding student trainees) are split by type of contract and by annual salary amount:

- **Split by type of contract:**
  - **No term contract** (eg CDI in France, contract at will in USA…)
  - **Fixed-term contracts** : employment contract specifying a precise ending date (eg CDD and "Intermittents" in France, …).

- **Split by annual salary amount:**
  - **Confirmed** headcount on payroll: when annual salary < 100 k€.
  - **Senior** headcount on payroll: when annual salary ≥ 100 k€. To identify a Senior Headcount, the yearly base salary in local currency should be multiplied with the month end exchange rate.

<u>Student trainees on payroll</u>:

- Student Trainees, placement student, employed as part of a study program with their college or university, apprenticeship (if the trainee appears on the agency payroll ledger). A student trainee who does not appear on the payroll ledger should be reported as Freelance headcount.
- *French "Contrat de professionnalisation"* (if the employee is on the payroll ledger).

No term and fixed term employees are always counted in whole numbers – e.g. (1,0), and never as fraction (no FTE's) - provided he has received a payment via the payroll ledger during the month.

How an employee should be reported as one headcount on payroll?

- If an employee physically left on May 15th, but he is on the May payroll ledger, this person should be reported as one Headcount in May.
- If an employee is hired on May 29th, but is not included in the payroll until June, this person should not be considered in the May Headcount, but will be first reported in the June Headcount in line with the June payroll.
- If an employee works from 15th of February to the 15th of March, he should be reported as 1 headcount in February and as 1 Headcount in March (Leaver to be reported in April).
- If an employee works from the 10th of February to the 20th of February, he should be reported as 1 headcount in February (1 Recruit in February, 1 Leaver to be reported in March)

Examples of specific situations to count an employee as one Headcount on payroll (excluding student trainees) :

- Employee being on active period on partial retirement scheme (if on the agency payroll ledger).
- Employee on maternity leave, during maternity leave payment by the agency (if on the agency payroll ledger).
- Employees in garden leave, e.g. during notice period (if on the agency payroll ledger).
- Employee in long term sick – during sick pay (if on the agency payroll ledger).
- Employee in sabbatical leave with (reduced) continued salary payment.

Examples of specific situations where an employee should <u>not</u> be reported as one Headcount on payroll

- Loaned staff on the payroll of another Business Unit of the Group should <u>not</u> be reported as headcount (headcount is already reported in the agency that pays for his salary);
- If no salary or compensation is paid by the Agency anymore and so the employee does not appear on the agency payroll ledger anymore (e.g. a person on maternity leave with no pay, sabbaticals, long term sick with no pay, internship without salary, pensioner, passive period on partial retirement scheme): no headcount should be reported.

2. Freelance Headcount

Unlike Headcount on payroll, the Freelance Headcount do <u>not</u> appear on the agency payroll ledger

Like for Headcount on payroll, Freelance Headcount must be accounted for in whole numbers (e.g. 1,0) and never in fractions (no FTE's).

If a Freelance Headcount has worked for Publicis Groupe at any point during the period, this person must be counted as one Freelance Headcount.

Freelance headcount should be reconciled with the Freelance costs accounts in the agency P&L

<u>**Freelance Headcount**</u> includes:

- Freelance or temporary working for "clients" and whose cost are not contractually reimbursed by the client. If these costs are reimbursed by the client (production freelances, e.g. photographer), they are reported in Cost of billings, and no Headcount should be reported in HFM.
- "Non client" freelance headcount or temporary headcount: person managed by a Business Unit, and working in a « permanent position » i.e. a position filled by someone working on a regular basis, at least once a month, and under the responsibility / management of the Business Unit.

Freelance Headcount is split between:

- **Long Term Freelance headcount**: contracts for more than 90 days or continuously engaged for more than 90 days
- **Short Term Freelance headcount**: contracts for less than 90 days or continuously engaged for less than 90 days

Temporaries and freelancers who are not managed by a Business Unit and who are working in a "non-permanent position" (ex: cleaning person, through an outsourced cleaning contract) must not be reported as Freelance Headcount. The related costs are accounted for as G&A.

II. Headcount reporting

Additional analyses and breakdown are required for Headcount on payroll (excluding student trainees) for each of the sub-categories: no term and fixed term contract, senior and confirmed headcount.

a) Analyze of the variations in the number of headcount on payroll in the period:

• **Previous Year**	Headcount on payroll of the previous period
• **Recruits**	New hires in the month. A recruited person is considered as a Headcount on payroll on the month he receives his first salary via the payroll.

- **Leavers** — An employee should be considered as a leaver only the month following his final payment via the agency payroll ledger. Leavers should be split between dismissals and voluntary (*see below section "b")*.
- **Internal Transfers** — A person moving from an entity to another within the Group, or a person moving from Confirmed to Senior Headcount. These intercompany flows must be reconciled between entities every month in order to have no mismatch at Group level.
- **Acquisitions/Disposals** — A person entering the Group following an acquisition or leaving the Group following a disposal. This flow must be used only once, on the month the new entity is acquired or leaves the perimeter of the Group. Any subsequent Headcount variation of the acquired entity, must be reported in the flows mentioned above (recruits/leavers/internal transfers).
- **Total Headflow** — Total Headcount on payroll (excluding student trainees) of the current period.

b) Breakdown by type of Leavers for each of the subcategories (no term and fixed term contracts, confirmed and senior headcount):

- **Leavers – Dismissals**: Redundancy must be reported in this section i.e. employees who have been laid off, whether they were part or not of a restructuring plan and whether they received compensation or not. An employee should be reported as a "Dismissal" if he has been advised to leave the Groupe.
- **Leavers – Voluntary**: All other leavers must be reported in this section. This includes employees that resign by their own will or leave the company once their contract is finished (fixed term contract).

c) Breakdown by activity for each of the subcategories (no term and fixed term contracts, confirmed and senior headcount):

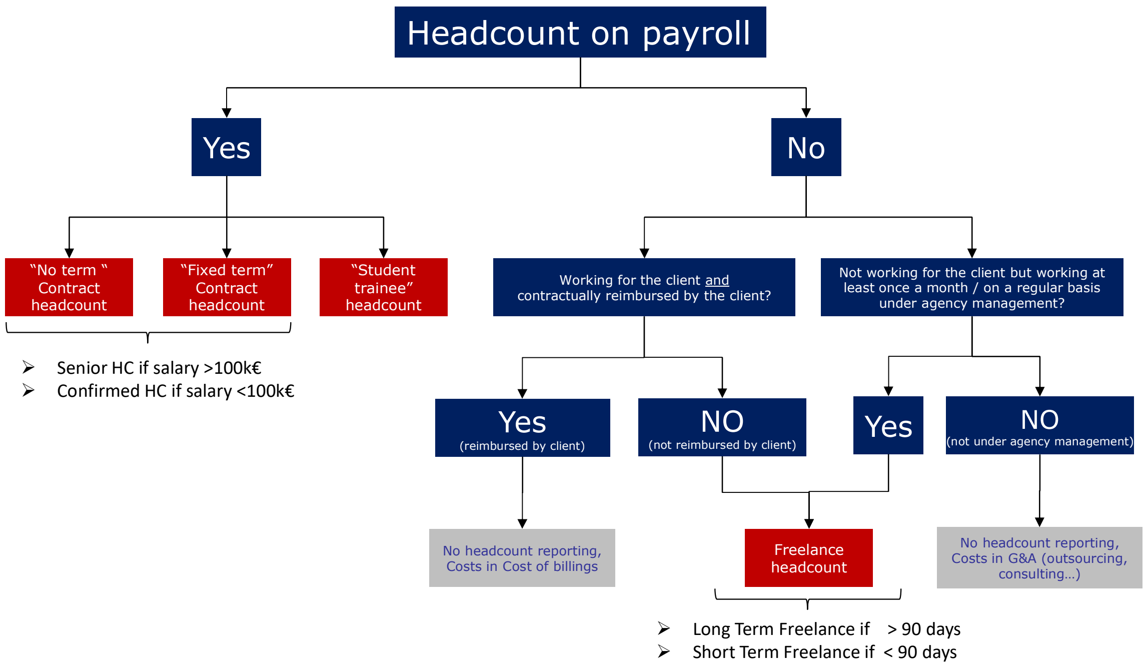
- **Advertising**, with a split between digital and Non digital activities
- **Media Planning & Buying**, with a split between digital and Non digital activities
- **SAMS (Specialized Agencies and Marketing Services)**, further split in:
  - Public relations and events, with a split between digital and Non digital activities
  - Healthcare, with a split between digital and Non digital activities
  - Other SAMS, with a split between digital and Non digital activities
- **Others:** for Headcount with activity that does not correspond to any of the above categories.

d) Breakdown of Headcount by department between Operational and Administrative functions:

- **Operational functions should be split** as follows:
  - Account Management,
  - Account Planning,
  - Product development/Management,
  - Project delivery/Program management,
  - Creative,
  - Media,
  - Strategy and analytics,
  - Technology (Developers, UX,…),
  - Sales / Business development,
  - Production,
  - Consulting,
  - Events,
  - Others.

- **Administrative**, functions should be split as follows:
  - General Management,
  - Finance/Controlling/Accounting/Treasury/Tax/Insurance,
  - Information system (IT),
  - Legal,
  - Human resources and Payroll,
  - Procurement,
  - General services / Corporate services,
  - Audit & Compliance,
  - Communication, and
  - M&A.

III. Simplified decision tree for headcount classification



Who?

Reporting of Headcount in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Why?

To ensure that Intangible Assets are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

Definition:

An **intangible asset** is a resource controlled by a Business Unit as a result of past events defined as follows:

- It is an identifiable non-monetary asset without physical substance
- It is held for a use in the production or the supply of goods or services, for rental, or for administrative purposes
- Which is expected to bring future economic benefits to the Business Unit.

What?

This policy provides guidance on recognition and amortization of intangible assets meeting the above definition. It covers acquired intangibles as well as internally generated intangibles and includes specific accounting guidance for research and development costs, software, start-up costs and web site costs. **All additions to intangible assets and their amortization periods should be approved by the Groupe Finance Department**.

For Groupe reporting purposes, Intangible Assets **include** the following:

- **Business intangibles:** includes identifiable intangible assets acquired. It includes the fair value on acquisition of trademarks, customer relationships, client lists, etc.
- **Software:** includes computer software purchased for internal use and internally developed software generally for sales and marketing purposes, but excludes software which cannot be separated from the hardware (e.g. integrated operating systems or PC office packages), which is accounted for as Computer equipment.
- **Other intangible assets:** include payments for transfer of lease rights; licensing rights over films, manuscripts, patents and copyrights; licenses, intellectual property, trademarks (including Solution Hub names and publishing titles), franchises, etc.

Intangible Assets **exclude:**

- expenditure on purchasing, developing, and operating hardware (e.g. web servers, staging servers, production servers and Internet connections) of a web site, which is accounted for as Computer equipment under the Groupe policy for Tangible assets, see section III.3,

- expenditure on an Internet service provider hosting the Business Unit's web site, which should be recognized as an expense when the services are received,
- expenditure on training, advertising and promotional activities; and expenditure on relocating or re-organizing part or all of a Business Unit, which are expensed as incurred,
- Goodwill arising from acquisitions, recorded as Acquisition Goodwill subject to Groupe policy section III.2.

How?

An intangible asset should be recorded at cost if it is probable that future benefits attributable to the intangible asset will arise through its use or sale.

Business Units record purchased intangible assets at cost.

Internally generated intangible assets:

Internally generated intangible assets other than software and certain development (but not research) projects are not capitalized. In particular capitalization of internally generated goodwill, publishing titles, customer lists etc. is not possible.

Any capitalization of internal expenditure on software and IT development must be authorized, in both its principle and its amount, by the Groupe Finance Department. In order to obtain Groupe Finance approval, Business Units should provide, in addition to C-Form (as describes in Janus 1), the information's below:

- **feasibility of the project,**
- **detail of costs (internal and external), and**
- **expected revenues and cash flows.**

Intangible acquired through acquisition:

Intangible assets can also be recognized through fair value accounting on acquisition. This is only performed by the Groupe Finance Department.

Amortization of intangible assets with finite useful lives:

Intangible assets with finite useful lives should be amortized on a straight-line basis over the shorter period of the asset's legal life (if the intangible asset arises from legal rights) or estimated useful economic life.

Software is amortized over the shorter of its useful economic life and three years unless written authorization is obtained from Groupe Finance Department, on presentation of a specific economic case (e.g., ERP systems) to use a longer period.

Impairment tests on intangible assets with indefinite useful lives:

Certain business intangibles, such as tradenames, have indefinite useful lives. The Groupe Finance Department performs impairment tests in liaison with Business Unit and Solution Hub on the valuation of such assets (this work is not performed at Business Unit level – see II.16 "Impairment of goodwill and intangible assets with indefinite useful lives").

As this matter is not dealt with locally, detailed methodology is not set out in this policy. Business Unit CFOs requiring further information for statutory financial statements should liaise with the Groupe Finance Department.

Disposal of intangible assets:

Gains or losses arising from the disposal of an intangible asset should be determined as the difference between the net disposal proceeds and the net book value of the asset per Groupe reporting and should be recognized under Capital Gain (Loss) on Asset Disposal in the income statement.

Specific Groupe policies in respect of items linked with Intangible assets:

Research costs are recognized as expenses in the period in which they are incurred. Such expenses include studies and tests related to advertising campaigns, research programs on customer behavior and advertiser's needs. Research includes general studies and modeling conducted in order to optimize the use and choice of media purchases for the clients of the Groupe but excludes software which can be used over a multi-year period for market analysis.

Web site development costs are expensed as incurred.

Start-up costs for starting new operations or launching new activities are expensed as incurred.

Who?

For previously carried intangible assets, recognition and reporting of Intangible Assets in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

The accounting treatment and reporting of all new Intangible assets must be validated by the Solution Hub CFO and approved by the Groupe Finance Department.

Impairment tests on intangible assets with indefinite useful lives as well as intangible assets arising through acquisition with finite useful lives, in particular client relationships, are performed if necessary by the Groupe Finance Department.

Goodwill Arising from Acquisitions

Why?

To ensure that Goodwill arising from acquisitions is properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

Accounting for acquisitions, and thus accounting for goodwill, is carried out at Groupe level.

What and How?

Business Units do not concern themselves with accounting for goodwill. If, exceptionally, goodwill appears in a Business Unit balance sheet, the Business Unit:

- supplies all requested information to the Groupe Finance Department, and
- records all entries as instructed by the Groupe Finance Department.

Who?

Accounting for goodwill arising from acquisitions is the responsibility of the Groupe Finance Department.

Tangible Assets (Gross value)

Why?

To ensure Tangible Assets' gross value is properly recorded for Groupe reporting purposes, calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts. Capex and procurement's internal control and approval procedures are set out in Janus 1.

What?

A **tangible fixed asset** is:

- a physically identifiable asset held by a Business Unit
- which is used in the production or the supply of goods or services, for rental or for administrative purposes
- which is expected to be used during more than one accounting period.

Tangible Assets **include**:

- **Land and buildings**: includes land and administrative & commercial permanent building structures.
- **Building improvements**: consists of the infrastructure relating to a building including fittings & fixtures and leasehold improvements. It also covers IT infrastructures approved as part of a Real Estate project and inherent to leasehold improvements (plus depreciated over a similar timeline).
- **Landlord incentive capex (Non cash Capex)** are assets funded through contractual landlord incentives and directly deducted from the Right-of-use assets (see. III.4).
  Landlord incentives are generally included in the rental contract. Landlord incentives capex excludes improvements undertaken by the landlord to bring a building to 'basic working use' (eg. installation of electricity, windows, lifts).
  Landlord incentives should be depreciated through the P&L over the shorter period of the life of the asset or the date of the first break clause in the leases.
- **Office equipment & furniture**: consists of non-computerized office equipment & furniture usually acquired for administrative purposes such as telephones (fixed), photocopy machines, fax machines, TV, office video equipment, recording equipment, tables, chairs, cabinets, etc.
- **Other IT equipment**: consists of all IT hardware including servers, printers, audio video equipment, routers etc. It does not include personal computers (which are recorded in a separate category, see below the definition).
- **Company cars**: consists of company owned motor vehicles. It excludes cars under capital leases which are recorded under Right-of-use assets (see. III.4).

- **Computer equipment**: consists of all desktops & laptops, and related peripherals (monitors…), that match the minimum investment value. It excludes amounts under capital leases, recorded under "Right-of-use assets". Computer equipment includes computer software that cannot be separated from the hardware (e.g. integrated operating systems or PC office packages). All other software is an Intangible Asset.
- **Other tangible assets**: consists of other tangible assets not included in the above categories.

Tangible Assets **exclude**:

- mobile or cellular phones, palm pilots™, blackberry™, Ipads, Digital tablets and other personal digital assistants due to their relative low value; the rapid technological changes and their mobility (easily misplaced). These items should be expensed as incurred and recorded in the income statement under General & Administrative expenses.
- Capitalized leases: all capitalized leases should be recorded under Right-of-use assets related to leases (see III.4)
- Dilapidation costs: contractual costs of restitution (or restoring dilapidated property) should be included at the start of the lease in the "Right-of-use asset" with a counterpart in "Other Provisions" in liabilities. If the lease contract does not specify the cost of restitution, this should be assessed according to market practice.

  The asset included in the "Right-of-use" is depreciated over the lease term. The provision remains intact until the restitution expenses are paid.

How?

Tangible Assets are recorded at historical acquisition cost at the date of purchase. The cost of a tangible asset comprises its purchase price, including non-refundable purchase taxes, and any directly attributable costs (delivery, handling and installation costs and professional fees) incurred in bringing the asset to working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.
Administration and other general overhead costs are not included in the cost of Tangible Assets.

Note: Total expenditure on an asset must be broken into its component parts and each component must be separately recognized and depreciated when the useful lives of components are materially different.
Assets purchased in foreign currencies should be recorded at their local currency value translated at the exchange rate prevailing at date of the transaction (see II.21 "Exchange Gains and Losses" for further details).

The cost of assets recorded by a Business Unit or Solution Hub should not reflect reductions for grants received. The value of grants should be recorded under Deferred income and amortized to income on a straight-line basis over the depreciable life of the related assets.

Tangible assets should be depreciated according to specific useful economic lives described under Groupe policy – see III.5

Low value capital expenditure: The capitalisation of expenditure should be determined based on the useful life of an asset. There is no minimum threshold for capitalisation. Where the useful life of an asset is less than one year, the expenditure should be accounted for as an operating cost under Other Expenses, a sub-caption of General & Administrative expenses unless local accounting and tax regulations explicitly state otherwise (no restatement required as the amount would not be material).

Fixed asset revaluations: No revaluations are accepted. The Groupe Finance Department must be informed of any new revaluation recorded in the local Business Unit or Solution Hub accounts for legal or taxation reasons. Such revaluation should be reversed for Groupe reporting purposes.

Refurbishments and asset improvement expenditure: Subsequent expenditure on a tangible asset is only recognized as an asset when the expenditure improves the condition of the asset and/or increases its useful life so as to generate additional future income or reduce future expenditure for the Business Unit.

Expenditure on repairs or maintenance is recorded as an expense when incurred.

Construction in progress is included in tangible assets. No depreciation is provided until the asset enters effective use.

Groupe transfers: Assets acquired from other Business Units of the Publicis Groupe should be transferred at net book value for Groupe reporting purposes and both the gross amount and the accumulated depreciation up to the sale date should be recorded by the purchasing Business Unit. Capital gains or losses resulting from a transfer should not exist.
Gains or losses arising from the **disposal** of a tangible asset should be determined as the difference between the net disposal proceeds and the net book value of the asset per Groupe reporting, and should be recognized under Capital Gain (Loss) on Asset Disposal in the income statement.
Write-offs of the net book value of tangible assets (equipment, fixtures and fittings, etc) are considered to be accelerated depreciation and are recorded under depreciation and amortization in the income statement (II.14) and not in Capital Gain (Loss) on Asset Disposal.
Write-offs of tangible assets occur when the asset is no longer used by the Business Unit, irrespective of whether it is fully depreciated or not.

Fixed asset register: All fixed assets must be recorded in a fixed asset register and be subject to a periodic physical inventory.

Who?

Reporting of the gross value of Tangible Assets in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Right-of-use assets related to leases

Why?

To ensure that Lease contracts are properly recorded for Groupe reporting purposes.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Definitions:

Lease

A contract is a Lease (or contains a Lease) if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Contract is or contains a lease only if the three criteria are met:

- the underlying asset is specifically identified; and
- the tenants obtain substantially all of the economic benefits; and
- the tenants direct the lease.

If one of the following criteria are not met, the contract would be considered as a service contract.

Underlying assets

Underlying assets include in particular:

- Real estate
- Concession agreement in outdoor activities
- IT equipment
- Cars
- …

and exclude intangible assets (in particular software use in respect of a SAAS agreement).

Lease term

The lease term is defined as the contractual period in most of the cases. Nevertheless, when the business unit is reasonably certain to exercise a contractual option to extend the lease or to early terminate it, the lease term should be extended or reduced .

This policy must be applied to all underlying assets with a gross value of more than USD 5,000 per item and a lease term exceeding 12 months.

Intercompany leases are excluded from the scope and should be considered as service contracts and reported into "IC Rental Income/expenses" by the lessee and the lessor (see also Office Subleases below).

How?

A business unit (which is a lessee) applies a single accounting model to all its leases. Therefore, the business unit records:

- a right of use asset representing its right to use the underlying asset,
- a lease liability representing its lease payment obligations (see. III.36).

At the commencement date the **right-of-use asset** should be recognized under the "Right of use assets related to lease" caption of the balance sheet.

Commencement date is the time when the underlying asset is made available by the landlord to the business unit. For real estate, no matter if the space is available to make leasehold improvement or to be used by employees.

The Right-of-use asset should be measured at cost, and includes:

- the amount of the lease liability (see. Lease liabilities in III.36);
- any initial direct costs incurred by the lessee (e.g. commissions and legal fees);
- any prepaid lease payments made at or before the commencement date;
- an estimate of costs to restore the site at the end of the lease period, if required in the contract;
- <u>less</u> lease incentives (mainly capex financed by the Landlord, but other kind of incentive could exist).

<u>Note</u>:

- The counterpart of the dilapidation costs included in the Right-of-use should be recorded into "Other provision" in liabilities (see. III.3). The provision remains intact until the restitution expenses are paid.
- <u>Rent-free periods are not considered as lease incentives</u> and should therefore not been deducted from the Right-of-use. Only rent-free periods recorded as "deferred income" before the transition date January the 1^{st} 2018, have reduced the "Right-of-use".
- Capex finance by the landlord are reported as tangible assets (see. III.3).
- Security deposits continue to be recognized initially at the fair value in the "Other financial assets" (see. III.11).
- costs relating to the construction or design of office buildings are accounted for as separate assets.

Depreciation of right-of-use: If there is reasonable certainty that the Business Unit will obtain ownership by the end of the lease term, depreciation should be recognized using the Groupe's normal depreciation policy for similar assets. If not the asset should be depreciated over the term of the lease on a straight-line basis. Depreciation expense is recognized in the income statement under "Depreciation of right of use" in the "Lease accounting" presented under the Operating Income (see. II.18) with a counterparty in the balance sheet into "Accumulated Depreciation of the Right-of-use Assets".

Leases accounting

All contract information need to be accurately and fully reported in the Groupe lease tool ("Anaplan"). P&L and Balance sheet entries are computed by the tool and should therefore be recorded directly into the financial accounts without alteration.

Vacant location:

Vacant location should trigger an Impairment of the Right-of-use asset for the part which relates to rentals. Facility management part of the contract should be accrued separately into "Provision for onerous contracts" (see. III.29).

Office sublease (including intercompany)

If the intermediate lessor (the agency) is subleasing 100% of the space until the end of the lease term, then the sublease would be classified as a finance lease. In any other cases, the sublease would be classified as an operating lease.

When the sublease is classified as a finance lease, the intermediate lessor should:

- derecognize the right-of use asset related to the head lease that is transfers to the sub-lessee
- recognizes the net investment in the sublease (see definition below);
- recognizes any difference between the right-of-use and the net investment in the sublease in profit and loss in Capital Gains and Loss on assets disposals (see. II.17); and
- retains the lease liability relating to the head lease

The net investment in the sublease is the lease payments due by the lessor over the lease term discounted at the same interest rate than the one used to calculate the lease liability. The net investment need to be recorded in assets under "Other debtors" (see. III.19) when the maturity does not exceed 1 year and in "Other financial assets" (see. III.11) for the rest.

When the sublease is classified as an operating lease, the intermediate lessor should:

- continue to recognize a depreciation charge for the right-of-use asset and interest on the lease liability; and
- recognizes lease income from the sublease into "Rental Income – Sublease to third parties" or "IC Rental income / expense" (see.II.8).

<u>Lease with nominal value lower than US 5,000 and/or period less than 12 months</u>

Rental or lease payments under an Operating Lease should be recognized as an expense in the income statement on a straight-line basis over the lease term. In depth procedures for straight-line recognition of rental expense are provided in II.8 "General and Administrative expenses".

The lease payment should be recorded as an operating expense under the appropriate heading within General & Administrative expenses (i.e. Office rent or Equipment rental) in the income statement.

Business Units are required to supply an aging schedule of Operating Lease commitments to the Groupe Finance Department as part of hard close, half-year and annual reporting packages.

Who?

The Business Unit or Solution Hub's CFO is responsible for ensuring adequate application of this policy. This includes determining whether a contract contains a lease, implementing the appropriate accounting treatment as defined above and accounting for the deferred tax implications of the lease (see Deferred tax liabilities III.32).

Why?

To ensure that Depreciation on Tangible Assets is properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Depreciation is an expense resulting from the systematic allocation of the cost of an asset (less its residual value if any) over its useful life. Residual value is the net amount that the Business Unit expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

How?

The calculation of the depreciation charge depends on two variables: the method used and the economic useful life of the asset.

Method used

Depreciation must be calculated using the straight-line method, which entails allocating the same depreciation charge to each year of an asset's estimated useful economic life. No other method should be used for Groupe reporting purposes.

Economic useful lives

The useful economic lives to be used for Groupe reporting purposes are as follows:

TANGIBLE ASSET CATEGORY	USEFUL ECONOMIC LIFE
Land	Not depreciated
Buildings	20 to 70 years
Fixtures, fittings and general installations	10 years
Leasehold improvements	Period of lease – maximum 10 years
Leasehold improvements or other assets financed by the landlord	Earliest of period of the lease or useful life of the asset.
Office equipment & furniture	5 to 10 years
Machinery and production equipment	5 to 10 years
Company cars	4 years
Desktop, Laptop and Server Hardware	4 Years
Desktop OS	Refresh with hardware
Desktop Productivity suite	2-3 years, depending on business needs
Network Infrastructure	6-7 years

An exceptional charge for depreciation should be recorded (in Depreciation expense in the income statement) as soon as an impairment of the asset's value is identified due to technological changes or obsolescence and wear and tear.

Commencement of depreciation: Depreciation of an asset should commence at the date of its entry into service, i.e. when it is in operating condition and can be used in the production or supply of services, for rental to others or for administrative purposes. Due to possible system limitations, Groupe policy allows:

- Business Units to commence depreciation at the beginning of the month following the date of an asset's entry into service, or
- Business Units to depreciate assets based on the half-year convention, which entails accounting for depreciation for one half-year for the year in which the asset enters service.

Asset received as a result of Groupe transfers: The purchasing or receiving Business Unit should charge depreciation based on the asset's remaining useful life.

Retirement of tangible assets: Retired assets that are no longer in use must be removed from the balance sheet (see III.3). The sole fact that an asset is fully depreciated does not, on its own, justify its removal from the balance sheet.

Who?

The calculation and reporting of Depreciation on Tangible Assets in accordance with Groupe policy and the presentation of Accumulated Depreciation on Tangible Assets is the responsibility of the Business Unit's CFO.

Why?

To ensure that Investments in Consolidated Companies are properly recorded for Groupe reporting purposes and that they are valued and presented in a consistent manner.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Investments in Consolidated Companies are eliminated on consolidation at Groupe level. All investments in entities that are included in the scope of consolidation of the Groupe must therefore be classified in this category.

A list of the companies consolidated by the Groupe is available in the Groupe reporting system. This list is set up by the Groupe Finance Department on the basis of the criteria set out in this policy.

Investments in Consolidated Companies include investments in entities over which the Groupe has exclusive control.

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.

Control is presumed to exist when the parent holds the majority of voting rights (direct or indirect – over 50%).

Control could also exists when the parent owns less than half of the voting rights, all facts and circumstances should be used to demonstrate the existence of exclusive control, including but not limited to the followings:

- Power to appoint the majority of the Board of Directors,
- Power to govern the enterprise by virtue of contractual or statutory rights,
- Power over the majority of voting rights by virtue of an agreement with other investors, or
- Power to cast the majority of votes at Board meetings.

The existence and effect of potential voting rights that are currently exercisable (share call options for example) are considered when assessing control.

The attention of the Groupe Finance Department should be drawn to any “Borderline” case, in particular when ownership of majority voting rights does not constitute control or when the Business Unit considers that it has control when another investor holds the majority of voting rights.

How?

Investments in Consolidated Companies (i.e. subsidiaries) must be recorded at acquisition cost.

In principle, acquisition cost is comprised solely of the amount paid to the seller for the shares of the acquired Business Unit (and stamp duty or other taxes on purchase, if any).

Acquisition cost is the cost as approved by the Groupe Finance Department for the purposes of initial recognition of the corresponding goodwill on acquisition.

All acquisition related costs (such as due diligence fees, commissions to banks, etc.) must be recognized as expenses of the period.

At Business Unit level it is expressly prohibited to increase the acquisition cost for the effect of restructuring provisions (purchase accounting) – such provisions can only be recorded at Groupe HQ level in the context of accounting for acquisitions (which is a Groupe HQ responsibility).

Any subsequent additional expenditure on earn outs should be recorded as an increase in the investment (See III.35 "Other liabilities - earn out payments"). No accounting entries should be recorded at Business Unit level in respect of buy-outs (where a minority shareholder has a right – a "put" option – to sell its shareholding to the Groupe). Acquisition cost of investments is thus not affected by buyouts.

Under no circumstances should a depreciation be recorded against these investments in Groupe reporting. However, when a company ceases to be consolidated the need for a depreciation should be reviewed and, if necessary, a depreciation should be estimated and recognized. This should be done in liaison with Groupe Finance.

Who?

Reporting of Investments in Consolidated Companies in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

The accounting treatment and reporting of new investments in Consolidated Companies must be validated by the Solution Hub CFO and approved by the Groupe Finance Department.

Why?

To ensure that Investments Accounted for under the Equity Method are properly recorded for Groupe reporting purposes and that they are valued and presented in a consistent manner.

For whom?

All equity accounting should be performed at Groupe level. Business Units that locally perform equity accounting should contact the Groupe Finance Department. For Business Units that are granted the authorization to perform equity accounting, the calculation is performed for monthly and annual reporting, and in annual commitment and rolling forecasts according to the policies set out below.

What?

Investments Accounted for under the Equity Method are investments in entities over which the Groupe does not have exclusive control, but over which it has the ability to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity.

There is a presumption of significant influence when the Groupe holds more than 20 percent of the voting rights, directly or indirectly. Similarly, when the Groupe holds less than 20 percent of the voting rights of an entity there is a presumption that it does not exercise significant influence.

How?

Initial recognition:

On the acquisition and the initial recognition of the investment, any difference (whether positive or negative) between:

- the cost of acquisition including other costs directly attributable to the acquisition, and
- the share of identifiable net assets fair value of the equity accounted company

Should be recorded as goodwill in the same account.

In this context on initial recognition and for Groupe reporting purposes, the value of the investment, is equal to:

- the investor Business Unit's share of the net equity of the equity accounted company (restated if any fair value or accounting policy harmonization adjustments recognized by the investor Business Unit on acquisition), and
- the value of any goodwill on acquisition.

Subsequent recognition:

Movements in the subsequent carrying amount of the Investments Accounted for under the Equity Method must be recorded separately for the two components of cost:

- The investor Business Unit's share of (adjusted) net equity of the equity accounted company, and
- The Goodwill on acquisition also recognized in this caption.

Investor Business Unit's share of (adjusted) net equity of the equity accounted company

The Investors Business Unit's share of (adjusted) net equity of the equity accounted company varies in respect of:

- its share of net income of the equity accounted company
- dividends received,
- any changes in the equity accounted company's capital and
- foreign currency translation adjustments.

1) Share of net income

The Groupe's share of net income of the equity accounted company is obtained by multiplying net income of the equity accounted company by the percentage of its capital held by the investor Business Unit.

This share of income may need to be adjusted for:

- restatement of net income in accordance with Groupe accounting principles,
- the income statement effect of fair value adjustments on acquisition (if any), and
- elimination of transactions between the Business Unit and the equity accounted company in proportion to the investor Business Unit's interest in the equity accounted company.

The Groupe's share of (adjusted) net income is shown in Profit (Loss) on Equity Accounting in the Income Statement. It also increases or decreases the balance sheet value of Investments accounted for under the equity method.

2) Dividends received

Dividends received from equity accounted entities must be eliminated from consolidated net income (decrease in financial income and decrease in the carrying value of the investments)

3) Changes in the equity accounted company's capital and foreign currency translation adjustments

These should be recorded against the appropriate balance sheet headings (generally shareholders' equity).

Goodwill on acquisition

Goodwill is calculated in all cases by the Groupe Finance Department.

Entities with losses:

If the (adjusted) net equity of the equity accounted investment is negative, the carrying amount of the investment is simply reduced to nil (the investor ceases to recognize the losses unless it has made a binding commitment to contribute additional funds to cover such losses).

It continues to recognize the investment at nil until the equity accounted company reports positive net equity under Groupe accounting policies.

If long-term receivables (where the debtor is an equity accounted company) held by the investor Business Unit are impaired, they must be written down to recoverable value.

Who?

Reporting of Investments Accounted for under the Equity Method in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

The accounting treatment and reporting of investments accounted for under the equity method must be validated by the Solution Hub CFO and approved by the Groupe Finance Department.

Approved by the Groupe CFO

Jean-Michel Etienne

Operating procedures - accounting

Investments in Non-Consolidated Companies

III.8 – Page 1/1

Revised on: May 2019

Why?

To ensure that Investments in Non-Consolidated Companies are properly recorded for Groupe reporting purposes and that they are valued and presented in a consistent manner.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Investments in non-consolidated companies include all investments in shares (including investment funds) other than those included in "Investments in Consolidated Companies" (III.6) and "Investments Accounted for under the Equity Method" (III.7).

Thus investments in non-consolidated companies represent shares in entities in which the Groupe holds less than 20% of the voting rights and over which it exercises neither control nor significant influence.

How?

Investments in Non-Consolidated Companies are initially recorded at cost and are restated at fair value in the balance sheet. They must however be maintained at cost where fair value cannot be estimated reliably. Fair value of Investments in Non-Consolidated companies can only be estimated reliably on the basis of stock market prices or future business plans.

Change in fair value (and the related tax effects) is recognized directly into the income statement under "Change in fair value (gain/loss) of financial assets" (see. Financial Income/(Expense) II.19) and the related tax into Income Tax Expense.

Investments in Non-Consolidated Companies are impaired if the decrease in value is considered to be permanent.

Who?

Reporting of Investments in Non-Consolidated Companies, particularly determination of fair values, is the responsibility of the Business Unit's CFO. Fair values of significant investments (greater than € 1 million) must be validated by the Solution Hub CFO and approved by the Groupe Finance Department.

Approved by the Groupe CFO Jean-Michel Etienne	Janus The Book	**Operating procedures - accounting**	PUBLICIS GROUPE
		Deferred Tax Assets	**III.9 – Page 1/1** Revised on: May 2019

Why?

To ensure that Deferred Tax Assets are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for year-end reporting.

For interim reporting (monthly and half-yearly reporting notably), deferred tax assets are maintained at the previous year-end level.

What?

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences and the carryforward of unused tax losses and tax credits.

Deferred tax assets are classified as non-current items.

Refer to III.32 for the applicable Groupe accounting policy.

Who?

Reporting of Deferred Tax Assets in accordance with Groupe policy is the responsibility of the Business Unit's CFO and is subject to the prior approval of the Regional Tax Director and the Groupe Tax Director.

Intercompany Loans, Advances & Deposits

Why?

To ensure that Intercompany Loans, Advances & Deposits are properly recorded for Groupe reporting purposes and that they are valued and presented in a consistent manner.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Intercompany Loans, Advances and Deposits include:

- balances to be received from other Groupe entities resulting from all short, medium and long-term loans, advances and deposits,
- interest to be received on the above intragroup loans, advances and deposits,
- **debit balances arising under intercompany cash pooling arrangements**.

Intercompany Loans, Advances and Deposits exclude:

- receivables balances resulting from transactions usually as part of normal trading activities, which should be recorded as Intercompany Receivables (see III.18), and
- loans to non-consolidated entities, including its related interest, which should be recorded as Loans to affiliates (see III.12).
- credit balances arising under intercompany cash pooling arrangements.

How?

The items included herein should be recorded at their nominal value (cost) increased by accrued interest. Balances should be agreed in writing monthly with the counterpart affiliate, who should have the corresponding Intercompany Financial Debt (see Intercompany procedures – IV.2).

For Groupe reporting purposes no provisions should be recorded against Intercompany Loans to consolidated companies. However, when a company ceases to be consolidated the need for a provision should be reviewed and, if necessary, a provision should be estimated and recognized.

If Intercompany Loans are forgiven in the context of recapitalization of subsidiaries the amount of debt forgiveness is recognized as a reduction of Intercompany Loans and as an expense in the intercompany sub-caption of "Gain & Loss on Disposal of Financial Assets" (see II.17).

Any intercompany loan forgiveness must be approved by the Groupe Tax Director and Groupe Finance Department.

Accrued interest must be recognized on a time-proportion basis in accordance with the contract with the other Groupe Business Unit.

Intercompany cash pooling balances within the same legal entity should be offset (Only net balances with other legal entities remain in the balance sheet).

Balances denominated in foreign currencies should be measured at the exchange rate prevailing at period-end as communicated monthly by the Groupe Finance Department. The effect of remeasurement should be recorded in the income statement as Exchange Gains or (Losses).

Who?

Reporting of Intercompany Loans, Advances & Deposits in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Other Financial Assets

Why?

To ensure that Other Financial Assets are properly recorded for Groupe reporting purposes and that they are valued and presented in a consistent manner.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Other Financial Assets include:

- Deposits and guarantees given, related to leases for example, and
- Net Investment in lease coming from sublease that have a term in excess of one year. (see. III.4). Net investment in lease is define as lease payments due by the sub-lessor over the lease term, discounted at the same interest rate than the one used to calculate the lease liability.
- Non-interest bearing receivables that have an initial maturity in excess of one year.

Other Financial Assets specifically exclude:

- Investments in non-consolidated companies,
- Trade receivables,
- Long-term interest bearing financial receivables, which should be recorded as Loans to third parties or Loans to non-consolidated affiliates, with the related interest recorded as Interest to be received,
- Net Investment in lease coming from sublease (see III.4) that have a term which do not exceed one year which should be reported as "Other debtors" (see III.19).
- Short-term receivables (with an initial maturity of less than one year) resulting from transactions that are not part of the normal trading activities of the Business Unit, for example, receivable balances resulting from the sale of fixed assets, which should be recorded as Other receivables and other current assets, and
- Derivatives (See III.19 Other debtors" and III.40 "Other creditors and other current liabilities").

How?

The items herein should be carried at their nominal value (cost) unless factors indicate there is a recoverability risk resulting from the financial situation of the debtor. The value of non-interest bearing receivables should be discounted using an appropriate rate if the impact is material (i.e. when the pre-tax effect is greater than either 10% of the provision or 100 000 Euros). A provision is recorded when the net recoverable value becomes permanently less than the carrying amount and is recorded in Other financial assets provision.

Who?

Reporting of Other Financial Assets in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Other Loans

Why?

To ensure that Loans to Third Parties, Loans to Affiliates and related Interest to be received (sub-captions of Financial assets collectively "Other loans") are properly recorded for Groupe reporting purposes and that they are valued and presented in a consistent manner.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Loans to Third Parties and Loans to Affiliates and related Interest to be received represent financial receivables and accrued interest thereon. Affiliates represent non-consolidated companies as defined by III.8.

Balances to be received resulting from all short, medium and long-term loans and advances, are recorded under Loans to Affiliates when they relate to non-consolidated Groupe affiliates, or under Loans to Third Parties, for loans to parties unrelated to the Groupe.

These two captions exclude:

- Advance payments to suppliers (included in Other Debtors "III.19")
- Loans to other consolidated Groupe entities, and related interest, which should be recorded as Intercompany Loans, Advances & Deposits,
- Receivables balances resulting from transactions with third parties or non-consolidated affiliates as part of normal trading activities, which should be recorded as Trade Receivables (see III.16),
- Deposits given as a guarantee (for leases for example) and non-interest bearing receivables that have a term in excess of one year, which should be recorded under Other Financial Assets (see III.11),
- Short-term receivables resulting from transactions that are not part of the normal trading activities of the Business Unit, for example, receivables balances resulting from the sale of fixed assets, which should be recorded under Other receivables and other current assets.

- **Loans to Third Parties (other than advances to suppliers) above 100,000 Euros must be approved by the Groupe Finance Department. Strict internal control procedures regulate issuance of loans to third parties – see volume 1 of Janus.**

How?

The items herein should be carried at their nominal value (cost) increased by accrued interest (recorded in a separate caption) unless factors indicate there is a recoverability risk resulting from the financial condition of the debtor. A depreciation is recorded when the net realizable value appears to be permanently less than the carrying amount.

Accrued interest must be recognized on a time-proportion basis.

Balances denominated in foreign currencies should be measured at the exchange rate prevailing at period-end as communicated monthly by the Groupe Finance Department. The effect of remeasurement should be recorded in the income statement as Exchange Gains or Exchange (Losses).

Who?

Reporting of Other Loans in accordance with Groupe policy is the responsibility of the Business Unit's CFO. The Solution Hub's CFO must review, on a regularly basis (May, June, October and December), the position of Other Loan balances in the Solution Hub.

Why?

To ensure that Inventories are properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Inventories consist of:

- Media space bought in advance;
- Commitments to purchase media space before any instructions from the client; and
- Other kind of inventories.

In such cases the Group held an inventory risk and is acting as Principal.

How?

As I**nventories** are carried at the lower of cost and net realizable value, it **should never include any mark-up**. Net realizable value represents the total amount that in all likelihood will be recovered.

At the end of each accounting period, a depreciation should be recorded:
- to cover the excess of cost over net realizable value of inventories, and
- to take account of any uncertainties concerning recoverability of these inventories.

Who?

The maintenance of records to support inventories in compliance with Groupe policy, and the adequacy of the depreciation are the responsibility of the Business Unit's CFO. Inventories risk assessment is the responsibility of the Solution Hub's CFO.

Why?

To ensure that Work in Progress – Unbilled pass-through costs is properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Work in Progress consists of **external** pass-through costs (see definitions in Cost of billings II.2) incurred by a Business Unit on behalf of a client in servicing their business, which have not been billed to the client at the end of the period. These include such items as TV production costs, photographer's fees, print and paper, travel expenses directly billable to clients, events costs, etc…

Work in Progress includes pass-through costs invoiced by both third parties and other Groupe Business Units.

Work in Progress excludes:

- any local sales tax, unless the tax is irrecoverable and the client has agreed to reimburse this additional cost,
- costs incurred for the development of new clients or promotional activities (except when these expenses can be re-invoiced under client arrangements),
- costs incurred prior to agreement of contracts with clients (written confirmation of appointment required from client),
- external costs not directly billable to clients (where clients are other Groupe Business Units the costs must be billable to the final client in order to be included in Work-In-Progress),
- **any external costs when the Business Unit is acting as Principal and the revenue is recognized overtime**, which should be recorded directly into Cost of Sales,
- media space costs when acting as an agent, which should be reclassified in Receivables – Media buying if agent or Unbilled Media Receivable,
- media space costs bough in advance or commitments to purchase media space which should be recorded into Media Inventory,
- accrued revenue, including amounts billable on the basis of hours spent, which should be recorded under Receivables – Accrued revenue, a sub-caption of Trade Receivables,
- **all personnel costs in any form whatsoever** (See definition of personnel costs in II.6). If in specific cases Business Unit and Solution Hub think it could be appropriate to capitalize personnel costs, they should contact Groupe Finance.

Work in Progress should be netted with Pre-billings, when these pre-billings correspond to identifiable services billed in advance to clients.

Work in Progress is stated net of rebates and trade discounts, as these represent reductions from the standard purchase price of a good or service. Rebates and discounts (including volume rebates but excluding cash discounts) that are definitively earned reduce the cost of Work in Progress for unbilled amounts (see II.3 – "Revenue recognition" for specific recognition criteria) and Cost of Billings for work that has already been invoiced to clients.

Work in progress – Unbilled pass-through costs

How?

Work in progress is recognized when the external billable costs are incurred.

As **Work in Progress** is carried at the lower of cost and net realizable value, it **should never include any mark-up**. Net realizable value represents the total amount that in all likelihood will be recovered.

At the end of each accounting period, a depreciation should be recorded:
- to cover the excess of cost over net realizable value of work in progress, and
- to take account of any uncertainties concerning recoverability of Work in Progress.

Estimating the depreciations required to cover recoverability risks

Uncertainty of the recoverability of Work in Progress exists when:
- it includes costs whose reimbursement by the client are in doubt,
- it includes costs which are in excess of the costs specifically agreed with the client,
- there is a client dispute,
- in the case of late or partial payment of amounts already invoiced.

All project/client files and the Work in Progress trial balance should be analysed and reviewed at least at the end of each month and when invoices are issued, to ensure:
- that the status of each project/client file is always up to date and that all relevant backups are available,
- that the Work in Progress balance remains billable to clients and that doubtful balances are detected, regardless of their age,
- unbillables have not been transferred inappropriately to a newly created job (same or different client),
- timely recognition of revenue (see II.3 – Revenue recognition).

A depreciation is recorded against each individual doubtful balance under the "Work in Progress – Provision" caption when risks of recoverability are identified. Costs in excess of the agreed purchase order should be included in the depreciation. Per Groupe policy, general allowances are not allowed.

Work in Progress Aging:

In order to ascertain and evaluate the overall risks relating to Work in Progress accounts, each Business Unit or Solution Hub should establish as part of monthly Groupe reporting, an Aging of Work in Progress summarizing:
1. The gross balance of WiP classified by aging category.
2. The corresponding aged allowance for doubtful accounts recorded.
3. The net aged WiP.

The aging periods represent the number of days passed since the cost was incurred.

The WiP Analysis should show the following aging periods:

- between 0 and 30 days overdue,
- between 30 and 60 days overdue
- between 60 and 90 days overdue,
- between 90 and 120 days overdue,
- more than 120 days overdue,

provisions for doubtful accounts.

Only specific depreciations are permitted under Groupe policy. These specific depreciations should be aged (i.e. matched with the balance being provided) to show the net Work in Progress balance for each aging category. This Work in Progress analysis must be prepared on a monthly basis.

Reporting on the level of irrecoverable balances

Write-off of irrecoverable balances

A doubtful work in progress account must be maintained on the balance sheet until it is definitively considered irrecoverable or non-billable. When definitively unbillable it should be recorded as "Unbillables – Write offs – client related" in Client Costs.

- irrecoverable amounts greater than 50,000 Euros should be approved in writing by the Solution Hub's CFO;
- irrecoverable amounts greater than 300,000 Euros should be approved in writing by Publicis Groupe CFO.

Any write-off performed in Q4 should be approved by Group CFO, as part of the "unusual items" validation, with not threshold.

Ad hoc report on the recoverability of WIP

On a regular basis (May, June, October and December) a review should be performed under the responsibility of each Solution Hub's CFO in respect of the recoverability of Work-in-Progress, its ageing and apparent invoicing delays.

An ad hoc report detailing the Work in Progress balance by client and providing commentary on its recoverability is to be prepared by the Solution Hub's CFO and made available if necessary to the Groupe CFO.

It should conclude on the Solution Hub's CFO assessment of:

- the overall level of Work in Progress (increases, decreases, reasons not yet billed, etc.),
- recoverability of Work in Progress at the level of the Solution Hub, and
- the level of allowances to cover risks of recoverability.

Who?

The adequacy of the depreciation, its compliance with Groupe policy, and the maintenance of records to support Work in Progress are the responsibility of the Business Unit's CFO. Credit control, including Work in Progress risk assessment, setting work in progress credit limits, evaluation of overall Work in Progress exposure and the communication/preparation of the quarterly ad hoc report are the responsibility of the Solution Hub's CFO.

Contract Assets – Accrued Revenue

Why?

To ensure that Contract Assets – Accrued revenue are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Contract assets – Accrued revenue consists of revenue that has been earned by a Business Unit with respect to services provided but which has not been billed to the client at the end of the period end (see revenue recognition policy II.3 and "How?" section hereafter).

How?

Accrued revenue is recognized for services already provided, when the revenue was earned but still unbilled at month-end (cf. revenue recognition policy II.3).

Accrued revenue is recorded in "Contract Assets – Accrued revenue", a sub-heading of Contract Assets. **It only includes the revenue component of future billings in respect of revenue earned at period-end**.

When acting as an "Agent", the cost component of future billings is recorded into "Work in Progress" until the client is billed. (NB: except for unbilled media which is recorded under 'Unbilled Media Receivables").

For the specific case of Non Client Revenue (NCR), the amounts earned but not yet received should be booked in Accrued Revenue net of the amounts to be returned to clients. Since NCR are received, the amounts to be returned to clients should be reported as a credit not by crediting "Accounts receivables" (see. II.3 p8/13).

It is essential that accrued revenue be fully and correctly recognized in accordance with Groupe policy at each month end.

Aging / Overdues:

An aging of accrued revenue should be performed identically to the Trade Receivables overdue analysis. However, the only difference is that the accrued revenue aging should be based on the date the revenue was earned (see. Trade Receivables III.16).

Quarterly ad hoc report:

On a regular basis (May, June, October and December) a review should be performed under the responsibility of each the Solution Hub's CFO in respect of Accrued revenue recorded in "Contract Assets – Accrued revenue".

(Note: A specific ageing procedure must be performed for accrued revenue, which is not automatically aged by the Groupe's reporting system. The "age" of accrued revenue is the number of days since it was first recognized in the income statement – i.e., accrued revenue is not "rejuvenated" each month).

An ad hoc report detailing the balance by client and providing commentary of these matters is to be prepared on a regular basis (May, June, October and December) by the Solution Hub's CFO and made available if necessary to the Groupe CFO.

It should conclude on the Solution Hub's CFO assessment of the absolute level, and recoverability, of Accrued revenue, including justification for invoicing delays.

Who?

Reporting of Contract Assets – Accrued revenue in accordance with Groupe policy is the responsibility of the Business Unit's CFO.
Communication/preparation of the quarterly ad hoc report is the responsibility of the Solution Hub's CFO.

Why?

To ensure that Trade Receivables are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Trade Receivables include:

- trade receivables for services sold as part of normal trading activities;
- trade receivables balances which are doubtful or in dispute (see Trade Receivables Depreciation policy III.17);
- interest receivable on overdue trade receivable balances;
- short-term notes receivable;
- outstanding trade bills or bills of exchange which have not yet matured (regardless of whether they have been discounted with the bank or not);
- receivable balances resulting from media buying activities where Publicis Groupe is acting as an agent, which should be recorded as "Receivables – Media Buying if Agent gross";
- media space aired but not yet billed to the client, reporting into "Unbilled Media Receivables", no matter whether if the vendor invoiced or not the agency;
- less credit notes issued and to be issued;
- less any financial advances received from clients that can be legally offset against Trade receivables balances;
- less any rebates, discounts and refunds to be given to clients in respect of recognized receivables.

Reclassification from Trade Receivables to Trade Payables is limited to the following scenarios:

- If a client has a 'net credit' Trade receivable balance
- Overpayments or duplicate payments that cannot be legally offset against Trade receivables

There should be no reclassification for credit notes where the client has a positive Trade Receivable balance, or if unidentified remittances have been allocated against a client's account.

Trade Receivables balances are stated gross of any relevant local sales, or value added, tax.

Trade Receivables exclude:

- Receivable balances resulting from transactions that are not part of the normal trading activities of the Business Unit. For example, receivable balances resulting from the sale of fixed assets should be excluded from Trade Receivables and recorded instead as Other Receivables.
- Trade receivable balances resulting from transactions with other Groupe entities should be recorded as Intercompany Receivables (see Intercompany Receivable policy – III.18).
- Accrued Revenue, where revenue has been earned but the invoice has not been issued before the period end (see. Contract Assets – Accrued Revenue – III.15).

How?

A trade receivable should not be recorded in excess of its realizable value, that is the amount that will probably be recovered. At the end of each accounting period, a depreciation should be recognized to ensure that this principle is applied (see Trade Receivables Allowance policy – III.17).

Amounts are removed from Trade Receivables at the date that the cash is received (either directly by bank transfers or on the date of the deposit of the check in the bank).

Trade Receivables are stated gross of any potential cash discounts to be granted to clients for early payment. Any such discounts are recognized as an expense in "Early payment discounts" (a sub-caption of "Financial Income (Expense)" – see II.19) at the date of settlement.

Trade Receivables in foreign currencies:

Balances in foreign currencies should be translated at the exchange rate prevailing at period end communicated monthly by the Groupe Finance Department. Any foreign exchange difference arising on such remeasurement should be recognized in the income statement as an "Exchange Gain" or an "Exchange (Loss)".

Securitization (or factoring or discounting with banks) of Trade Receivables:

Securitization (or factoring) of Trade Receivables represents a financing operation where a Business Unit transfers or sells its Trade Receivable balances to third parties in order to realize the receivable balances before their normal due date. **Business Units are prohibited to enter in such operations without the prior consent of the Groupe Finance Department**. This operation should be handled and controlled by the Groupe Treasury department. When authorized, the accounting treatment of the transaction will be instructed by Groupe Finance.

Aging / Overdues:

In order to ascertain and evaluate the overall risks relating to overdue accounts, each Business Unit or Solution Hub should establish as part of monthly Groupe reporting, a Trade and related receivables Overdue Analysis summarizing:

1. The gross balance of Trade and related receivables classified by overdue aging category.
2. The corresponding aged allowance for doubtful accounts recorded.
3. The net aged balance of Trade and related receivables.

The overdue periods represent the number of days passed since original payment due date and therefore depends on the credit terms granted by each Business Unit. It does not represent the aging of the invoice (i.e. time elapse since invoice date).

The Overdue Analysis should show the following overdue periods:

- current (i.e. not overdue),
- between 0 and 30 days overdue,
- between 30 and 60 days overdue
- between 60 and 90 days overdue,
- between 90 and 120 days overdue,
- more than 120 days overdue,
- provisions for doubtful accounts.

It should be noted that "Short term notes receivable" should be shown as current in the overdue analysis.

An aging of unbilled media receivable should be performed identically to Work in Progress, but based on the date the media was run/aired.

Only specific depreciations based are permitted under Groupe policy (see III.16 – Trade Receivables Depreciation policy). These specific depreciations should to be aged (i.e. matched with the balance being provided) to show the net Trade Receivables balance for each overdue category. This Overdue Analysis must be prepared on a monthly basis.

Quarterly ad hoc report:

On a regular basis (May, June, October and December) a review should be performed under the responsibility of each the Solution Hub's CFO in respect of overdue trade receivables and the level of allowances recorded against them.

An ad hoc report detailing the balance by client and providing commentary on both of these matters is to be prepared on a regular basis (May, June, October and December) by the Solution Hub's CFO and made available if necessary to the Groupe CFO.

It should conclude on the Solution Hub's CFO assessment of the adequacy of the allowances recorded against overdue receivables.

Who?

Reporting of Trade Receivables in accordance with Groupe policy is the responsibility of the Business Unit's CFO.
Communication/preparation of the quarterly ad hoc report is the responsibility of the Solution Hub's CFO.

Why?

To ensure that Trade Receivables Depreciations (depreciation for doubtful accounts) are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Applies to all Trade Receivables as described in III.16, which does not include Intercompany Receivables.

How?

The Trade Receivables Depreciation should be determined based on the amount receivable excluding any local sales tax. Bad debt expense is recorded in the income statement under "Bad Debt Allowance & Write-Off" and on the balance sheet under "Trade & related receivables provision".

The Trade Receivables balance should be reviewed periodically, at least once per month to detect doubtful amounts, regardless of their age. The following indicators are used:

- unsuccessful requests for payments and unsuccessful reminders,
- irregular payment (late or partial payment),
- disputes with clients (for balances or services provided),
- client subject to administration or liquidation procedures,
- client in financial difficulties or with liquidity problems.

The depreciation must be estimated on the basis of information available in order to quantify the anticipated loss or potential exposure, and must be reviewed monthly in the light of new information available. Such information can include:

- correspondence with the debtor,
- correspondence with legal and tax advisors,
- opinion of account manager or legal department,
- existence of guarantees or sureties.

Amounts considered to be **doubtful** should be provided for based on the Business Unit's CFO assessment, following consideration of the above information and indicators, of the probable amount recoverable (i.e. realizable value) at the closing date.

Trade receivables from clients in financial difficulty should be provided for even if insolvency proceedings have not yet commenced. The assessment of the Groupe exposure for clients' subject to judicial administration or liquidation procedures should include all other assets whose recovery depends on the financial viability of the client. Where other current assets (Work-in-Progress, notes, etc.) exist on the same third party and a difficulty is identified in respect of the recoverability of trade receivables, the recoverability of the other current assets should also be carefully examined.

All relevant back-up information should be maintained for each receivable balance which is subject to a doubtful account provision. This should include all necessary information to justify the existence and extent of the depreciation.

Irrecoverable balances

A doubtful receivable account must be maintained on the balance sheet until it is considered irrecoverable (if it is statute barred for example). **Irrecoverable receivable** balances must be immediately written off net of any depreciation previously recorded in the income statement under the "Bad Debt Allowance & Write-Off" caption.

- Irrecoverable amounts greater than 50,000 Euros should be approved in writing by the Solution Hub's CFO.
- Irrecoverable amounts greater than 300,000 Euros should be approved in writing by Publicis Groupe CFO.
- Any write-off performed in Q4 should be approved by Group CFO, as part of the "unusual items" validation, with not threshold.

Trade receivable covered by credit insurance

Only the portion of the receivable amount not covered by the insurance policy should be provided for.

Recovery of local sales tax

The Business Unit's CFO is responsible for recovery of the local sales tax, where appropriate.

General Depreciations

General depreciations, such as 5% of Trade Receivables balance, or 100% of overdues > 120 days should not be made. All reserves should be specific, determined and justified individually, irrespective of the age of balances (see also Overdues section in Trade Receivable policy – III.16).

Tax treatment

The Business Unit's CFO should ensure that the Depreciation for Doubtful Accounts is correctly treated in accordance with local tax regulations. All general bad debt allowances recorded solely in order to comply with local legislation should be reversed as an adjustment (reconciling item) for Groupe reporting.

Movements in Trade Receivables Provisions:

There are two lines to track bad debt provision movements counterpart in the income statement:

- Bad debt Allowance
- Write-offs

A breakdown of Bad debt Allowance should be available upon demand of the Groupe Finance Department to justify the variation of the Trade Receivables Depreciation:

- year-to-date amounts charged to expense representing the increases of the depreciation for doubtful accounts on trade receivables;
- year-to-date reversal of the depreciation no longer being required (recoveries) due to write-off of trade receivables irrecoverable balances.

Who?

The calculation of the depreciation in accordance with Groupe policy, interpretation of the subsequent impact and the maintenance of the doubtful debt file records are the responsibility of the Business Unit's CFO.

Shared service centers are responsible for the collection and credit management of all Trade Receivables. However, following unsuccessful requests for payments and reminders, the Business Unit or Solution Hub that which invoiced the services is ultimately responsible for the collectability (as the allowance will be recorded in the Business Unit's income statement).

Credit control, including client risk assessment, setting client credit limits, evaluation of overall client exposure (including work in progress and all media commitments) and collection of accounts receivable balances on a timely basis is the responsibility of the Solution Hub's CFO.

Intercompany Receivables

Why?

To ensure that Intercompany Receivables are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Intercompany Receivables include balances to be received resulting from transactions with other Groupe entities usually as part of normal trading activities.

Intercompany Receivables **exclude**:

- Intercompany loans, advances and deposits, including the interest on these assets, which should be recorded as IC Loans, advances & deposit.
- Loans to non-consolidated affiliates, with its related interest, which should be recorded as Loans to affiliates,
- **All balances arising under Intercompany cash pooling arrangements**.

How?

The items included herein should be recorded at their stated value. Balances should be monthly agreed in writing with the counterpart affiliate, who should have the corresponding Intercompany Payable (see Intercompany procedures – IV. 2).

NB: For Groupe reporting purposes, depreciations must in no circumstances be recorded against Intercompany Receivables on consolidated companies. However, when a company ceases to be consolidated the need for a depreciation should be reviewed and, if necessary, a depreciation should be estimated and recognized.

Balances denominated in foreign currencies should be measured at the exchange rate prevailing at period-end as communicated monthly by the Groupe Finance Department. The effect of remeasurement should be recorded in the income statement under Exchange Gains or Exchange (Losses).

Who?

Reporting of Intercompany Receivables in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Other Debtors

Why?

To ensure that other debtors are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Other debtors include (Note: the term "gross" in the account titles merely reflects the fact that depreciations on Other debtors are recognized separately):

1) **Advisory Service fee Receivable**: is used by the agencies to report the ASF payable balance at month end closing when this balance is a debit.
2) **Receivables – Income Tax Gross**: represents the gross balance of income taxes recoverable from the local or national government.
3) **Receivables – Tax Authorities Gross**: represents the gross balance of local sales tax on purchases made by each Business Unit, which can be claimed from local tax authorities.
4) **Receivables – Employees & Related Gross**: represents the gross balance of loans and advances made to employees to be reimbursed to the Groupe. **Strict internal control procedures regulate issuance of loans to employees – see volume 1 of Janus.**
5) **Advance Payments Made to Suppliers Gross**: represents the gross balance of payments made to suppliers before the requested service has actually been provided to the Business Unit or before the reception by the Business Unit of the product ordered from the supplier.
6) **Receivables on disposals of (in)tangible assets**: represents the gross balance resulting from the sale of fixed assets.
7) **Receivables on disposals of investments**: represents the gross balance resulting from the sale of investments..
8) **Other Receivables Gross**: would include:
   - Net Investment in lease coming from sublease that have a term which do not exceed one year (see III.4).
   - Receivable balances resulting from transactions that are not part of the normal trading activities of the Business Unit and are not part of the other captions above. For example, it would include other claims receivable for losses and sundry accounts receivable not included elsewhere.

How?

Other debtors should not be recorded in excess of its realizable value, that is the amount that in all likelihood will be recovered. At the end of each accounting period, a provision for depreciation should be recorded as soon as a probable loss is identified.

Receivables in foreign currencies:

Balances in foreign currencies should be translated at the exchange rate prevailing at the relevant period close as communicated monthly by the Groupe Finance Department. The effect of remeasurement should be recorded in the income statement under Exchange Gains or (Losses).

Depreciations for doubtful Other debtors:

A depreciation for doubtful other debtors should be recorded as soon as a probable loss is identified. As for Trade Receivables, a depreciation must only be made on individual receivables. Indicators to detect and assess the risk on a **doubtful debtor** are similar with Trade Receivable, please refer to "Trade Receivables Depreciation" III.17.

The depreciation must be classified in the balance sheet account corresponding to its nature. Other debtors provision are recorded in the following five sub-captions: Receivables – Tax Authorities Provision; Receivables – Employees & Related Provision; Disposal of (in)tangible assets Provision; Disposal of non-consolidated investments Provision; Other Receivables Provision. The variation of these depreciations (increases/decreases) should be recorded as expenses or income under the "Bad Debt Allowance" caption in the income statement.

A doubtful debtor account must be maintained on the balance sheet until it is considered irrecoverable (if it is statute barred for example). **Irrecoverable debtor** balances must be written off net of any depreciation previously recorded in the income statement under the "Bad Debt Allowance" caption.

All relevant back-up information should be maintained for each debtor balance which is subject to a doubtful account provision. This should include all necessary information to justify the existence and extent of the depreciation.

- Irrecoverable amounts greater than 50,000 Euros should be approved in writing by the Solution Hub's CFO.
- Irrecoverable amounts greater than 300,000 Euros should be approved in writing by Publicis Groupe CFO.Any write-off performed in Q4 should be approved by Group CFO, as part of the "unusual items" validation, with not threshold.

Movements in Other Debtor Provisions:

As a single line currently exists in the income statement to track bad debt provision movements, due to external disclosure requirements, the following information should be available upon demand of the Groupe Finance Department to justify the variation of the Other Debtors Provision:

- year-to-date amounts charged to expense representing the increases of the depreciation for other debtors;
- year-to-date reversal of the depreciation
    - due to write-off of other debtors' irrecoverable balances, or
    - the depreciation no longer being required (recoveries).

Who?

The calculation of the depreciation in accordance with Groupe policy, interpretation of the subsequent impact and the maintenance of the doubtful debt file records are the responsibility of the Business Unit's CFO.

Reporting of other debtors in accordance with Groupe policy is also the responsibility of the Business Unit's CFO.

Prepaid Expenses

Why?

To ensure that Prepaid Expenses are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Prepaid Expenses include all prepayments (where the expense is paid for before it is incurred) relating to items such as rent, insurance, maintenance agreements, prepaid interest, etc.

Prepaid Expenses exclude:

- Billable costs incurred by a Business Unit on behalf of a client in servicing their business, which should be recorded as Work in Progress (see III.14.),
- Costs incurred in the development of New Business. All such costs should be expensed as incurred in General and Administrative expenses (see II.8 "General and Administrative expenses"), and
- Deferred Charges (Recognition of deferred charges is prohibited under Groupe policy).

How?

Prepaid Expenses are valued at cost, less the portion that has been incurred.

Prepaid Expenses are taken to the relevant expense account as incurred, generally on a time-proportion basis (for example prepaid insurance expenses are recognized in a linear manner over the period insured).

Who?

Reporting of Prepaid Expenses in accordance with Groupe policy is the responsibility of the Business Unit's CFO (complying with the prohibition on recognition of Deferred Charges is also the responsibility of the Business Unit's CFO).

Marketable Securities

Why?

To ensure that Marketable securities are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Marketable securities are short-term securities which:

- are not subject to significant changes in value (as a result of their nature)
- can be easily converted into cash.

Marketable securities are considered by the Groupe to be cash equivalents.

Marketable securities comprise **investments other than shares** purchased with the intention of achieving a short-term capital gain, or in order to receive interest income.

Marketable Securities include in particular:

- short-term investments maturing within 3 months of period end,
- money-market and mutual funds,
- certificates of deposits, listed and unlisted bonds.

The choice of which Marketable securities are held by Business Units must be approved by the Groupe Treasurer for each operation (see. Janus Volume 1).

Marketable securities exclude investments in shares that are recorded in the "Investments in non-consolidated companies" account in the balance sheet.

How?

Marketable securities are recorded, on initial recognition, at acquisition or subscription price. Subsequently, marketable securities are valued at fair value. **This means that unrealized profits and losses on marketable securities are taken to both the income statement and the balance sheet each month**, respectively in Financial income / expense and Marketable Securities captions

Fair value of almost all marketable securities will be determined on the basis of their published market value at period end.

Who?

Reporting of Marketable securities in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Cash

Why?

To ensure that Cash balances are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Cash **includes**:

- current accounts with banks, financial and similar institutions, and
- petty cash.

Cash **excludes**:

- Bank overdrafts, which must be recorded in "Overdrafts" in liabilities
  - As a reminder, under Groupe policy (see. III.33 "Financial debt outside the group"), checks issued which have left the Business Unit's premises at the closing date must be deducted from the balance as shown on the bank statement to obtain the net cash balance (if positive) or bank overdraft balance (if negative)
- Check deposits made to the bank after the closing date (checks on hand from customers – if any, – are not recognized). From an internal control perspective, this practice is generally undesirable.
- Trade bills/bills of exchange presented for collection at the bank which should be recorded as Trade Receivables (trade bills/bills of exchange presented for collection should only be recognized as cash when the current account has been credited with the trade bill amount),
- Short-term investments maturing in less than 3 months which should be recorded as Marketable Securities.
- **Intercompany Cash pooling balances** (which are recognized in "Intercompany Loans, Advance and Deposits" if they are assets and in "Intercompany Financial Debt" if they are liabilities).

Restricted cash

Publicis Groupe retains the right at any time to utilize excess cash for Publicis Groupe cash flow and pooling. It is therefore extremely important that the Groupe Finance Department receive all related documentation and justifications pertaining to any restricted cash balances. No new restrictive agreements should be entered into without the written approval of the Groupe Finance Department.

Foreign currency cash items

Cash balances denominated in foreign currencies should be translated at the exchange rate as communicated monthly by the Groupe Finance Department. Any difference on translation should be recorded in the income statement as Exchange gains or Exchange losses.

Groupe policy prohibits Business Units holding cash balances greater than 200 000 Euros in foreign currencies unless expressly authorized by the Groupe Finance Department.

Offset/Pooling

Debit and credit balances for accounts opened with the same financial institution can only be offset if a contractual right of offset exists.

Write-back of outstanding checks

Outstanding checks that have not been presented to the bank must be written back to the Income Statement within one year (or later if local legislation stipulates that they may still be presented).

Who?

Reporting of Cash in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Share Capital and Additional paid-in Capital

Why?

To ensure that Share capital and Additional paid-in capital are properly recorded for Groupe reporting purposes.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Share capital is comprised of the nominal value of shares in issue.

Additional paid-in capital is principally comprised of the following items:

- share premiums from cash contributions, being the difference between the issue price and the nominal value of shares issued,
- on conversion of bonds to equity, the difference between the nominal value of the Share capital issued and the book value of the bond debt cancelled.

Share capital and Additional paid-in capital exclude:

- Retained Earnings (see III.24),
- Long term advances from other Groupe companies, which are recorded in Intercompany Financial Debt (see III.34),
- Cumulative Translation Differences (see III.25), and
- Other Comprehensive Income (see III.26).

How?

Increases and reductions in Share capital are recorded on the date of the General Meeting of the Business Unit that approves the change. Share capital, and increases and reductions therein, are stated at the nominal amount as per the Business Unit by-laws or per the minutes of the General Meeting that approved the change.

Increases and reductions in share premiums are recorded on the same date as the related capital increase or reduction. Additional paid-in capital arising from the conversion of bonds is recorded on the date that the conversion is legally finalized.

Who?

Reporting of Share capital and Additional paid-in capital in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Retained Earnings

Why?

To ensure that Retained Earnings are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Retained Earnings are comprised of unappropriated profits or losses brought forward. Retained Earnings exclude the following items:

- Net income for the year,
- Additional paid-in capital (see III.23),
- Long term advances from other Groupe companies (which are recorded in Intercompany Financial Debt, see III.34),
- Cumulative Translation Differences (see III.25),
- Other Comprehensive Income (see III.26), and
- Prior year adjustments which are instead recognized in the current period's income statement in the relevant headings (See I.2 "Accounting framework").

How?

Retained Earnings are updated to include the previous year's net income as of January monthly reporting.

Dividends are recorded on the date of payment of the dividend. For dividends subject to withholding tax, retained earnings are debited for the entire amount of cash payments to shareholders (Groupe and third parties) and tax authorities. In other words, the total paid amount (to shareholders and to tax authorities) is considered to be a dividend in the Business Unit's statement of changes of shareholders' equity. Withholding taxes are recognized in income tax expense by the Business Unit which receives the dividend (see II.22).

Dividends should be paid as soon as General Meeting approved the distribution. If any delay is expected between the decision and the payment, the Business Unit should hedge the transaction if necessary following Groupe policy (see. Janus 1).

Other appropriations from Retained Earnings are recorded on the date of the Annual General Meeting of the Business Unit approving the appropriation.

At year-end a specific accounting treatment is applied for Groupe reporting purposes in respect of Advisory Service Fees ("ASF") charged by the Groupe Headquarters to Business Units (refer to II.13 "Advisory Service Fees" for detailed guidance).

Who?

Reporting of Retained Earnings in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Why?

To ensure that Cumulative Translation Differences are properly recorded for Groupe reporting purposes.

For whom?

Cumulative Translation Differences are only to be recognized by the limited number of Business Units and Solution Hubs that have been formally authorized by the Groupe Finance Department to treat loans as net investment in a foreign currency.

What?

Cumulative Translation Differences are comprised of:

- the opening balance of such translation differences brought forward,
- the effect of changes in exchange rates on opening net equity for the year, and
- the difference between net income for the period calculated at the average exchange rate in the income statement and the exchange rate at period end in the balance sheet.

Any movements of Cumulative Translation Differences resulting from the allocation of exchange differences on long term intercompany financial receivables or payables (with subsidiaries or parents) should be formally approved by the Groupe Finance Department.

Who?

Reporting of Cumulative Translation Differences in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Why?

To ensure that Other Comprehensive Income is properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Other Comprehensive Income is comprised of all gains and losses in the period that are recognized directly in equity.

Other Comprehensive Income includes the following items:
- Changes in the fair value of Investments in non-consolidated companies (See III.8 "Investments in non-consolidated companies),
- Certain gains or losses on remeasurement of foreign currency derivatives (See II.21 "Exchange gains and (losses)"),
- Personnel costs arising as a result of share based payment transactions with employees (see II.6 "Personnel Costs"),
- Any current or deferred tax related to the above items recognized directly in equity, and
- Actuarial gain & loss on defined benefits plans (See. III.30).

Other Comprehensive Income excludes:
- Share capital and additional paid-in capital (see III.23),
- Retained earnings (see III.24), and
- Cumulative translation differences (see III.25).

How?

Policies for the recognition and valuation of the components of Other Comprehensive Income are set out in the detailed policies covering the items listed above (i.e., III.8, II.21, II.6 and III.30.)

Who?

Reporting of Other Comprehensive Income in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Provisions for risks & charges – General principles

Why?

To ensure that Provisions for risks and charges are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Provisions for risks and charges are comprised of a certain number of major categories, each of which is dealt with in a separate policy:

- Provisions for restructuring (see III.28);
- Provisions for onerous contracts (see III.29);
- Provisions for pensions and other long term benefits (see III.30);
- Other provisions for risks and charges (See III.31);

How?

A Provision for risks and charges should be recognized when, and only when, the following three conditions are satisfied:

- the Business Unit or Solution Hub has a present obligation (legal or constructive) to a third party as a result of a past event,
- it is more likely than not that a net outflow of resources will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

The Business Unit or the Solution Hub may expect a reimbursement of all or some of the potential expenditure (for example through insurance contracts, indemnity clauses or suppliers' warranties).

The Business Unit or the Solution Hub should:

- recognize the reimbursement when, and only when, it is virtually certain that the reimbursement will be received if the obligation is settled. The amount recognized should not exceed the amount of the provision for risks and charges; and
- recognize the reimbursement as a separate asset. In the income statement the expense relating to a provision for risks and charges is presented net of the amount recognized for a reimbursement

The valuation of provisions for risks and charges should be discounted where the effect of time value of money is material (i.e., when the pre-tax effect is greater than either 10% of the provision or 100 000 Euros). All discounting of long-term provisions must be approved by the Groupe Finance Department.

Who?

Reporting of Provisions for risks and charges in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Why?

To ensure that Provisions for restructuring are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment, mid-month and rolling forecasts.

Restructuring plans must be authorized in the respect of the conditions set out in Volume 1 of Janus and regularly reported on to, the Groupe Finance Department.

What?

Restructuring provisions represent primarily an estimation of the costs relating to the closure or the restructuring of certain activities, resulting from plans that were announced but not as yet executed at period end.

Provisions for restructuring include:

- severance indemnities recorded in the balance sheet account "Provision for severance indemnities", and
- other restructuring costs recorded in the balance sheet account "Provision for other restructuring costs".

Severance costs are costs related to employee termination either as part of a restructuring plan or in the context of an individual redundancy. It also includes salary bridging, which provides income to employees to assist or "bridge" the employee until their next job.

Amounts recorded in the balance sheet account "Provision for other restructuring costs" are very limited as most other restructuring costs are recorded in other, specific, balance sheet accounts.

Provisions for restructuring exclude:

1) Other provisions related to restructuring recorded elsewhere in the balance sheet:
   - impairment losses on assets, which are recorded as provisions against the value of the corresponding assets,
   - vacant location on Lease contract, which are recorded as an impairment of the "right-of-use assets" III.4,
   - other property lease provisions, which are recorded in "Provision for onerous contracts" III.29,
   - other provisions for foreseeable losses, and termination payments, on contracts which are recorded as "Provision for onerous contracts" III.29.

2) Other costs or losses which cannot be provided against under any circumstances:
   - operating losses including losses following a decision to exit a business or activity which are recorded in the income statement of the year,
   - integration costs of newly acquired businesses which are recorded in the income statement of the year they are incurred, and
   - retraining or relocation costs relating to continuing staff.

How?

Provisions for severance costs are recognized when:

- a clearly defined plan (identifying the number, location and positions of employees to be made redundant) formally approved by the Solution Hub CEO and the Solution Hub CFO exists,
- which was communicated to employees before the balance sheet date, in sufficient detail to enable them to have a clear expectation that it will occur and the manner it will operate,
- the cost is estimated in sufficient detail, and
- Groupe Finance has reviewed and approved the plan (please refer to thresholds set out in Janus 1)

If the provision is not recorded on the Business Unit's books but, rather, is recorded at Groupe HQ level, the Business Unit should simply provide the information required (R form procedure) by the Groupe Finance Department **and not record a second provision**.

In that case, restructuring costs are recognized on a cash basis by the Business Unit and adjustments to the restructuring provision are recorded by the Groupe Finance Department on the basis of the information provided in the R schedules.

Recognition of restructuring provisions in the opening balance sheet of the acquired entity is not authorized, i.e., all allowances (increases) to restructuring provisions generate an income statement expense.

For individual redundancies not covered by a restructuring plan, the provision is recognized on notification of redundancy to the employee.
Provisions for salary bridging should be recorded as severance costs when they meet the criteria stated above. The amount of the provision should cover the full obligation.

The valuation of provisions for restructuring should be discounted where the effect of time value of money is material (i.e., when the pre-tax effect is greater than either 10% of the provision or 100 000 Euros). All discounting of long-term provisions must be approved by the Groupe Finance Department.

Who?

Prior to and during a restructuring project, Business Unit management should liaise with the Groupe Finance Department for approval and to be instructed of the proper accounting treatment ng project. However, the full responsibility for reporting Provisions for restructuring in accordance with Groupe policy remains with the Business Unit's CFO under the supervision of the Solution Hub CFO.

Approved by the Groupe CFO Jean-Michel Etienne	**Operating procedures – accounting** **Provisions for onerous contracts**	**III.29 – Page 1/2** Revised on: May 2019

Why?

To ensure that Provisions for onerous contracts are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment, mid-month and rolling forecasts.

What?

Provisions for onerous contracts under Groupe policy include:

- Provisions for loss-making contract, and
- Provisions for contract where the leased premises are actually vacant and an estimate must be made of future facility management costs.

Note : in a Lease contract (see. III.4) a vacant space would imply an impairment of the Right-of-use, and a provision for onerous contracts only in regards of the facility management part of the contract, early termination penalty and broker fees.

Impact on P&L relating to vacant location is recorded in the occupancy cost and reversed below operating income therefore balance of provision for onerous contracts at the end of each reporting period does not include any provision for future rental payments as they are already recorded in lease liability.

Provisions for onerous contracts under Groupe policy may arise:

- In the ordinary course of business, and
- Through fair value accounting on acquisition.

In all cases, provisions for onerous contracts have to be approved (before being recorded) by Groupe Finance Department.

<u>Ordinary course of business</u>

Business Units and Solution Hubs should only recognize Provisions for onerous contracts for property that becomes vacant in the ordinary course of business only on future facility management costs where contracts could not be broken.

<u>Provisions arising through fair value accounting on acquisition</u>

In this circumstance, all provisions for onerous contracts are recorded exclusively by the Groupe Finance.

How?

The provision is estimated at the net amount of all remaining expenses until the end of the contract (and only includes facility management expenses regarding Leases)

Provisions for onerous contracts exclude:

- write-offs for impairment of right of use assets (see III.4 "Right of use assets related to lease) due to vacant space;
- write-offs for impairment of leasehold improvements in premises subject to vacancy and,

Such write-offs are booked directly against the right of use and/or the leasehold improvements at the same time.

Provisions for onerous contracts relating to facility management can only be recognized in respect of sufficiently large portions of leased property that have independent access and are self-contained and are thus capable of being sublet to third parties.

The valuation of provisions for onerous contracts should be discounted where the effect of time value of money is material (i.e., when the pre-tax effect is greater than either 10% of the provision or 100 000 Euros). All discounting of long-term provisions must be approved by the Groupe Finance Department.

Who?

Reporting of Provisions for onerous contracts in accordance with Groupe policy is the responsibility of the Business Unit's CFO. It must be validated by the Solution Hub's CFO and approved by the Groupe Finance Department.

Why?

To ensure that provisions for pensions and other long term benefits are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Pension and long term benefits include, but are not limited to, pension plans, post-retirement benefits such as life insurance and medical care and long term benefits such as deferred compensation. They are included in the balance sheet account "Pensions/other employment obligations".

How?

The Groupe recognizes all Pensions and long term benefits obligations in the balance sheet. It is expressly prohibited to treat such obligations as off-balance sheet items

Pensions and long term benefits plans fall into three categories:

- defined contribution plans: The Business Unit or the Solution Hub pays fixed contributions to a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employee benefits. The amount of contributions incurred in the period is recognized as an expense. Unpaid contributions at the balance sheet date are recorded in Other short-term liabilities (not in Provisions for risks and charges) in accordance with the accruals method, and
- defined benefit plans (all other plans): the benefit amounts to be received upon retirement are defined and accounted for by establishing a provision intended to cover the present value of the obligation to be paid to employees at retirement. Provisions in respect of defined benefit plans are recorded in Provisions for risks and charges.

For defined benefit plans, valuations are to be prepared, or updated, annually by a qualified independent actuary (nomination of the actuary must be approved by the Groupe Finance Department who must receive a copy of the actuary's report for review) taking into account a certain number of actuarial assumptions (expected average remaining service life, return on plan assets, mortality rates, future salary increases, discount rates, etc). The actuarial assumptions must represent the Business Unit's or country best estimates of the future variables and should be unbiased and mutually compatible.
When several Business Units are concerned by the same plans (i.e. retirement indemnity),the actuarial assumptions should be considered at country level.

The balance sheet provision (or asset) in respect of defined benefit plans is a net amount comprising the following three items:

- **Defined benefit obligations for pensions and other post-employment benefits,** which are valued in accordance with the Projected Benefit Obligation valuation method using the benefit/year-of-service approach. Benefit costs are attributed to periods of service in accordance with the plan's benefit formula (e.g., 1.5% of final salary per year). The obligation is determined by discounting the benefit entitlements thus determined.
- **The fair value of plan assets**, and
- **Actuarial gains and losses.** Actuarial gains and losses are recognized in Equity (not in income or expense).

If the net amount represents an asset position, no asset should be recognized prior agreement from Groupe Finance.

The annual pension cost recognized in the income statement has four components, recognized in either personnel costs or financial income (expense) as follows:

Expense (income)	Income statement
Service cost: the actuarial present value of service benefits earned by all participants during the current year,	Personnel costs (II.6)
Past service cost: when the plan amendment or curtailment occurred,	Personnel costs (II.6)
Interest costs resulting from the increase in the projected benefit obligation due to the passage of time	Financial income (expense) (II.19)
Expected return on plan assets[1]	Financial income (expense) (II.19)

[1] The rate to be used to calculate the expected return on plan assets should be the same than the discount rate used to estimate the liability.

Concerning other long-term employee benefits (such as long-term paid absence, jubilee, etc.) the annual pension costs (including service cost, interest cost and remeasurements) should be recognized in profit and loss.

Who?

Reporting of Provisions for pensions and other post-employment benefits in accordance with Groupe policy is the responsibility of the Business Unit's CFO. The provision must be validated by the Solution Hub CFO.

Other Provisions for Risks & Charges

Why?

To ensure that Other provisions for risks and charges are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

The principal types of Other provisions for risks and charges that are recognized under Groupe accounting policies are:

- Provisions for litigation (excluding provisions for litigation with employees which are recorded under "Employee and related payables", a liability account).
- Other provisions for tax liabilities, which only include provisions for risks in respect of taxes other than income taxes. Provision for Income tax are excluded and recorded into Income Tax payable (see. III.39).
- Investment equity method – negative share: expected losses on guarantees to equity accounted companies etc,
- Other provisions, which includes:
  - All other provisions for risks and charges not included in specific provision categories,
  - expected losses related to non-consolidated investments over and above the amount recognized in assets.

How?

Provisions for risks and charges should be recognized when, and only when, the following three conditions are satisfied:

- the Business Unit or the Solution Hub has a present obligation (legal or constructive) to a third party as a result of a **past event**,
- it is more probable than not that an outflow of resources will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

The estimate of the provision should correspond to the outflow of resources from the Groupe company that will be required to extinguish the liability toward the third party.

A range of possible amounts may be identified and, in general, the Business Unit should recognize a provision equivalent to the most probable estimate of the outflow of resources.

Other provisions for risks and charges greater than 300 000 euro should be approved by Publicis Groupe CFO.

The valuation of Other provisions for risks and charges should be discounted where the effect of time value of money is material (i.e., when the pre-tax effect is greater than either 10% of the provision or 100 000 Euros). All discounting of long-term provisions must be approved by the Groupe Finance Department.

Who?

Reporting of Other provisions for risks and charges in accordance with Groupe policy is the responsibility of the Business Unit's CFO under the supervision of the Solution Hub's CFO.

Approved by the Groupe CFO Jean-Michel Etienne	**Operating procedures – accounting** **Deferred Tax Assets** **Deferred Tax Liabilities**	PUBLICIS GROUPE **III.32 – Page 1/2** Revised on: May 2019

Why?

To ensure that Deferred tax assets and liabilities are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

To expressly define Groupe accounting policies in respect of deferred taxes to the attention of all Business Unit CFOs and their accounting teams.

For whom?

This policy must be applied by **all** Business Units and Solution Hubs for year-end reporting.

For interim reporting (monthly and half-yearly reporting), deferred tax assets and liabilities are maintained at their level at the previous year-end. Changes in deferred taxes are effectively recorded through the recognition of a current tax liability or asset based on the accounting results of the period (see II.22 – Income tax expense).

What?

Temporary differences are differences between the accounting amount of an asset or liability in the balance sheet and its tax value. They are deemed "taxable" when their future reversal will give rise to a tax charge and "deductible" when their future reversal will give rise to a tax saving.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.
Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences and the carryforward of unused tax losses and tax credits.

Groupe policy is to take a balance sheet approach to the calculation of deferred taxes – i.e., a systematic identification of the tax and accounting values of all assets and liabilities must be carried out and, subject to certain limitations set out below (notably in respect of limiting of deferred tax assets and of non-recognition of deferred taxes on some temporary differences), deferred tax assets and liabilities must be valued and recognized.

Examples of temporary differences:

- a non-tax deductible accounting provision (for example for bonuses, severance, bad debts, restructuring or vacant location) of euro 100 represents a deductible temporary difference of euro 100 (the tax value is nil),
- a building stated at fair value for accounting purposes will likely have a net accounting value greater than the amount that would be tax deductible on its sale. The difference is a taxable temporary difference. Similarly, temporary differences can exist when tax depreciation is different from accounting depreciation.

How?

Deferred tax liabilities are recognized in respect of all taxable temporary differences, irrespective of their likelihood of reversal.

Deferred tax assets are recognized:

- if their recovery is not subject to future profits (i.e., they can be offset against existing deferred tax liabilities), or
- **if it is probable (more likely than not) that the Business Unit/tax group will recover them** through future profits.
    - In the case of tax groups, deferred tax assets should not be recognized in cases where the tax group has a history of recent losses unless convincing contrary evidence is available to demonstrate that such profits will occur.
    - In the case of standalone Business Units, net deferred tax assets should not be recognized in respect of unused tax losses or tax credits without the prior approval of the Groupe Tax Director (who decides whether recovery is probable).

In situations where deferred tax assets should not be recognized, or should only be partly recognized, under the Groupe accounting policy as set out above, Business Units should record the gross amount of the deferred tax asset and reduce it to the amount that should be recognized through a provision.

The recoverability of deferred taxes must be appraised separately for each Business Unit/tax group and must be reconsidered at each period end based on several year tax forecast if necessary.

All tax accounting entries, including those in respect of deferred taxes, of Business Units that form part of tax groups, must be approved by the head of the local tax group.

Valuation of deferred taxes at year-end involves the following steps (subject to limitations concerning recovery of deferred tax assets set out above):

- identification of all taxable and deductible temporary differences through a complete review of the balance sheet and tax returns. Identification of tax losses and tax credits carried forward,
- calculation of the corresponding deferred tax asset or liability **on the basis of the most recent legal tax rate at the balance sheet date** (taking account of management intentions in respect of the most likely future use of the assets or liabilities generating the temporary differences).

Deferred tax assets and liabilities for each Business Unit/tax group must be offset, irrespective of their dates of reversal, and reported for their net amount. It is not possible to offset deferred tax balances arising from different tax groups.
Deferred tax assets and liabilities should not be discounted.

Deferred tax liabilities are classified as non-current items.

Who?

Reporting of Deferred tax assets and liabilities in accordance with Groupe policy is the responsibility of the Business Unit's CFO. Regional Tax Directors, where such a position exists, must approve the reporting of Deferred tax assets and liabilities in accordance with Groupe policy in the Business Units in their region, under the supervision of the Groupe Tax Director.

Financial Debt outside the Groupe

Why?

To ensure that liabilities in respect of Financial Debt Outside the Groupe are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Financial Debt outside the Groupe includes all amounts owed to banks or other financial institutions (excluding leasing companies) and all amounts owed under bonds and other debt instruments issued by the Groupe to third parties.

It includes the balance sheet headings:

- "Debenture bonds";
- "Other borrowings";
- "Bank loans";
- "Short-term credit facilities";
- "Overdrafts"; and
- "Accrued interest on borrowings and loans".

It includes funding received under securitization or factoring facilities where control (and substantially all risks and rewards of ownership) of the Trade Receivables has not been transferred to the lender (see III.16 "Trade Receivables").

It thus includes both long term and short-term debt.

All Financial Debt Outside the Groupe must be brought to the express attention of the Groupe Treasurer (types of financial debt, conditions, etc), who is in charge of the overall relationship with the Groupe's banks.

It excludes:

- Lease liabilities
- Debts to former shareholders of consolidated companies,
- Earn-out and Buy-out liabilities, and
- Intercompany financial debt,
- **Intercompany Cash pooling balances which are recognized in "Intercompany Loans, Advance and Deposits" if they are assets and in "Intercompany Financial Debt" if they are liabilities**.

Financial Debt outside the Groupe

How?

Financial Debt Outside the Groupe is recognized on the date when the corresponding funds are received by the Business Unit.

In the particular case of bank overdrafts:

- checks issued which left the Business Unit's premises at the balance-sheet date (i.e., which are no longer under the control of the Business Unit) are recognized as bank overdrafts to the extent that their amount exceeds the positive balance, if any, shown on the bank statement.
- Only check deposits made to the bank on or before the balance sheet date can reduce the amount of bank overdrafts (checks on hand from customers – if any, – are not recognized). From an internal control perspective, checks on hand are generally undesirable.

In practically all cases, Financial Debt Outside the Groupe is interest bearing. Accrued interest must be recognized as on a time-proportion basis and should take into account the effective rate of interest on the financial debt (where this rate is different from the nominal rate). In addition to interest, all fees, transaction costs, premiums, discounts etc. are taken into account in calculating the effective interest rate.

Who?

Reporting of Financial Debt Outside the Groupe in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Intercompany Financial Debt

Why?

To ensure that Intercompany Financial Debt is properly recorded for Groupe reporting purposes and that it is presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Intercompany Financial Debt includes:

- Intercompany Long-Term Debt, consisting of borrowings, loans and advances received from consolidated companies, with an original maturity greater than one year by virtue of a contractual agreement.
- Intercompany Short-Term Debt, consisting of those debt obligations, loans and advances received from consolidated companies, with an original maturity of less than one year such as short-term financial loans.
- **Credit balances arising under intercompany cash pooling arrangements**.
- Accrued interest payable on the above intercompany financial debts.

Intercompany Financial Debt excludes:

- Borrowings, loans and advances received from non-consolidated affiliates, which should be recorded as Other Borrowings.
- Debit balances arising under intercompany cash pooling arrangements.

How?

Intercompany Financial Debt is recognized on the date when the corresponding funds are received and at their stated value. Balances should be monthly agreed in writing with the lender affiliate, who should have the corresponding Intercompany Loan, advance or deposit (see Intercompany Procedures IV.2).

Balances denominated in foreign currencies should be measured at the exchange rate prevailing at period-end as communicated by the Groupe Finance Department. The effect of remeasurement should be recorded in the income statement as Exchange Gains or Exchange (Losses).

Intercompany cash pooling balances within the same legal entity should be offset (Only net balances with other legal entities remain in the balance sheet).

In many cases Intercompany Financial Debt is interest bearing. Accrued interest must be recognized, **subject to the agreement with the other Groupe Business Unit**, on a time-proportion basis and should take into account the effective rate of interest on the financial debt (where this rate is different from the nominal rate).

If Intercompany Financial Debt is forgiven in the context of recapitalization of subsidiaries, the amount of debt forgiveness is recognized as:

- a reduction of Intercompany Financial debt,
- as income in the intercompany sub-caption of "Capital Gain & Loss on disposal of financial assets" (see II.17).

Agreements between Groupe Business Units in respect of Intercompany Financial Debt are subject to the approval of the Groupe Treasurer.

Who?

Reporting of Intercompany Financial Debt in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Other Liabilities – earn-out payments

Why?

To ensure that Other Liabilities – earn-out payments are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units that have committed to pay additional purchase consideration to sellers of shares of subsidiary Business Units over a period subsequent to acquisition without obtaining additional shares (arrangements generally termed "earn-outs").

Such Business Units must apply this policy for quarterly and year-end reporting.

What?

Liabilities to previous shareholders of acquired Business Units representing additional purchase consideration for shares already acquired (generally termed "earn-out-payments").

Such liabilities are recorded in the three balance sheet headings "Debts to former shareholders of consolidated companies", "Other debt" and "Earn-out payable".

No liability should be recorded at Business Unit level in respect of contingent liabilities resulting from buy-outs (where a minority shareholder has a right – a "put" option – to sell its shareholding to the Groupe). All accounting for buyouts is performed at Groupe level. Because of entries recorded at Groupe level, no off-balance sheet item is recognized in respect of buyouts.

How?

When acquisition contracts include "earn-out" clauses, an estimated liability for probable future payments is recognized at the date of acquisition (and thus increases Goodwill on initial recognition).

Under Groupe accounting policies this liability includes all future payments to prior shareholders under "earn-out" clauses, irrespective of whether the clause requires the prior shareholder to remain an employee of the acquired Business Unit (over all or part of the period between the acquisition and the date of the "earn-out" payment).

Earn-outs are not future payments tied specifically to individual personal service contracts. Such arrangements are incentives and should give rise to the recognition of Personnel costs.

The Groupe considers that all amounts other than salaries or bonuses paid to prior shareholders generally constitute additional purchase consideration unless the substance of the contract determines otherwise. The spreading of payments to prior shareholders over time merely reflects the requirement to protect the goodwill of the Business Unit purchased and does not represent a payment for services rendered by the prior shareholder as an employee.

At each quarter and year-end reporting date the Business Unit which records the liability must re-estimate its amount on the basis of the most recently available financial information and forecasts (earn-out liabilities generally result from a mathematical formula based on the entities profits and a contractual multiple).

Subsequent movements in the estimate of the amount of the liability are recognized in as an increase or decrease in Other Liabilities with the double entry being booked to investments in consolidated companies (III.6).

Who?

Accounting and reporting of Other Liabilities (earn-out payments) should be prepared under the responsibility of the Business Unit's CFO, validated by the Solution Hub CFO and approved by the Groupe Finance Department.

Lease Liabilities

Why?

To ensure that lease liabilities are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Lease Liabilities represent the present value of the lease payments that are not paid at that date. Lease payments are defined as payments made by a lessee to a lessor relating to use of an underlying asset during the lease term, and mainly include:

- fixed payments, less any lease incentives (mainly rent free periods);
- variable lease payments that depend on an index or a rate;
- exercise price of purchase option (reasonably certain);
- penalty for early termination (if reasonably certain);
- residual value guarantees.

Important: In concessions contract, lease payments would only consist of minimum guarantees over the term of the contract.

How?

Lease liability should be recorded at the commencement date when the underlying asset is made available by the landlord to the agency. No matter if the space is available to make leasehold improvement or to be used by employees.

Lease liabilities are calculated based on the lease payments that are expected to occur over the lease term (see. “Right-of-Use III.4) and discounted using:

- the interest rate implicit in the lease (usually applicable in car lease and IT contracts); or
- if the interest rate implicit in the lease cannot be readily determined, the lessee’s incremental borrowing rate (applicable for all office building lease and concessions contract).

For office building lease and concessions, interests rate used by the Groupe are based on the marginal interest rate of the Group with an additional specific spread for each country to take into account their economic environment. These interests rate are provided by the Groupe Treasury.

After the commencement date, the lease liability is

- increased by the effect of discount rates;
- reduced by the lease payments made; and
- reassessed to reflect any lease modifications.

The effect of discount rates should be recorded in the income statement under "Interest Expense on lease liabilities" (see. II.19).

Lease liability should be broken up in the balance sheet, between "Lease liability – current' for lease payments due within a year and "Lease liability – Non current" for the remaining part.

Business unit are required to provide a maturity schedule for the lease liability to the Groupe Finance Department.

Leases entries:

All contract information need to be accurately and fully reported in the Publicis Lease Accounting application available on "Anaplan" platform. P&L and Balance sheet entries are computed by the tool and should therefore be recorded directly into the financial accounts without alteration.

No difference between the tool entries and HFM is allowed.

Who?

The Business Unit or Solution Hub's CFO is responsible for ensuring adequate application of this policy.

Trade Payables

Why?

To ensure that Trade Payables are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Trade Payables are amounts due in consideration for the purchase of services or goods received as part of normal trading activities of the Business Unit.

Trade Payables include:

- accounts payable to trading suppliers or service providers, including Media costs bought in advance when acting as principal,
- accounts payable balances resulting from media buying activities where the Groupe is acting as an agent, recorded under Payables – re Media Buying (act as agent),
- accrued liabilities:
    - for goods or services received (including G&A expenses) but not yet invoiced by the supplier,
    - for pass-through costs billed to the client where the goods or services have not been received from suppliers (Cut-off on advance billings – see II.2 "Cost of billings"),
    - for Media costs already "aired" or "run" not yet invoiced by media suppliers (should be accrued for in "Unbilled-media payable").
- interest payable on overdue trade payable balances,
- bills of exchange payable,
- less any rebates, discounts and refunds received from trade suppliers.
- less credit notes received and to be received, Reclassification from Trade Receivables to Trade Payables is limited to the following scenarios:
    - If a client has a 'net credit' Trade receivable balance
    - Overpayments or duplicate payments that cannot be legally offset against Trade receivables

There should be no reclassification for credit notes where the client has a positive Trade Receivable balance, or if unidentified remittances have been allocated against a client's account.

Media costs already "aired" or "run" not yet invoiced by media suppliers should be accrued for in "Unbilled-media payable", sub-caption of Trade Payables, no matter if the client has already been invoiced for the media costs.

Media agencies – Reclassification of unbilled media payables:

A month end reclassification entry must be recorded by all media agencies in respect of unbilled media.

Media costs not billed by the media vendor and included into "Payables re media buying (act as agent)" must be reclassified for the purposes of monthly and annual financial reporting into "Unbilled-Media Payables".

This is a one-off closing entry to be recorded each month and reversed on the first day of the following month.

Trade Payables exclude:

- Payable balances resulting from transactions that are not part of the normal trading activities of the Business Unit. For example, payable balances resulting from the purchase of fixed assets should be excluded from Trade Payables and recorded instead under Other Short Term Liabilities, a sub-caption of Other creditors and other current liabilities.
- Trade payable balances resulting from transactions with other Groupe entities should be recorded under Intercompany Payables (see Intercompany Payables policy – III.39).
- All other balances included in "Other creditors and other current liabilities" III.40.
- Accrued interest on borrowings, which should be recorded as part of the debt obligations under Accrued interest on borrowings and loans, a sub-caption of Financial debts outside the Groupe.

How?

The items included herein should be recorded at their nominal cash payment amount.

Balances denominated in foreign currencies should be measured at the exchange rate prevailing at period-end as communicated monthly by the Groupe Finance Department or at the contracted rate if the balance is covered by a forward exchange contract. The effect of remeasurement should be recorded in the income statement as Exchange Gains or Exchange (Losses).

Trade payables are stated <u>net</u> of rebates (including volume rebates) and trade discounts on purchases that are definitively earned (see II.3 – "Revenue recognition" for specific recognition criteria).

Trade Payables are stated gross of any potential cash discounts from suppliers for early payment. Any such discounts obtained are recognized as income in "Early payment discounts" (a sub-caption of "Financial Income (Expense)" – see II.19) at the date of settlement.

Cut-off procedures

Due to the billing dates of the various suppliers and service providers, some amounts due in consideration for the purchase of goods received or services already provided to the Business Unit are unbilled at each month-end. Unbilled goods or services received need to be accrued for and recorded in Trade Payables. This should be applied for monthly reporting purposes.

Who?

Reporting of Trade Payables in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Approved by the Groupe CFO

Jean-Michel Etienne

Operating procedures – accounting

Intercompany Payables

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Revised on: May 2019

Why?

To ensure that Intercompany Payables are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Intercompany Payables **include** balances to be paid resulting from transactions with other Groupe entities usually as part of normal trading activities.

Intercompany Payables must equal the matching intercompany receivables at a Groupe level (see Intercompany procedures IV.2).

Intercompany Payables exclude:

- intercompany loans, advances and deposits to be paid, including the related interest to be paid, which should be recorded as Intercompany Financial Debt, and
- intercompany Cash pooling balances which are recognized in “Intercompany Loans, Advance and Deposits” if they are assets and in “Intercompany Financial Debt” if they are liabilities.

How?

The items included herein should be recorded at their nominal value. Balances should be monthly agreed in writing with the counterpart affiliate, who should have the corresponding Intercompany Receivable.

Balances denominated in foreign currencies should be measured at the exchange rate prevailing at period-end as communicated monthly by the Groupe Finance Department. The effect of remeasurement should be recorded in the income statement as Exchange Gains or Exchange (Losses).

Who?

Reporting of Intercompany Payables in accordance with Groupe policy is the responsibility of the Business Unit’s CFO.

Income Tax Payable

Why?

To ensure that liabilities in respect of Income tax are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Income tax payable include the following items:

1- **Income tax liability**: represents the gross balance of income taxes payable to the local or national government, thus this account is a net of tax expense and payment. This account must be validated the Regional Tax Director in countries where such a director exists.

2- **Uncertain tax provision:** represents the effect on Income tax if an entity concludes that it is not probable that the tax authority will accept its tax treatment. The underlying assumption in the assessment of the provision is that the tax authority will examine all amounts reported and will have full knowledge of all relevant information.

3- **Provisions for tax risks, other than uncertain tax provision.**
Provisions for tax risks should generally not be booked before the start of a tax audit.
Recognition of a provision for tax risks occurs when the risk becomes clearly identified during the audit or upon notification of the tax assessment.

How?

Recognition of provisions for an amount greater than 100 000 Euros is subject to the approval of Groupe Finance Department.

Who?

Reporting of Income tax payable and other provision for tax risks in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Other Creditors & Other Current Liabilities

Why?

To ensure that liabilities in respect of Other creditors and other current liabilities are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

Other creditors and other current liabilities include the following items:

1- **Advisory Service Fee accrual:** represents the accrual of the yearly Advisory Service Fee (ASF) charged by the Groupe Headquarters in exchange for the specialized advisory services they provide to the Business Units.

   Full details of how to account for this balance (including how to deal with currency translation and withholding taxes, if any) are provided by appendix 1 to II.13 "Advisory Service Fees". Please note that the accrual is denominated in local currency. There is therefore no need to adjust the balance for monthly exchange rate variations.

2- **Advance Payment received from clients**: Advance payment received from clients includes:

   - the payments received from clients before services were rendered and no billings have been issued (purely financial advances).
   - pre-billings of pass-through costs when services have not yet been incurred and the cash has been collected from the client.

   It excludes pre-billing of fees which must remain in "Deferred Income".
   Advance payment related to financial advance is not netted with Work in Progress (refer to III.14). When billings are issued, advances are offset against the Trade Receivable if in line with client arrangements and local regulations.

3- **Other short-term liabilities:** represents payable balances resulting from transactions that are not part of the normal trading activities of the Business Unit and are not part of the other captions above. For example, it would include payable balances resulting from the purchase of fixed assets or marketable securities; liabilities for taxes not based on income such as property taxes; sundry accruals and accounts payable not included elsewhere. It however excludes lease obligations which should be recorded under Lease Liabilities (see. III.36).

4- **Tax Authorities payable (not related to Income tax)**: represents the gross balance of local sales tax on sales made by each Business Unit, which should be remitted to local tax authorities.

5- **Employee and related payables**: represents the amounts payable and accrued in relation to employee related costs (also refer to II.6 – Personnel costs).

Employee and related payables include:

a) Accrued wages and salaries, including accrued bonuses and holiday pay;

b) Miscellaneous accrued benefits, such as educational reimbursement;

c) Accrued employee profit-sharing schemes, including the French "Participation";

d) Accrued employee payroll taxes and liabilities related to social programs;

e) Provision for litigation related to employee claims.

Employee and related payables **excludes**:

a) Pension, post-employment and long term benefits, which should be recorded under Pensions and other employment obligations, a sub-caption of Provisions for risks and charges (refer to III.30).

b) Redundancy and severance pay (whether the amount is known exactly or not, and whether or not it is part of a restructuring plan), which should be recorded under Provisions for severance indemnities, a sub-caption of Provisions for restructuring (refer to III.28).

c) Debts to former shareholders, buy-outs and earn out payable, which should be recorded as Other Liabilities (refer to III.35).

d) Expense claims not yet reimbursed to employees (which should be reported under Trade Payables).

How?

The items included herein should be recorded at their nominal cash payment value.

Balances denominated in foreign currencies should be measured at the exchange rate prevailing at period-end as communicated monthly by the Groupe Finance Department or at the contracted rate if the balance is covered by a forward exchange contract. The effect of remeasurement should be recorded in the income statement as Exchange Gains or Exchange (Losses).

Derivatives are recognized at fair value in accordance with the specific instructions received from the Groupe Finance Department (see II.21 "Exchange gains and (losses)").

Who?

Reporting of Other creditors and other current liabilities in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Contract Liabilities - Deferred Income

Why?

To ensure that Deferred Income is properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

The Deferred Income account is exclusively used to defer revenue billed but not earned at the end of the period (for example where amounts have been billed but the services have not been rendered)**.** It is reduction of Billings for the amount of such revenue.

Particular attention should be given to services invoiced in advance or on a monthly basis. Revenue is only recognized when the service has been provided.

Refer to II.3 "Revenue Recognition" for detailed policies in respect of when the Groupe recognizes revenue.

It is essential that deferred income be fully and correctly recognized at each month end.

These items should not be included in Deferred Income:

- Pre-billed pass-through costs – this should be recorded in Accrued Trade Payables or in Advance payment from client only when the cash has been collected from the client.
- Financial advances received from clients – this should be recorded in Advance Payments Received from clients.
- Rent free periods in a Lease – this should be integrated in the calculation of the Lease Liabilities (see. III.36).
- Straight lining of rent free periods in rental contracts identified as contract services – this should be recorded into "Deferred income related to leases" under "Other creditors and other current liabilities".

Who?

Reporting of Contract Liabilities - Deferred Income in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Why?

To ensure that cash flow statements reported to the Groupe are correctly prepared and are presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

In cases where the balance sheets of legal entities have not been "broken down" by Business Unit, the strict minimum required by the Groupe is that Cash Flow Statements be meaningfully analyzed at the level of each country and of each Solution Hub.

What?

The cash flow statement described hereafter is that for Business Unit financial reporting.

The cash flow statement presents inflows and outflows of cash (or net debt), defined for Business Unit reporting purposes as;

- Cash
- plus Cash equivalents (Marketable securities)
- plus Intercompany Loans, Advances & Deposits,
- less Financial Debt Outside the Groupe and Intercompany Financial Debt, during the period using the indirect method.

See, respectively, III.22 "Cash", III.21 "Marketable securities" and III.33 "Financial Debt Outside the Groupe".

This involves classifying such inflows and outflows between those arising from:

- **Operating activities**, being the principal revenue-producing activities of the Business Unit and other activities that are not investing or financing activities.
- **Investing activities** which involves the acquisition and disposal of long-term assets and investments, and include dividends received from equity accounted Business Units.
- **Financing activities**, which are activities that result in changes in the size and composition of the equity capital of the Business Unit.

Net interest paid should be separately disclosed (in respect of interest income and expense outside of the Groupe, Intercompany interest income and expense, and interest expense on finance leases – see II.19 "Financial income (expense)" sections 1 – 4 and section 6).
Income taxes paid should be separately disclosed.

Summarized Cash flow statement:

Cash flow statement heading	***Source/purpose of heading***
Net income for the year	As the Groupe uses the indirect method the cash flow statement starts with net income per the income statement.
+ non-cash items (depreciation, income from equity accounted Business Units, gain or loss on sale of long-term assets)	Being removal from net income of any revenue or expenses which do not generate cash.
+ interest expense / - interest income / + tax expense	These items are removed from net income and replaced (below) by amounts actually paid/received
- interest paid (+ interest received)	Interest paid (received) must be shown separately
- tax paid	Tax paid must be shown separately
+/- changes in working capital	**A most important indicator which demonstrates whether the results generated by the Business Unit in the year generated cash for the Groupe or whether they were absorbed by working capital requirements.** The components of working capital for the purposes of the cash flow statement are provided in **Appendix 1** hereto**.**
= Net cash provided by operating activities (A)	
- Cash paid on acquisition of long-term assets	Being the net investment required in the Business Unit's long term assets to enable generation of cash from operating activities.
+ Cash received on disposal of long-term assets	
= Net cash provided by investing activities (B)	
Sub-total (A + B)	Being defined as "Business Unit cash flow".
+ Capital increases	Being the extent to which any surplus (deficit) in Business Unit cash flow was remitted to shareholders (funded through capital increases).
- Dividends paid	
= Net cash provided by financing activities ©	
Various automatically completed headings necessary from a consolidation perspective (D)	
Change in net debt (A+B+C+D)	**Being the change in the period in net debt, whose components are defined in the content section above.**

How?

For monthly and year-end reporting, Groupe reporting automatically generates the cash flow statement on the basis of the income statement, the balance sheet and various appendices to the reporting package.

Cash management being extremely important from a Groupe perspective, it is thus essential that all Business Unit CFOs fully review the cash flow statement to ensure:

- that the amount of cash from operating, investing and financing activities corresponds to the CFO's understanding of the underlying cash performance (and management) of the Business Unit in the period,
- that any unusual or irregular movements in the different lines of the cash flow statement do not indicate that an error exists in the income statement, the balance sheet or in appendices to the reporting package.

Who?

Reporting of cash flow statements in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Where the balance sheets of legal entities have not been "broken down" by Business Unit, the analysis of Cash Flow Statements is the responsibility of the CFO of each country and of each Solution Hub.

Solution Hub CFOs have to ensure that the consolidated cash flow statements of their Solution Hubs comply with Groupe policy.

IV.1 - Appendix 1 to Cash flow statements – Working capital:

The following balance sheet accounts are defined as working capital in the automatic preparation of the cash flow statement in the Groupe reporting system:

	Assets
CA010	Inventory gross
CA018	Inventory prov
CA100	Work in progress gross
CA180	Work in progress prov
CA212	Contract Assets - Accrued revenue - External
CA213	Contract Assets - Accrued rev.-Acc. Rev. with consol. Cies
CA200	Trade and related receivables gross
CA201	Notes receivables gross
CA210	Accrued revenue - External - (No More Used)
CA211	Accrued rev.-Acc. Rev. With consol. Cies - (No More Used)
CA220	Unbilled media receivable
CA280	Trade and related receivables prov
CA281	Notes receivables prov
CA300G	IC receivables
CA301	Advisory Service Fee Receivable
CA302	SSC Core fees receivable
CA400	Receivables - Media Buying if agent gross
CA402	Receivables - tax authorities gross
CA403	Receivables - employees and related gross
CA405	Advance payment made to suppliers gross
CA408	Other receivables gross
CA480	Receivables - Media Buying if agent prov
CA482	Receivables - tax authorities prov
CA483	Receivables - employees and related prov
CA488	Other receivables prov
CA500	Prepaid expenses
CA560	Derivative assets FX-Working capital
WCA	**Total working capital assets**

	Liabilities
RC100	Provision for severance indemnities - LT
RC101	Provision for other restructur. costs-LT
RC102	Provision for litigation - LT
RC103	Prov. for Vacant Location - LT
RC105	Pensions/ other employment obligations-LT
RC106	Deferred Compensation & Other LT Employee Benefits - LT
RC108	Provisions for tax risk (excluding Income tax risk) - LT
RC109	Other provisions - LT
RC125	Provision for Retention Compensation - LT
RC200	Provision for severance indemnities - ST
RC201	Provision for other restructur. costs-ST
RC202	Provision for litigation - ST
RC203	Prov. for Vacant Location - ST
RC205	Pensions/ other employment obligations-ST
RC206	Deferred Compensation & Other LT Employee Benefits - ST
RC208	Provisions for tax risk (excluding income tax risk) - ST
RC209	Other provisions - ST
RC225	Provision for Retention Compensation - ST
CL200	Trade payables
CL210	Accrued Trade payables
CL220	Unbilled media payable
CL300G	IC payables
CL301	Advisory Service Fee payable
CL310	Advisory Service Fee Accrual
CL400	Payables re media buying (act as agent)
CL401	Provision on holiday pay
CL402	Advance payments received from clients
CL403	Other short term liabilities
CL404	Tax authorities payable (excl.inc. tax)
CL405	Employee & related exp. - other payable
CL410	Bonus previous years - payable
CL411	Bonus current year - payable
CL412	Deferred income related to leases
CL500	Contract liabilities - Deferred income
CL560	Derivative liabilities FX-Work. capital
WCL	**Total working capital liabilities**

Why?

To clearly outline Publicis Groupe procedures pertaining to Intercompany transactions and therefore ensure consistency of accounting and facilitate elimination and reconciliation of intercompany balances.

While intercompany reconciliation is essential for consolidation, it is also a critical accounting procedure required for the accuracy of Business Units' stand-alone accounts

For whom?

This policy must be applied by all Business Units and Solution Hubs for monthly and year-end reporting. It must also be applied in the preparation of annual commitment and rolling forecasts.

What?

1) Intercompany accounts

This table demonstrates:
- the accounts and their counterpart to be used for intercompany transactions;
- the accounts subject to intercompany reconciliation procedures.

All intercompany reconciliations must be performed based on HFM™ reporting figures (and not on figures in local systems/ledgers).

Balance sheet accounts:

Assets	**Liabilities**
CA300G - Intercompany receivables (enter asset as a positive number)	CL300G - Intercompany payables (enter liability as a positive number)
CA301 - Advisory Service Fee receivable (enter asset as a positive number)	CL301 - Advisory Service Fee payable (enter liability as a positive number)
CA409G - IC tax receivable (enter asset as a positive number)	IT 200G - IC Tax payable (enter liability as a positive number)
	CL402 - Advance payments received from clients (plus sign when credit, minus sign when debit)
FA301G - Intercompany loans, advances & deposits (enter asset as a positive number)	FD100G - Intercompany financial debt (enter liability as a positive number)
FI108 - Intercompany dividends received (enter asset as a positive number)	EQ103 - Retained earnings adjustments (Intragroup dividends) (enter liability as a negative number)
	EQ160G - Bonus (plus sign when credit, minus sign when debit)
	EQ190G - Inter unit link (plus sign when credit, minus sign when debit)

Main Income statement accounts:

Income	Expense
RV10 - Intercompany billings	RV20 - Intercompany cost of billings
OP131 - Intercompany staff cost recharges – income (enter income as a positive number)	OP131 - Intercompany staff cost recharges – expense (enter expense as a negative number)
OP167 – Interco. Bonus recharge income (expense) (enter income as a positive number)	OP167 – Interco. Bonus recharge income (expense) (enter expense as a negative number)
OP13P – IC Production Platform recharge (enter income as positive number)	OP13P – IC Production Platform recharge (enter expense as negative number)
OP18A – Exchange Allocated Fixed PC income (expense) (enter income as a positive number)	OP18A – Exchange Allocated Fixed PC income (expense) (enter expense as a negative number)
OP20_BMP – Billable Media Costs – Acting as Principal (enter income as a positive number)	OP20_BMP – Billable Media Costs – Acting as Principal
OP20_BMP – Billable Production Costs – Acting as Principal (enter income as a positive number)	OP20_BMP – Billable Production Costs – Acting as Principal (enter expense as a negative number)
OP20A – Exchange Allocated Client Costs income (expense) (enter income as a positive number)	OP20A – Exchange Allocated Client Costs income (expense) (enter expense as a negative number)
OP30A_C – Echange Allocated Overheads – Costs (enter income as a positive number)	OP30A_C – Echange Allocated Overheads – Costs (enter expense as a negative number)
OP30A_P – Echange Allocated Overheads – Profit (enter income as a positive number)	OP30A_P – Echange Allocated Overheads –Profit) (enter expense as a negative number)
OP207 - IC Coordination and Creative fees – income (expense) (enter income as a positive number)	OP207 - IC Coordination and Creative Fees – income (expense) (enter expense as a negative number)
OP314 - IC rental income (expense) (enter income as a positive number)	OP314 - IC rental income (expense) (enter expense as a negative number)
OP321 - Other Intercompany mgmt fees – income (enter income as a positive number)	OP321 - Other Intercompany mgmt fees – expense (enter expense as a negative number)
OP325 - SSC Recharges – Core BS (enter income as a positive number)	OP322 - SSC Costs – Core BS (enter expense as a negative number)
OP326 - SSC Recharges – Core IT (enter income as a positive number)	OP323 - SSC Costs – Core IT (enter expense as a negative number)
OP327 - SSC Recharges – Non Core BS (enter income as a positive number)	OP324 - SSC Costs – Non Core BS (enter expense as a negative number)
OP328 – SSC Recharges – Non Core IT (enter income as a positive number)	OP329 – SSC Costs – Non Core IT (enter expense as a negative number)
OP32INI – Income – Intra SSC I/C	OP32COI – Costs – Intra SSC I/C
OP343 – Travel & Living (enter income as a positive number)	OP343 – Travel & Living (enter expense as a negative number)
OP344 – Other fees Big Four (enter income as a positive number)	OP344 – Other fees Big Four (enter expense as a negative number)
OP349 – Consultancy fees (enter income as a positive number)	OP349 – Consultancy fees (enter expense as a negative number)
OP355 – Agency Publicity, Sponsoring and Intern. Communication (enter income as a positive number)	OP355 – Agency Publicity, Sponsoring and Intern. Communication (enter expense as a negative number)

Income	Expense
OP361 – Insurance (enter income as a positive number)	OP361 – Insurance (enter expense as a negative number)
OP363 * – Landline (enter income as a positive number)	OP363 * – Landline (enter expense as a negative number)
OP365 – Facility Management (enter income as a positive number)	OP365 – Facility Management (enter expense as a negative number)
OP367 – Service costs - Accounting, treasury, tax (enter income as a positive number)	OP367 – Service costs - Accounting, treasury, tax (enter expense as a negative number)
OP369 * – Service costs – IT (enter income as a positive number)	OP369 * – Service costs – IT (enter expense as a negative number)
OP371 – Service costs – Other services (enter income as a positive number)	OP371 – Service costs – Other Services (enter expense as a negative number)
OP377 – Other income from IC Recharge (enter income as a positive number)	OP375 – Other Expenses (IC and Third party) (enter expense as a negative number)
OP383* – Business Knowledge, Seminars & events (enter income as a positive number)	OP383 – Business Knowledge, Seminars & events (enter expense as a negative number)
OP411 - IC prod centre alloc income (exp) (enter income as a positive number)	OP411 - IC prod centre alloc income (exp) (enter expense as a negative number)
FI105 - Intercompany interest income (enter income as a positive number)	FI100 - Intercompany interest expense (enter expense as a negative number)

*: other sub accounts are available such as OP363_EXP, OP363_MOB, OP363_PDA, OP363_REG, OP363_TEP, OP369_CONS, OP369_HARD, OP369_MAINT, OP369_SOFT, OP384_IT, OP384_NIT

Headcount account:

Transfer In	Transfer Out
EF10_CPFT – Confirmed Headcount on Payroll – Fixed term contract (enter transfer in as a positive number)	EF10_CPFT – Confirmed Headcount on Payroll – Fixed term contract (enter transfer out as a negative number)
EF10_CPNT – Confirmed Headcount on Payroll – No term contract (enter transfer in as a positive number)	EF10_CPNT – Confirmed Headcount on Payroll – No term contract (enter transfer out as a negative number)
EF10_E – Student Trainees on payroll (enter transfer in as a positive number)	EF10_E – Student Trainees on payroll (enter transfer out as a negative number)
EF10_SPFT – Senior Headcount on Payroll – Fixed term contract (enter transfer in as a positive number)	EF10_SPFT – Senior Headcount on Payroll – Fixed term contract (enter transfer out as a negative number)
EF10_SPNT – Senior Headcount on Payroll – No term contract (enter transfer in as a positive number)	EF10_SPNT – Senior Headcount on Payroll – No term contract (enter transfer out as a negative number)

2) Intercompany reconciliation procedures

Intercompany balances must be eliminated on consolidation, and thus the key issue from a consolidation perspective is that they be symmetrically recognized in income by the "providing Business Unit" and in expenses by the "client Business Unit".
(Note: Intercompany billings are strictly limited to the amounts billed under contractual arrangements between the Groupe Business Units. No accrued revenue can be recognized in Intercompany receivables. Intercompany billings cannot under any circumstances be affected by accrued (unbilled) revenue).

The Groupe rule is that balances per the providing Business Unit (i.e., the seller, being the Business Unit issuing the invoice) are considered to be correct for intercompany reconciliation purposes and that the client Business Unit (the purchaser) must adjust its figures to agree with the providing Business Unit (the seller).

In order to raise invoices, the providing Business Unit (seller) must comply with strict guidelines:

- For annual costs such as ASF, SSC charges, inter-company rent charges (list not of a limitative nature) the support of an annual contract/agreement is required and the invoices must be raised based on these agreements.
- For all other/client costs, the providing Business Unit (seller) is only able to raise an invoice on the basis of an approved purchase order (or signed off media plan) from the buyer.

It is the responsibility of the providing Business Unit to ensure that it has the necessary documentation (i.e., annual agreement, approved purchase order or signed-off media plan only – no other documentation is sufficient) for issuance of the invoice.

Additional rules for invoicing

- Invoicing company invoices in its own functional currency. Exception to this rule should be validated by Groupe Treasury.
- No bill/recharge for any intercompany amount under 1,000 Euro (or equivalent). The only exception to this rule is for Media price adjustments where client transparency requires that exact amounts be billed. Charges less than 1,000 Euro can be allocated together on one invoice.
- Invoicing must be done and sent on a monthly basis and within the Intercompany deadlines specified below. When the amount of the invoice can't be determined precisely before these deadlines, an estimate must be made in order to be in a position to invoice on due dates and an adjustment is made on the next invoice. Non-compliance with this procedure will lead to a negative presumption in the dispute process.
- Invoices should be raised with the name of the person who has ordered the work and should mention the Groupe reporting entity codes (per HFM™) of the sender (balance sheet and income statement) and the purchase order number(s) or contract reference.
- Invoices should be addressed to the Shared Services Center serving the Business Unit or, if none, to the Business Unit's accounting department.
- Credit notes must be raised for rejected amounts within one month of invoice date, if not, the disputing Business Unit should follow the dispute resolution procedure set out below.
- Intercompany invoices must be paid within 30 days. To avoid potential payment/receipt mismatches at month end, intercompany payments must be made before the 24th of a month.
- As a specific procedure, when an SSC exists in the country, the Country Treasurer and the Chief Accounting Officer are responsible for paying all intercompany invoices after 30 days without consulting the Business Unit CFO, irrespective of whether the amounts are due to Business Units within, or outside, the country. The existence of a dispute must not stop or delay payment – rather the dispute resolution procedure set out in IV.2 must be followed.

In the event of a dispute the client Business Unit (the purchaser) must book the invoice until the dispute is resolved. **No exceptions whatsoever are tolerated from this rule.**

No intercompany differences should be held in a balance sheet suspense account. Inclusion of intercompany differences in such suspense accounts (or in any other accounts in other debtors and other creditors) will be considered as serious misconduct.

It is the responsibility of the SSC Chief Accounting Officer (CAO) to ensure that there is a corresponding debit and credit for all inter-company transactions between entities served by the SSC. This rule applies irrespective of whether the two Business Units are members of different Solution Hubs. In this manner, the SSC CAO constitutes the primary level of the dispute resolution procedure and he or she must ensure that country-level differences are eliminated before submission of HFM™ monthly reporting to the Group.

As a specific procedure, when an SSC exists in the country, the Country Treasurer and the Chief Accounting Officer are responsible for paying all intercompany invoices after 30 days without consulting the Business Unit CFO, irrespective of whether the amounts are due to Business Units within, or outside, the country. The existence of a dispute must not stop or delay payment – rather the dispute resolution procedure set out below must be followed.

Each month-end, intercompany balances are to be agreed between Groupe Business Units in the invoicing currency. The providing Business Unit initiates this month-end intercompany confirmation procedure. **The confirmed balances must correspond to the amounts recorded in the Business Units' HFM™ reports**.

Cut-off for intercompany invoicing purposes must be completed by the 24th of each month. Invoices after this date will be recorded in the following month.

In order to expedite the recording of intercompany invoices by purchasers, the providing Business Unit must send the purchaser, at the close of business on the 24th of the month:

- A summary of its month-end intercompany positions (using the "Intercompany balances reconciliation form" attached in appendix 1 hereto), and
- Emailed ".pdf" or faxed copies of invoices issued since the 17th of the month (in case they have not yet arrived by post).

As soon as possible after the cut-off date, the month's intercompany balances should be agreed in writing with the counterpart Business Unit, who should have the corresponding Intercompany account:

- Balances should be confirmed,
- HFM™ mismatch reports (using the HFM™ intercompany scenario) should be generated in order to support the reconciliation process.

This reconciliation process should:

- commence at midday Paris time on the 25th of the month using the intercompany scenario in HFM which is compulsory. (Data is transferred to the actual scenario in HFM on 3th day after the month end).
- IC reporting should be completed by all Business Units by the last day of the month (before commencing reporting of actual figures).
- IC reconciliation should be completed with mismatches resolved by 3rd day after the month end (Noon, Paris time).

This is a compulsory procedure.

Dispute resolution procedure:

It is imperative that a speedy and binding dispute resolution procedure be in place at the level of each Solution Hub and in the Groupe as a whole:

- All disputes in respect of invoices among the Business Units of a Solution Hub must be resolved by the Solution Hub CFO within 30 days of the end of the month of establishment of the invoice, and
- All disputes outside of the Solution Hub perimeter must be resolved between the respective Solution Hub CFOs or, exceptionally, and only for items above €1 million, escalated to the Groupe CFO for resolution. This must occur within 60 days of the end of the month of establishment of the invoice.

At the time of issuance of this revised policy, a number of intercompany differences exist between Groupe Business Units and Solution Hubs. It is critical that a remediation plan is put in place for the resolution of all such differences, following the dispute resolution procedure outlined above.

Who?

It is the responsibility of the Business Unit's CFO to ensure that all Business Units under his or her control comply with the above procedures.

It is the responsibility of the SSC Chief Accounting Officer (CAO) to ensure that there is a corresponding debit and credit for all inter-company transactions between entities served by the SSC and to adjust Business Units HFM™ monthly financial reporting as necessary.

It is the responsibility of the Solution Hub CFO to resolve any disputes concerning intercompany invoicing between Business Units in his or her Solution Hub and to ensure they are adjusted.

Intercompany differences outside the Solution Hub perimeter must be resolved between the respective Solution Hub CFOs or, exceptionally, escalated to the Groupe CFO's for resolution.

1) ***Legal entities, management entities***

In order for intercompany balances to eliminate on consolidation, it is critical that intercompany balances are reported correctly. The following general points should be noted when submitting intercompany numbers:

- The first two letters of the entity code represent the country e.g. AU – Australia.

- In most circumstances in Groupe reporting, the legal entity is the same as the management entity (Business Unit). In this case, it is simple to declare intercompany transactions and balances using the correct entity code. However, in some instances, the legal entity is split into various different Business Units, to reflect the management structure of that entity where income statements feed into one balance sheet. Greater care needs to be taken when declaring intercompany amounts and transactions, as the amount must be declared with the correct management entity to ensure elimination on consolidation.

- Illustration: As Publicis Conseil is split into 3 separate management entities; each has a separate income statement. All of the income statements feed into one balance sheet, Publicis Conseil – Base Business Unit.

  Therefore, if another entity, for example, Publicis Dialog France provides a service to Publicis Coordination Internationale (a management entity part of Publicis Conseil legal entity), the income transaction must be declared in the income statement of entity FR1003L, but the balance sheet amount can only be declared in entity FR1001L, where the balance sheet sits.

  For example:

One Legal entity	Three Management entities
Publicis Dialog	FR1212 – Publicis Dialog France
	FR5638 – New Publicis Activ Paris
	FR6260 – Publicis Nurun Paris

A list of Groupe entities is available in the "applications" tab on the homepage of the Groupe HFM™ reporting system. This list indicates the legal entity in each case, the management reporting entities making up the legal entity and the relevant balance sheet and income statement codes.

2) Groupe format for Intercompany reconciliation:

PUBLICIS GROUPE

INTERCOMPANY BALANCES RECONCILIATION FORM AS OF ________________________

SENDER: ______________________	Company: __________	Code: __________	Contact: ____________________ Phone: ____________________
RECEIVER: ______________________	Company: __________	Code: __________	Contact: ____________________ Phone: ____________________

Declared by the sender (in '000)						
Account	Date of invoice	Invoice number	Invoicing currency	Amount in the currency invoiced	Amount in sender's local currency	**Receiver comments**
IC loans, advances & deposits (FA301G)						
Total interco loans, advances & deposits (FA301G)					0	
Intercompany receivables (CA300G)						
Total intercompany receivables (CA300G)					0	
Advisory Service Fee (payable) receivable (CA301)						
Total Advisory Service Fee (payable) receivable (CA301)					0	
Total Receivables					0	
Intercompany financial debt (FD100G)						
Total Intercompany financial debt (FD100G)					0	
Intercompany payables (CL300G)						
Total Intercompany payables (CL300G)					0	
Total Payables					0	

Final reconciliation

Off-Balance Sheet Items

Why?

To ensure that off balance sheet items are properly recorded for Groupe reporting purposes and that they are calculated and presented in a consistent manner by all Business Units and Solution Hubs.

Given that groups operating in the communications sector often have significant levels of off-balance sheet commitments, their monitoring and reporting is extremely important.

Groupe policy is that off-balance sheet guarantees and commitments should be kept to a strict minimum and that procedures for granting such guarantees and commitments (See Janus 1) be strictly complied with.

For whom?

This policy must be applied by all Business Units and Solution Hubs for May, June, October and December reporting.

What?

Off balance sheet items include the guarantees and commitments given to and received from third parties by the Groupe.

Guarantees and commitments given to and received from third parties only include those that are in addition to amounts already reported on the balance sheet of a Groupe Business Unit.
For example, if a parent Business Unit guarantees a bank borrowing of a subsidiary, this should not be reported off-balance sheet commitment. Indeed, the underlying balance is already reported in the Groupe consolidated balance sheet.

However off-balance sheet items given to or received from other Groupe Business Units must be reported by each Business Unit separately from guarantees and commitments given to third parties (this include the specific case of the paragraph above).

Group policy is that Parent Company Guarantees (see definition in Janus 1) are charged at a rate of 1% per annum except for media guarantees requested in the normal course of business. In the case of guarantees for real estate leases, the annual charge of 1% is calculated on the total outstanding commitment to the first break date of the lease.

Costs of bank guarantees are borne by the Business Unit that receives them.

Examples of off balance sheet commitments given to third parties are:

- Performance Guarantees (Janus 1),
- Non-recourse trade receivables factoring (See III.16),
- Mortgages and other pledges on Business Unit assets,
- Guarantees given,
- Rental Commitments only under rental contracts identified as service contracts (see. III.4) (these are to be analyzed by maturity – they include all future Rent expense under the lease). Rental contracts identified as Leases should be recorded in the balance sheet (see. III.4).

Commitments to purchase media space are expressly excluded from Off-Balance sheet items and have to be reflected into the Balance Sheet.

Buy-out commitments arising in situations where a Groupe Business Unit has acquired a majority shareholding in a Business Unit and has committed itself to purchase the minority shareholders' interests, or has the option to purchase such interests, **are excluded from off-balance sheet items**.

Examples of off balance sheet commitments received are:

- Unused lines of credit with banks,
- Guarantees received,
- Commitments received to purchase Business Unit assets.

Off-balance sheet items also include contingent liabilities which are defined as:

- possible obligations arising from past events, whose the existence will only be confirmed by the occurrence (or non-occurrence) of uncertain future events, which are not wholly within the control of the Business Unit, and
- present obligations arising from past events which are not recognized as provisions for risks and charges in the balance sheet because it is more unlikely than not that an outflow of resources will be required to settle the obligation.

How?

By definition off-balance sheet items are not recognized in the balance sheet or income statement, rather they are disclosed in the footnotes to the financial statements.

All off-balance sheet items greater than 250 000 Euros must be reported to the Groupe at each Hard Close (May, June, October and December) using the specific schedule included in the Groupe reporting package.

They are valued at the total amount of the future outflow, or inflow, of resources that would, or will, result from the guarantee being called, the commitment being fulfilled or the contingent liability crystallizing.

Guarantees and commitments given and received must be separately identified and not offset:

- If a Business Unit has given a guarantee to a third party and received a matching guarantee from another third party, such amounts must not be offset,
- If a Business Unit has issued a guarantee to a third party and has received a matching guarantee from another Groupe Business Unit, such amounts must not be offset and must be carefully analyzed by the Business Unit between intra-group commitments received and commitments given to third parties.

Who?

Reporting of off-balance sheet items in accordance with Groupe policy is the responsibility of the Business Unit's CFO. However, Solution Hub CFOs have the overall responsibility to ensure that all balance sheet items above 250 000 euros are disclosed.

Backlog revenue

Why?

To ensure that Backlog revenue is properly recorded for Groupe reporting purposes and that it is calculated and presented in a consistent manner by all Business Units and Solution Hubs.

For whom?

This policy must be applied by all Business Units and Solution Hubs for May, June, October and December reporting.

What?

Backlog Revenue should include the remaining revenue to be recognized in the future until the end of the contract only signed contract and/or a purchase order.

As a practical expedient, Business Units do not have to disclose in their backlog, future revenue:

- when contract has an original expected duration of one year or less;
- when the business unit has the right to consideration from a client in an amount that corresponds directly with the value to the client of the entity's performance completed to date (e.g. contract where the entity bills a fixed amount for each hour of service provided).

Only highly probable revenue will be taken into account without any variable considerations i.e. bonus based on qualitative or quantitative objectives should not be included.

<u>Backlog revenue includes:</u>

- Remaining fee to be recognized over next periods on a non-cancellable multiyear contract (e.g. a two-year non-cancellable contract remunerated by a retainer fee).

  In case of an automatically renewable contract, only the revenue between the reporting period and the first break should be reported in the backlog i.e. assuming that the contract will not be renewed.

<u>Backlog revenue excludes:</u>

- Variable fee: e.g. fee commission on media spent, incentives, AVBs, out of pocket expenses, production costs, etc…
- One year contract or less:
  - no revenue should be reported in the backlog on one-year contract even if revenue is recorded between two reporting periods;
  - one-year contract automatically renewable should not be considered as multiyear contract.
- Contract on T&M basis where the Business Unit can bill the actual time spent at a predefined rate.

How?

Backlog revenue should be reported by clients to the Groupe at May, June, October and December closing using the specific schedule included in the Groupe reporting package.

Who?

Reporting of Backlog revenue in accordance with Groupe policy is the responsibility of the Business Unit's CFO.

Approved by the Groupe CFO

Jean-Michel Etienne

Operating procedures - accounting

Accounting for legal mergers of Business Units

PUBLICIS GROUPE

Revised on: May 2019

Why?

To ensure that, when legal mergers of Business Units occur, generally for reasons of tax optimization or of simplification of the Groupe structure, that financial reporting to the Groupe for the merged Business Unit is consistent with the prior financial reporting of the Business Units on a standalone basis.

Legal mergers of Business Units should have no effect whatsoever on the figures reported to the Groupe.

For whom?

This policy must be applied by all Business Units that undergo legal mergers*. It must be applied in the period in which the merger occurs and the restated balance sheet figures obtained must serve as a basis for all future reporting by the merged entity thereafter, irrespective of the amounts shown in locally published financial statements.

* For asset mergers of Business Units (where the Business Unit whose business is taken over does not legally cease to exist) the following policy should be applied (elimination of all effects of the merger on Groupe reporting) except for its components concerning the stockholders' equity of the transferring Business Unit and the investment account in the receiving Business Unit (see below).

It must be applied for all financial reporting to the Groupe: monthly and year-end reporting, together with annual commitment and rolling forecasts.

What?

Policy applicable to all financial statement headings

How?

The underlying principle is that no revaluations of assets and liabilities should occur simply because two Business Units undergo a legal merger.

The amounts at which the assets and liabilities of the absorbed Business Unit (the one which ceases to exist as a distinct legal entity) are valued in the legal contribution agreement are not to be used for Groupe reporting.

Instead the balance sheets of the two Business Units for Groupe reporting at most recent year-end balance sheet date must simply be added together and effect is given to the merger by:

- reclassifying stockholders' equity (per Groupe reporting) of the absorbed Business Unit at the previous balance sheet date to additional paid-in capital of the absorbing Business Unit, and
- reducing this additional paid in capital by the value of any investment in the absorbed Business Unit shown on the balance sheet for Groupe reporting of the absorbing Business Unit at the date of merger.

The net difference, line-by-line, between the balance sheet of the absorbing Business Unit as stated for Groupe reporting purposes in the manner set out above and the local balance sheet of the absorbing Business Unit becomes a recurring adjustment to be recorded in all financial reporting to the Groupe.

Some of the items in the difference will remain constant over time, others (for example elimination of revaluation of depreciable assets) may reverse in one or more future reporting periods.

Thus, for the year of merger, the absorbing Business Unit reports an income statement which represents the aggregated income statements of the merged entities as they would have been had the merger not occurred.

This income statement is effectively the total of three components:

- the standalone results of the absorbing Business Unit for the full year,
- the standalone results of the absorbed Business Unit up to the date of merger (if not included, legally, in those of the absorbing Business Unit), and
- any restatements to reflect elimination of the reversing of reevaluations and provisions recognized at the date of the merger.

(Note: For reporting purposes, the assets and liabilities of the absorbed Business Unit at the most recent year-end balance sheet date must be reported in the absorbing Business Unit using the "merger" flow. The flows "increase", "Decrease" and "Reclassification" should be used only for transactions of the new combined entity as from the start of the year of the merger)

Who?

Accounting for legal mergers of Business Units in accordance with Groupe policy is the responsibility of the absorbing Business Unit's CFO. Solution Hub CFOs should ensure that the reporting of the new merged entity is prepared in compliance with Groupe Policy. **The Groupe Finance Department should ensure that the legal merger has no effect on Groupe accounts**.

Balance Sheet

TOTAL ASSETS

Total	Subtotal	Account	Description
	FA100		Goodwill Gross
	FA180		Goodwill Impairment
FA100T			Goodwill Net
		FA102	Business goodwill
		FA103	Software
		FA104	Other intangible assets
	FA10T		Intangible assets Gross
		FA182	Business goodwill amort - impairment
		FA183	Software depr.
		FA184	Other intangible assets depr.
	FA20T		Amort. and depr. on intangible assets
FA150T			Intangible assets Net
		FA200	Lands and buildings
		FA201	Capitalised finance leases
		FA202	Building improvement
		FA208	Landlord building improvement and dilapidation asset
		FA208D	Dilapidation assets
		FA209	Right-of-use assets - real estate
		FA210	Right-of-use assets - outdoor contracts
		FA211	Right-of-use assets - others
		FA203	Office equipment and furniture
		FA204	Machinery and production equipment
		FA205	Company cars
		FA206	Computer equipment
		FA207	Other tangible assets
	FA30T		Tangible assets Gross
		FA280	Land and buildings depr.
		FA281	Capitalised finance leases depr.
		FA282	Building improvement depr.
		FA288	Landlord incentive - and dilapidation asset - depr
		FA288D	Dilapidation assets - depr.
		FA289	Right-of-use assets - real estate depr.
		FA290	Right-of-use assets - outdoor contracts depr.
		FA291	Right-of-use assets - others depr.
		FA283	Office equipment and furnitures depr.
		FA284	Machinery and production equipment depr.
		FA285	Company cars depr.
		FA286	Computer equipment depr.
		FA287	Other tangible assets depr.
	FA40T		Depreciation on tangible assets
FA200T			Tangible assets Net
	DTA100		Deferred tax assets gross
	DTA180		Deferred tax assets prov
DTA10T			Deferred tax assets net
		FA250	Invest.accnt for under equity method
		FA300	Investments in non consolidated cos
		FA300G	Investments in consolidated cos
		FA301	Loans (to third parties) - LT
		FA301G	IC loans, advances and deposits
		FA302	Other Financial Assets - LT
		FA303	Loans to affiliates,oth non conso sub-LT
		FA304	Financial asset - Sublease rentals
	FA50T		Total financial assets Gross
		FA380	Investments in non consolidated cos prv.
		FA381	Loans (to third parties) prov. - LT
		FA382	Other financial assets prov. - LT
		FA383	Loans to aff. and non conso subs prov-LT
	FA60T		Provision on financial assets
FA300T			Total financial assets Net
NCA100			**Non current assets**

Total	Subtotal	Account	Description
	CA010		Inventory gross
	CA018		Inventory prov
CA01T			Inventory Net
	CA100		Work in progress gross
	CA180		Work in progress prov
CA100T			Work in progress net
	CA212		Contract Assets - Accrued revenue - External
	CA211		Contract Assets - Accrued rev.-Acc. Rev. with consol. Cies
CA21T			Contract Assets - Accrued revenue
		CA200	Trade and related receivables gross
		CA201	Notes receivables gross
		CA210	Accrued revenue - External - (no more used)
		CA211	Accrued rev.-Acc. Rev. with consol. Cies - (no more used)
		CA400	Receivables -Media Buying if agent gross
		CA220	Unbilled media receivable
		CA300G	IC receivables
	CA20T		Trade receivables gross
		CA280	Trade and related receivables prov
		CA281	Notes receivables prov
		CA480	Receivables - Media Buying if agent prov
	CA30T		Trade receivables prov
CA200T			Trade receivables net
		CA301	Advisory Service Fee Receivable
		CA302	SSC core Fees Receivable
		CA401	Receivables - income tax gross
		CA402	Receivables - tax authorities gross
		CA403	Receivables -employees and related gross
		CA405	Advance payment made to suppliers gross
		CA406	Receiv. on disp of (in)angible assets
		CA407	Receivables on disposals of investments
		CA408	Other receivables gross
		CA409G	IC tax receivables
		CA410	Receivables - Sublease rentals
	CA40T		Other debtors gross
		CA482	Receivables - tax authorities prov
		CA483	Receivables - employees and related prov
		CA486	Disp of (in)tangible assets prov
		CA487	Disp of none cons investments provision
		CA488	Other receivables prov
	CA42T		Other debtors prov
CA46T			Other debtors net
CA500			Prepaid expenses
	CA550		Derivative assets FX-Net debt
	CA560		Derivative assets FX-Working capital
	CA570		Derivative assets - Premium/Discount
	CA580		Derivative assets - Interest rates
CA50T			Derivative assets
CA501			US Captive - Prepaid exp / Unearned inc
		CA601	Loans (to third parties) - ST
		CA602	Accrued interest on ST & LT loans
		CA603	Other Financial Assets - ST
		CA604	Loans to affiliates,oth non conso sub-ST
	CA60T		Loans and Other Financial Assets - ST
		CA681	Loans (to third parties) prov. - ST
		CA683	Other financial assets prov. - ST
		CA684	Loans to aff. and non conso subs prov-ST
	CA65T		Loans and Other Financial Prov - ST
CA70T			Loans and Other Financial Assets ST -Net
CA750			Assets classified as held for Sale
		CA800	Marketable securities
		CA850	Cash
	CA80T		Cash & Marketable Securities
CA800T			Cash & Cash Equivalent
CURA100			**Other Current Assets**

Balance Sheet

TOTAL LIABILITIES

EQ101	Share capital
EQ102	Additional paid in capital
EQ103	Retained earnings
EQ105	OCI Assets reevaluations
EQ107	Stock-option compensation
EQ109	OCI - Cash flow hedge
EQ110	Treasury stock
EQ190G	Inter-unit account
EQ11T	Equity before net income
EQ108	Net income
EQ10T	Shareholders equity
EQ160G	Bonus
EQ170	ASF True Up
EQ171	US Captive Premium / Coverage
EQ180	Reversed IC Production Center Alloc
EQ175G	Royalties
EQ15T	Shareholders equity after ASF & Bonus
FD100	Debt result. from lease capitalis.-LT
FD101	Debenture bonds - LT
FD102	Other borrowings - LT
FD103	Bank loans - LT
FD104	Credit facilities - LT
FD108	Debenture bonds - IFRS Adjust LT
CL100	Other debt to former sharehold of sub-LT
CL102	Earn out payable - LT
CL104	Buy-out Commitments - LT
FD100T	Financial debts outside of the group -LT
FD100G	IC Financial Debts
FD10T	Financial debts LT
LL100	Lease liability resulting from RoU assets - LT
LL10T	Lease liability - LT
DTL101	Deferred tax liabilities
RC100	Provision for severance indemnities - LT
RC101	Provision for other restructur. costs-LT
RC10T	Total provision for restructuring - LT
RC102	Provision for litigation - LT
RC103	Prov. for Vacant Location - LT
RC105	Pensions/other employment obligations-LT
RC125	Provision for Retention Compensation - LT
RC106	Deferred Compensation & Other LT Employee Benefits - LT
RC107	Provision For Income Tax Risk - LT (old)
RC108	Provisions for tax risk (excluding Income tax risk) - LT
RC109	Other provisions - LT
RC11T	Provision for risk and charges - LT
CL101	Miscellaneous financial liabilities - LT
CL10T	Other financial liabilities LT
NCL100	**Non Current Liabilities**

CL200	Trade payables
CL210	Accrued Trade payables
CL220	Unbilled media payable
CL400	Payables re media buying (act as agent)
CL300G	IC payables
FD200	Debt resulting from lease capitalis. -ST
FD201	Debenture bonds - ST
FD202	Other borrowings - ST
FD203	Bank loans - ST
FD204	Credit facilities ST
FD205	Overdrafts
FD206	Accrued int. in ST & LT borrow. & loans
FD207	Financial debt ST
FD208	Debenture bonds - IFRS Adjust ST
CL407	Other debt to former sharehold of sub-ST
CL408	Earn out payable - ST
CL409	Buy out commitments - ST
FD20T	Financial debts outside the group -ST
LL200	Lease liability resulting from RoU assets - ST
LL20T	Lease liability - ST
IT100	Income tax payable
IT107	Uncertain income tax treatments
IT200G	IC tax payable
RC200	Provision for severance indemnities - ST
RC201	Provision for other restructur. costs-ST
RC20T	Total provision for restructuring - ST
RC202	Provision for litigation - ST
RC203	Prov. for Vacant Location - ST
RC205	Pensions/other employment obligations-ST
RC225	Provision for Retention Compensation - ST
RC206	Deferred Compensation & Other LT Employee Benefits - ST
RC207	Provision For Income Tax Risk - ST (old)
RC208	Provisions for tax risk (excluding income tax risk) - ST
RC209	Other provisions - ST
RC21T	Provisions for risks and charges - ST
CL301	Advisory Service Fee payable
CL302	SSC Core Fees Payable
CL310	Advisory Service Fee Accrual
CL312	SSC Core Fees Accrual
CL401	Provision on holiday pay
CL402	Advance payments received from clients
CL403	Other short term liabilities
CL404	Tax authorities payable (excl.inc. tax)
CL405	Employee & related exp. - other payable
CL406	Payables on acq of in-tangible assets
CL500	Contract Liabilities - Deferred income
CL412	Lease incentive deferred income
CL410	Bonus previous years - payable
CL411	Bonus current year - payable
CL40T	Other Current Liabilities
CL550	Derivative liabilities FX-Financ. debt
CL560	Derivative liabilities FX-Work. capital
CL570	Derivative liabilities-Prenium/Discount
CL580	Derivative liabilities - Interest rates
CL55T	Derivative liabilities
CURL100	**Current liabilities**

Chart of Accounts – Appendix 3/5
P&L (1/3)

				P&L		
				RV1M_A	Billings Media - Agent	
				RV1M_P	Billings Media - Principal	
			RV1M	Billings Outside - Media		
				RV1PO_A	Billings Prod and Other - Agent	
				RV1PO_P	Billings Prod and Other - Principal	
			RV1PO	Billings Outside - Prod and Other		
		RV1T	Billings Outside Total			
		RV10	Billings Total (Interco)			
	RV10T	Billings - Total				
		RV20	Costs of billings			
	RV20T	Cost of billings				
		RV203	Billable Out of pocket expenses - Agent			
		RV203P	Billable Out of pocket expenses - Principal			
	RV203T	Billable Out of pocket expenses - Total				
				RV20_BPP	Billable - Production Costs - Acting as Principal	
				RV20_BOP	Billable Other Costs - Acting as Principal	
			RV251_B	Billable Cost of sales		
			RV252_BMP	Billable - Media Costs - Acting as Principal		
	RV25T	Pass Through Costs Net Revenue				
RV45T	Net Revenue (Revenue Less Pass-through Costs)					
		RV351_B	Billable Cost of sales			
		RV352_BMP	Billable - Media Costs - Acting as Principal			
	RV35T	Pass Through Revenue				
RV40T	Revenue					
			OP203	Billable Out of pocket expenses - Agent		
			OP203P	Billable Out of pocket expenses - Principal		
		OP203T	Billable Out of pocket expenses - Total			
			OP20_BPP	Production pass-through costs - Acting as Principal		
			OP20_BOP	Other pass-through costs - Acting as Principal		
		OP200_B	Pass-through Costs of Sales			
			OP20_BMP	Billable Media Costs - Acting as Principal		
			OP200R_C	Reversal Outdoor Contracts Expense		
	OP200BT	Pass Through Costs				
			OP201	Client luncheons and receptions - Agent		
			OP201P	Client luncheons and receptions - Principal		
		OP201T	Client luncheons and receptions - Total			
			OP204	Unbillable Out of pocket expenses - Agent		
			OP204P	Unbillable Out of pocket expenses - Principal		
		OP204T	Unbillable Out of pocket expenses - Total			
			OP205	Unbillable Research - client related - Agent		
			OP205P	Research - client related - Principal		
		OP205T	Research - client related - Total			
			OP206	Unbillable WIP write offs - client related - Agent		
			OP206P	WIP write offs - client related - Principal		
		OP206T	WIP write offs - client related - Total			
	OP200_O	Other Cost of sales				
RV50T	Net Sales					
					OP111	Salaries - Payroll
					OP112	Provision for holiday pay
					OP113	Sales Commissions
				OP110T	Salaries	
					OP121	Social charges on salaries
					OP126	Health Insurance
					OP127	Death & disability insurance
					OP122	Pensions - Defined Contribution
					OP123	Pensions - Defined Benefits
					OP124	Deferred Compensation - Jubilee & Other Col
					OP125	Retention Compensation - Individual
				OP120T	Benefits	
					OP131	Interco. staff recharge inc. / (exp.)
					OP132	Other employee related costs
				OP130T	Other Employee Costs	
			OP180T	Fixed Personnel Costs		
				OP151	LT Temporaries and Freelancers(>90 days)	
				OP152	ST Freelancers and Temporaries(<90 days)	
			OP150T	Freelance Costs		
		OP190T	Fixed Personnel Costs and Freelance Costs			
				OP141	Severance costs due to revenue downsizing	
				OP142	Severance costs due to restructuring actions	
				OP143	Severance costs due to transformation	
		OP140T	Total Severance Costs			
				OP162	Contractual bonus	
				OP163	Bonus pool	
				OP165	Discretionary bonus	
				OP166	Spot Bonus	
				OP167	Interco. Bonus recharge inc. / (exp.)	
				OP172	Social charges on bonus	
			OP169T	Bonus		
				OP161	Legal Profit Sharing	
				OP164	Share based incentives	
				OP171	Social charges on share based incentives	
			OP161T	Share based incentives		
			OP168	Earn Out Compensation		
		OP160T	Total Bonus and other incentives			
	OP10T	Personnel Costs				
	OP13P	IC Production Platform recharge				
OP1TP	Personnel Costs incl.IC Production Platform					
	OP207	IC Coordin. and Creative Fees inc. (exp)				
	OP200	Cost of sales - Total				
		OP208	Bad debt allowance			
		OP20W	Bad debt write offs			
	OP208T	Total Bad debt allowance & write offs				
	OP20TBA	Client Costs before Exchange Allocation				
OP20T	Client Costs					

Chart of Accounts – Appendix 4/5

P&L (2/3)

				P&L	
			OP311	Third Party Office rent expense	
			OP311R	Reversal Third Party Office rent expense - auto	
			OP311_All1	Increase in provision for Vacant Space All In One	
		OP311T	Total Third Party Office Rent Expense		
			OP312	Office maintenance,utilities,service ch	
			OP313	Rental income- Sublease to Third Parties	
			OP314	IC Rental Income / Expense	
			OP315	Equipment rental	
			OP315R	Reversal Equipment rental	
		OP315T	Total Equipment Rental		
			OP365	Facility management	
	OP310T	Occupancy Costs			
			OP325	SSC Recharge - Core BS	
			OP322	SSC Costs - Core BS	
			OP326	SSC Recharges - Core IT	
			OP323	SSC Costs - Core IT	
		OP32CT	SSC Core Services		
			OP327	SSC Recharges - Non Core BS	
			OP324	SSC Costs - Non Core BS	
			OP328	SSC Recharges - Non Core IT	
			OP329	SSC Costs - Non Core IT	
		OP32NCT	SSC Non Core Services		
		OP32COI	Costs - Intra SSC I/C		
		OP32INI	Income - Intra SSC I/C		
		OP32TOT	SSC Core Services + Non Core Services		
	OP320T	Shared Services Costs			
		OP331	Depr. Intangible assets (excl. Acq. gw.)		
			OP332	Depreciation of tangible assets - Others	
			OP332_BI	Depreciation of tangible assets - Building improvement	
			OP332_IT	Depreciation of tangible assets - Computer equipment	
			OP332_BI_All1	Accel. Depre. tangible assets - Building improvement	
			OP332_IT_All1	Accel. Depre. tangible assets - Computer equipment	
		OP332T	Depreciation of tangible assets (Total)		
		OP332_ROU	Depreciation of right-of-use assets		
	OP330T	Depreciation			
		OP321	Other IC mgmt and Guarantee Fees inc. (exp)		
		OP341	Mileage allowances - petrol		
			OP345	Audit fees Groupe auditors	
			OP348	Other fees Groupe auditors	
			OP346	Audit fees non-Groupe auditors	
			OP344	Other fees Big Four	
		OP342T	Audit fees and Other Fees from Auditors (Total)		
		OP343	Travel and living (non-client related)		
		OP347	Legal fees		
		OP351	Recruitment costs		
		OP353	New business costs		
		OP355	Agency Publicity, Sponsoring and Internal Communication		
		OP357	Charitable and Donations		
		OP361	Insurance		
		OP367	Service Costs -Accounting, treasury, tax		
		OP371	Service Costs - Other services		
		OP373	Taxes (excluding taxes on income)		
		OP375	Other expenses (IC and Third party)		
		OP377	Other income from IC Recharge		
		OP382	Studies, Research and Modelling (non specific client related)		
			OP383	Seminars and Events (Excluding Training)	
				OP384_IT	Training Costs IT
				OP384_NIT	Training Costs Other than IT
			OP384T	Training Costs Total	
		OP383T	Training Costs, Seminars and Events		
			OP349	Consultancy fees	
			OP349_FIN	Finance fees	
			OP349_HR	Human Resource fees	
			OP349_IT	IT fees	
		OP349T	Consultancy fees Total		
			OP359	Furniture	
			OP359_GEN	General and graphic stationery	
		OP359T	Office supplies and stationery		
			OP363	Landline	
			OP363_EXP	Express courier	
			OP363_MOB	Mobile	
			OP363_PDA	PDA	
			OP363_REG	Regular postage	
			OP363_TEP	Telepresence	
			OP363_CON	Conference call	
		OP363T	Telecommunications, Telepresence and Mail		
			OP369	Other IT services	
			OP369_CONS	IT consumables	
			OP369_HARD	IT hardware	
			OP369_MAINT	IT maintenance	
			OP369_SOFT	IT software	
			OP369_NET	Network - External	
			OP369_HST	Hosting - External	
		OP369T	Service Costs - IT		
		OP385	Bank Fees		
	OP390T	Other General and Administrative exp.			
	OP30A_C	Exchange Allocated Overheads - Costs			
	OP30A_P	Exchange Allocated Overheads - Profit			
OP30T	Total Overheads				
	OP410	Government grants			
	OP411	IC Production Center Alloc. Income/Exp.			
	OP412	Other operating income			
	OP413	Change in Prov. for risks and charges			
	OP414	FX Gains/Losses			
OP40T	Other Operating Income / (Expense)				
	OP511	ASF Expense			
	OP512	ASF Recovery			
	OP513	Regional/ Country ASF Expense			
	OP514	Regional/ Country ASF Recovery			
OP50T	ASF				
	OP610_All1	AIO Occupancy costs impact on OI			
OP890T	Total Operating Costs				
OP80T	**Operating Income (EBIT)**				

Chart of Accounts – Appendix 5/5

P&L (3/3)

P&L			
	OP900		PPA Intangible Amortization
		GW100	Goodwill Impairment
		OP910	PPA Intangible Impairment
		OP920	Impairment of Right-of-use assets
	OP920T		Goodwill and Intangible Impairment
		OP961	Gain (Loss) on disp. of Intang. assets
		OP962	Gain (Loss) on disp. of Tangible assets
		OP963	Gain (Loss) on disp. of Financial assets
		OP964	Gain (Loss) on disp. of Conso. Invest.
	OP960T		Gain (Loss) on assets disposal
	OP970		Other Non Current Income (Expense)
OP980T			Non Current Income (Expense)
	OP941_All1	Increase in Provision for Vacant Space - All In One	
	OP942_All1	Accel. Depr. of Tangible Assets - Former Office	
	OP943_All1	AIO Rental costs impact on NI	
	OP944_All1	AIO Facility and maint. costs impact on NI	
OP940T_All1	All In One Restructuring Costs/Savings		
	OP332_RE	Right-of-use Depreciation RE	
	OP332_OTH	Right-of-use Depreciation Equipment	
	OP332_OC	Right-of-use Depreciation Outdoor Contract	
	OP332_TOT		Total Right-of-use Depreciation
	OP311R_IN	Reversal Rent Expense	
	OP315R_IN	Reversal Equipment Rental	
	OP200R_IN	Reversal Outdoor Contract Expense	
	OP810T		Total Reversal Lease Expense
OP81T	Lease Accounting		
OP90T	**Operating Income after impairment**		
		FI100	Interest expense
		FI104	Interest expense of finance leases
		FI105	Interest income
		FI116	Premium/Discount on derivatives
		FI118	Gain (Loss) on interest rate hedging
	FI20T	Cost of Net Financial Debt	
		FI102	FX losses
		FI103	Interest on discounted LT provisions
		FI108	Dividends received
		FI109	FX gains
		FI111	Provn. on fin.assets outside group
		FI112	Earn Out Revaluation
		FI115	Residual gains/losses on hedged items
		FI117	Cash Discount
		FI120	Pension Cost - Financial components
		FI121	Change in Fair value (gain) on financial assets
		FI122	Change in Fair value (loss) on financial assets
		FI123	Interest expense on lease liability resulting from RoU assets
	FI30T	Other Financial Income / (Expense)	
FI10T	Financial Income / (Expense)		
CR10T	**Income Before Tax and Equity Income**		
	TX100	Current income tax	
	TX101	Deferred tax (charge) / Income	
	TX107	Change In Income Tax Provision	
	TX180	Deferred tax - Depreciation	
TX10T	Income Tax		
MQ100	Profit (loss) - Equity Accounting		
NI10C	Minority Interest (S/G)		
NI10T	Net Income(loss) Before Mino.Interest		
NI10MS	IMinority Interest (S/G)		
NI10GT	**Net Income (Loss)**		

The tables below summarize the situations requiring approval from the Groupe Finance Department as described in Janus Volume 2 and provide the corresponding reference:

Income statement items	Related reference
For entities that would have granted stock option or free shares Plans (in particular plans granted prior to the acquisition by the Groupe), the corresponding stock option expense may be reported but should be submitted to GFD for prior approval.	Personnel costs - II6, page 2/6
Remaining amount of bonus accrued in the prior year and not yet paid within the 5 first month of the following year should be justified to the GFD.	Personnel costs - II.6, page 6/6
Intercompany coordination fees income (expense) records both the income earned by Business Units invoicing such fees (except when authorization has been granted by the GFD to include such income in billings – see II.1) and all expenses incurred by Business Units receiving such fees.	Intercompany Income and Expenses – II.11, page 1/2
Groupe policies, set out in III.1 "Intangible assets", apply concerning the capitalization of intangible assets and their amortization. All capitalization of intangible assets requires the approval of the GFD.	Depreciation and Amortization – II.14, page 1/2
Approval of the GFD must be obtained for any individual increase, decrease or cost recorded in the "Changes in provisions for risks and charges" income statement caption which is greater than 100,000 euro.	Changes in provisions for risks and charges – II.15, page 1/2
All discounting of long-term provisions must be approved by the GFD.	Changes in provisions for risks and charges – II.15, page 2/2 Financial Income (Expense) – II.19, page 1/3
- Interest accrued for factoring/securitization and discounting of Trade Receivables (to be approved by the GFD – see III.16). - Interest accrued for outstanding redeemable preferred shares (to be approved by the GFD);	Financial Income (Expense) – II.19, page 1/3
It is also the responsibility of the Business Unit's CFO to ensure that no hedging is entered into without the authorization of the GFD.	Exchange Gains and (Losses) – II.21, page 3/3
Profits/losses on disposals of tangible and intangible assets. For disposals that are part of a restructuring plan, coordination with the GFD is required to determine the adequate accounting treatment.	Capital Gain & Loss on asset disposal – II.17, page 1/2
- Intercompany transfers of Intangible assets and Investments should be valued and approved by the GFD. - The sale price in respect of any consolidated investment must be approved by the Groupe CFO.	Capital Gain & Loss on asset disposal – II.17, page 2/2
Business Units that locally perform equity accounting should contact the Groupe Finance Department	Profit (Loss) on Equity Accounting – II.23, page 1/1

Income statement items (continued)	Related reference
- When legal entity is constitutes with several Business Units, only one Business Unit can record income tax. Previously the entity should inform and get the agreement of GFD. - If a Tax Group wants to record income tax only at head of Tax Group level, GFD should be informed in order to confirm its agreement.	Income Tax Expense – II.22, page 2/4

Balance sheet items	Related reference
- All additions to intangible assets and their amortization periods should be approved by the GFD; and - The accounting treatment and reporting of all new Intangible assets must be validated by the Solution Hub CFO and approved by the GFD.	Intangible Assets – III.1, page 1/3 & 3/3
Any capitalization of internal expenditure on software and IT development must be authorized, in both its principle and its amount, by the GFD.	Intangible Assets – III.1, page 2/3
The accounting and reporting of new Investments in Consolidated Companies must be validated by the Solution Hub CFO and approved by the GFD.	Investments in Consolidated Companies – III.6, page 2/2
All equity accounting should be performed at Groupe level. Business Units that locally perform equity accounting should contact the GFD.	Investments Accounted for under the Equity Method – III.7, p 1/3
The accounting treatment and reporting of investments accounted for under the equity method must be validated by the Solution Hub CFO and approved by the GFD.	Investments Accounted for under the Equity Method – III.7, page 3/3
Fair values of significant investments (greater than € 1 million) must be validated by the Solution Hub CFO and approved by the GFD.	Investments in Non-Consolidated Companies – III.8 page 1/1
Loans to Third Parties (other than advances to suppliers) above 100,000 Euros must be approved by the GFD.	Other Loans – III.12, page 1/2
If in specific cases Business Unit and Solution Hub think it could be appropriate to capitalize personnel costs, they should contact GFD.	Work in progress – III.14, page 1/3
Write-offs of doubtful Work in Progress accounts: • Irrecoverable amounts greater than 50,000 euros should be approved in writing by the Solution Hub's CFO; Irrecoverable amounts greater than 300,000 euros should be approved in writing by Publicis Groupe CFO.	Work in Progress – III.14, page 3/3
Business Units are prohibited to enter in operations of securitization (or factoring) of trade receivables without the prior consent of the Groupe Finance. This operation should be handled and controlled by the Groupe Treasury department.	Trade Receivables – III.16, page 2/3
Write-offs of doubtful receivable accounts: • Irrecoverable amounts greater than 50,000 Euros should be approved in writing by the Solution Hub's CFO; • Irrecoverable amounts greater than 300,000 Euros should be approved in writing by Publicis Groupe CFO.	Trade Receivables Depreciation – III.17, page 2/3

Balance sheet items (continued)	Related reference
The choice of which Marketable securities are held by Business Units must be approved by the Groupe Treasurer (Refer to volume 1 of Janus).	Marketable securities – III.21, page 1/1
Restricted cash: no new restrictive agreements should be entered into without the written approval of the Groupe Finance.	Cash – III.22, page 1/2
Groupe policy prohibits Business Units holding cash balances in foreign currencies greater than 200 000 euro unless expressly authorized by the Groupe Finance.	Cash – III.22, page 2/2
Cumulative Translation Differences are only to be recognized by the limited number of Business Units and Solution Hubs that have been formally authorized by the GFD to treat loans as net investment in a foreign currency.	Cumulative Translation Differences – III.25, page 1/1
Any movements of Cumulative Translation Differences resulting from the allocation of exchange differences on long term intercompany financial receivables or payables (with subsidiaries or parents) should be approved by the Groupe Finance.	Cumulative Translation Differences – III.25, page 1/1
All discounting of long-term provisions must be approved by the Groupe Finance.	III.27 to III.29 and III.31
All restructuring plans, irrespective of their total cost, are subject to the "R form" Groupe reporting procedure. All restructuring plans must be authorized in respect of procedures set out in Volume 1 of Janus and regularly reported on to, the GFD.	Provisions for restructuring – III.28, page 1/2
Reporting of Provisions for onerous contracts in accordance with Groupe policy is the responsibility of the Business Unit's CFO. It must be validated by the Solution Hub's CFO and approved by the GFD.	Provisions for onerous contracts – III.29, page 2/2
Nomination of the actuary must be approved by the GFD who must receive a copy of the actuary's report for review.	Provisions for pensions– III.30, page 1/2
If the net amount represent an asset position, no asset should be recognized prior agreement from Groupe Finance.	Provisions for pensions – III.30, page 2/2
- Other provisions for risks and charges greater than 300,000 euro should be approved by Publicis Groupe Groupe Finance. - Recognition of provisions for tax risks of an amount greater than 100,000 euro is subject to the approval of the Groupe Finance.	Other provisions for risks and charges – III.31, page 2/2
Agreements between Groupe Business Units in respect of Intercompany Financial Debt are subject to the approval of the Groupe Treasurer.	Intercompany Financial Debt – III.34, page 2/2
Accounting and reporting of Other Liabilities (earn-out payments) should be prepared under the responsibility of the Business Unit's CFO, validated by the Solution Hub CFO and approved by the GFD.	Other Liabilities (earn-out payments) – III.35, page 2/2
Exception to the rule of intercompany invoicing in the functional currency should be validated by Groupe Treasury.	Intercompany Procedures – IV.2, page 4/6