Half-Year Financial Report for the period ended June 30, 2017

2017

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I. Declaration by the person responsible for the half-year financial report

Declaration by the person responsible for the half-year financial report

I the undersigned, Yannick Bolloré, "*Président Directeur Général*" of Havas, certify that, to the best of my knowledge, the condensed consolidated financial statements for the half-year ended June 30, 2017 are prepared in accordance with the accounting standards applicable and give a true and fair view of the assets, financial position and results of the company and all the subsidiaries included in the scope of consolidation and that the attached half-year activity report gives a true and fair view of the material events that occurred in the first half of the financial year and of their impact on the financial statements, of the main transactions with related parties and a description of the main risks and uncertainties for the remaining six months of the financial year.

Puteaux, August 25, 2017

Yannick BOLLORE
Président Directeur Général

II. Half-Year Activity Report

Activity report for the first half of 2017

1. Accounting methods and principles

The condensed consolidated financial statements of the Havas Group for the interim period ended June 30, 2017 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union on this date. These standards are available on the following website of the European Union:

http://ec.europa.eu/finance/company-reporting/ias/index_en.htm

Comparative first half of 2016 and full year 2016 consolidated financial statements have also been prepared in accordance with the same accounting principles and rules.

In compliance with IAS 34, these financial statements do not include all the notes as required for an annual report, merely selected explanatory notes. These financial statements should be read in conjunction with the Group's financial statements as at December 31, 2016.

Since the Brexit vote on June 23, 2016, the British pound has shown strong volatility against the euro. Havas continues to apply the usual translation method to financial statements expressed in British pounds since 2016.

Due to the severe devaluation of the Venezuelan bolivar, since May 2017 Havas has applied the official DICOM exchange rate, replacing the SIMADI rate previously used.

2. Activity and highlights of first half 2017

Group revenue in Q2 2017 was €589 million, bringing the H1 total to €1,108 million for the first half, an increase of 2% on an unadjusted basis.

The Group's organic growth (excluding exchange rate variations and changes in the scope of consolidation) was -0.9% in Q2 2017 and -0.4% for H1 2017, which is below our initial forecast of 2 to 3 %, amid already mentioned uncertainty which is widely impacting the global communications market.

Changes in the scope of consolidation had a positive impact of €16.2 million and exchange rate variations also had a positive impact of €9.6 million on the first half of the year.

Europe reported stable H1 2017 revenue compared to the same period in 2016.

France posted a strong performance with organic growth of +8.9% in Q2 and +5.4% for the interim period as a whole, helped by growth at BETC Paris, Havas Media and Ekino (Fullsix group).

The United Kingdom experienced difficulties in Q2 2017, largely due to major client, Unilever, cutting back its advertising spending, and the loss of certain media accounts.

Growth in the other European countries was held back mainly by Spain, Switzerland and Portugal, while Italy and Germany reported double-digit growth.

North America ended the first half down slightly, mainly due to the low level of new business wins in the last quarter of 2016. Havas Media US finished the half year in positive territory, despite a slight drop in momentum following an outstanding start to the year. Certain clients, among them IBM, also reduced their advertising spending.

Following a first quarter of negative growth, Asia Pacific & Africa bounced back with a strong performance in Q2 highlighted by a +3.2% rise in organic growth. China, South Korea, Hong Kong and India were the biggest contributors to this growth, on the back of renewed strength following the Swarovski and BMW account wins and increased spending by clients.

Growth in Latin America slowed as Brazil was impacted by the partial loss of the GPA account, and clients in Mexico reined back on their spending. Argentina, on the other hand, continued to post double-digit growth, boosted by higher spending by its biggest clients.

3. Consolidated income

Income from operations amounted to €110.9 million in the first half of 2017 compared with €146.7 million in the first half of 2016, representing a decrease of €-35.8 million. Margins on income from operations were 10.0% and 13.5% respectively.

Operating income amounted to €99.7 million in the first half of 2017 compared with €136.6 million in the first half of 2016, a reduction of €-36.9 million.

Other operating income and expenses amounted to €-11.2 million for the first half of 2017 against €-10.1 million for the first half of 2016.

Ongoing restructuring generated total non-recurring expenses of €-9.5 million in the first half of 2017.

The Other operating expenses and income line items also include goodwill impairment charges, acquisition-related costs and adjustments to earn-out obligations in application of IFRS 3R.

Net financial loss amounted to €-17.7 million for the first half of 2017 compared with €-11.2 million for the first half of 2016. This decrease was due to a worsening exchange rate effect of €-6.5 million between June 30, 2016 and June 30, 2017, mainly due to the US dollar.

The effective income tax rate was 30.0% for the first half of 2017 compared with 31.0% for the first half of 2016.

Consolidated net income, Group share, reached €54.2 million in the first half of 2017 compared with €82.4 million in the first half of 2016.

Both basic and diluted earnings per share amounted to €0.13, for the first half of 2017, lower than for the first half of 2016.

4. Related party transactions

Media Planning Group and its subsidiaries have entered into transactions with members of the family of Alfonso Rodés Vilà, Deputy Chief Executive Officer of Havas SA and Chief Executive Officer of Havas Media. These transactions were mainly in connection with media space buying, advertising and administrative services rendered.

On July 28, 2011, Havas Management España entered into an agreement with Mr. Fernando Rodés Vilà that includes services to be rendered successively, a non-compete clause and a notional dividend. A further agreement was signed on June 28, 2012 stipulating the remuneration in respect of the notional dividend of ISP and Gevisa. Both agreements were terminated by the end of 2016.

Furthermore, certain subsidiaries of the Group have rendered services in connection with advertising to Bolloré Group subsidiaries. Transactions were carried out at market value. The cash-pooling agreement signed on December 1, 2015 became obsolete at end of June 2017.

Similarly, certain subsidiaries of the Group have also performed operating transactions at market value for Vivendi and its subsidiaries. In the case of Canal+ Group:

- Havas Group clients have bought media space, via media agencies and for the purposes of their advertising campaigns, from the Canal+ Group totaling €25 million in the first half of 2017 (€51 million in the first half of 2016);
- As part of its campaigns to promote its Canal+, Canalsat and Canalplay brands, the Canal+ Group has purchased space in the principal media through the Havas Group and its agencies totaling €34 million in the first half of 2017 (€36 million in the first half of 2016);
- The Havas Group and its subsidiaries realized €12 million on media and production services, broadcasting rights and fees in the first half of 2017 (€9 million in the first half of 2016);
- The Havas Group and its subsidiaries devised and produced campaigns for Canal+ totaling €5 million in the first half of 2017 (€6 million in the first half of 2016).

In addition, the Havas group and its subsidiaries provided services to Telecom Italia totaling €6 million as revenue. The transactions with the other Vivendi Group subsidiaries in the first half of 2017 being non-material, all of these transactions were disclosed in the 2016 annual report.

The Havas Group did not enter into any new material transactions with related parties in the first half of 2017.

5. First half 2017 balance sheet and statement of cash flows

Group share in equity amounted to €1,699.3 million as at June 30, 2017 compared with €1,751.9 million as at December 31, 2016, resulting in a decrease of €-52.6 million.

This decrease came from the currency translation adjustments of €-55.4 million that were mainly caused by a strong appreciation of the euro against the US dollar, and the transactions with the minority interests of €-2.6 million.

Net debt as at June 30, 2017 amounted to €73.6 million against €-150.3 million as at December 31, 2016.

The increase in indebtedness mainly resulted from the following:

- change in working capital requirement which is traditionally negative in the first half of the year, amounting to €-151.3 million for the period, partly offset by positive operating cash flows for the period, resulting in net operating cash used in operating activities of €-66.0 million compared with €-55.3 million for the first half 2016;
- capital expenditure of €36.1 million, net of proceeds from disposals;
- net financial investments of €37.2 million including in particular earn-out and buy-out payments, loans and deposits;
- total dividend payment of €55.4 million of which €50.1 million to Havas SA shareholders.

6. Risks and uncertainties

Havas had expected organic growth of 2% to 3% but is unable to confirm this forecast due to the interim results. The Group's financial performance suffered a slowdown, which affected the industry as a whole. Advertisers decreased their investment more than expected and clients exerted considerable pressure on margins.

The mixed half-year results do not predict the trend to be expected in the second half of the year.

Moreover, Vivendi's stake in Havas is the start of a new chapter for the Group. Havas remains confident in its ability to react, and vigilant in tracking current international economic factors.

III. Condensed consolidated financial statements

Condensed consolidated financial statements for the interim period ended June 30, 2017

1. Consolidated balance sheet for the interim period ended June 30, 2017

ASSETS (in euro million)	Notes	06.30.2017 Net	12.31.2016 Net
Non-current assets			
Goodwill	5.2.3	1,895	1,933
Other intangible assets		58	61
Property and equipment		329	326
Equity investments		6	3
Financial assets available for sale		12	9
Deferred tax assets		196	177
Other non-current financial assets		9	9
Total non-current assets		**2,505**	**2,518**
Current assets			
Inventories and work in progress		89	82
Accounts receivable		1,898	2,176
Current tax receivables		57	65
Other receivables		709	687
Other current financial assets		7	7
Cash and cash equivalents	5.2.4	571	810
Total current assets		**3,331**	**3,827**
TOTAL ASSETS		**5,836**	**6,345**

EQUITY AND LIABILITIES (in euro million)	Notes	06.30.2017 Net	12.31.2016 Net
Shareholders' equity		**1,700**	**1,752**
Capital		169	168
Share premium account		1,401	1,376
Retained earnings		138	161
Currency translation adjustments		(8)	47
Minority interests		**15**	**15**
Total equity	**3**	**1,715**	**1,767**
Non-current liabilities			
Long-term borrowings	5.2.5	503	503
Earn-out and minority interest buy-out obligations		152	141
Long-term provisions, pension and post-employment benefits	5.2.6	129	126
Deferred tax liabilities		92	95
Other non-current liabilities			7
Total non-current liabilities		**876**	**872**
Current liabilities			
Current maturities of long-term borrowings	5.2.5	138	139
Bank overdrafts	5.2.4 - 5.2.5	4	19
Earn-out and minority interest buy-out obligations		17	37
Provisions	5.2.6	38	39
Accounts payable		1,753	2,028
Tax payables		21	26
Other payables		1,260	1,409
Other current liabilities		14	9
Total current liabilities		**3,245**	**3,706**
TOTAL EQUITY AND LIABILITIES		**5,836**	**6,345**

2. Consolidated income statement – Consolidated statement of comprehensive income for the interim period ended June 30, 2017

(in euro million)	Notes	1st Half 2017	1st Half 2016	Full year 2016
Revenue	5.2.12	**1,108**	**1,087**	**2,276**
Compensation	5.2.9	(711)	(673)	(1,419)
Other expenses and income from operations	5.2.10	(286)	(268)	(529)
Share of profit of associates		-	1	1
Income from operations	5.2.12	**111**	**147**	**329**
Other operating expenses		(11)	(10)	(39)
Other operating income		-	-	7
Operating income	5.2.11	**100**	**137**	**297**
Interest income		3	4	6
Cost of debt		(11)	(11)	(23)
Other financial expenses		(10)	(4)	(3)
Net financial expense	5.2.13	**(18)**	**(11)**	**(20)**
Income of consolidated companies before tax		**82**	**126**	**277**
Income tax expense	5.2.8	(25)	(39)	(83)
Net income		**57**	**87**	**194**
Minority interests		(3)	(5)	(17)
Net income, Group share		**54**	**82**	**177**
Earnings per share (in euro)	5.2.14			
- basic		0.13	0.20	0.42
- diluted		0.13	0.19	0.42

Consolidated statement of comprehensive income for the interim period ended June 30, 2017

(in euro million)	1st Half 2017	1st Half 2016	Full year 2016
Net income	**57**	**87**	**194**
Actuarial gains/(losses) recognized in equity	-	(23)	(28)
Deferred taxes on actuarial gains/(losses)	-	5	7
Total items that will not be reclassified to profit or loss	-	(18)	(21)
Changes in the fair value of financial assets available for sale	-	-	-
Currency translation adjustments relating to foreign operations[1]	(58)	(30)	(3)
Total items that may be reclassified subsequently to profit or loss	(58)	(30)	(3)
Total comprehensive income	**(1)**	**39**	**170**
- Group share	*(2)*	*36*	*154*
- Minority interests	*1*	*3*	*16*

[1] The downward trend of the British pound against the euro observed over the year 2016 persisted during the first half of the year 2017. Furthermore, thanks to the lifting of political uncertainties and the improving economic climate in the European Union, the euro managed to strengthen against the US dollar and also against the Hong Kong dollar. The resulting negative effects on Group equity were €-6.0 million on the British pound, €-39.5 million on the US dollar, and €-4.7 million on the Hong Kong dollar.

In the first half of 2016, following the Brexit vote on June 23, 2016, the British pound dropped significantly against the euro. The euro also strengthened against the US dollar. Group equity was negatively impacted, respectively, by €-24.5 million and €-8.9 million.

3. Consolidated statement of changes in shareholders' equity for the interim period ended June 30, 2017

	Group share											
(in euro million)	Number of shares in thousands	Capital[1]	Share premium account	Retained earnings and net income	Transactions between shareholders[3]	Option components of compound instruments	Changes in fair value of financial instruments	Actuarial gains (losses)	Currency translation adjustments	Total	Minority interests	Total equity
Shareholders' equity as at 01.01.2016	**417,422**	**167**	**1,363**	**56**	**18**	**18**	**-**	**(33)**	**49**	**1,638**	**15**	**1,653**
Dividends distributed[2]	2,233	1	13	(63)	-	-	-	-	-	(49)	(7)	(56)
BSAARs and performance shares	-	-	-	4	-	-	-	-	-	4	-	4
Recognized income and expenses	-	-	-	82	-	-	-	(18)	(29)	35	2	37
Other	-	-	-	-	-	-	-	-	-	-	3	3
Shareholders' equity as at 06.30.2016	**419,655**	**168**	**1,376**	**79**	**18**	**18**	**-**	**(51)**	**20**	**1,628**	**13**	**1,641**
Shareholders' equity as at 01.01.2017	**419,655**	**168**	**1,376**	**197**	**18**	**-**	**-**	**(54)**	**47**	**1,752**	**15**	**1,767**
Dividends distributed[2]	3,401	1	25	(76)	-	-	-	-	-	(50)	(8)	(58)
Performance shares	-	-	-	7	-	-	-	-	-	7	-	7
Recognized income and expenses	-	-	-	54	-	-	-	-	(55)	(1)	1	-
Other	-	-	-	-	(8)	-	-	-	-	(8)	7	(1)
Shareholders' equity as at 06.30.2017	**423,056**	**169**	**1,401**	**182**	**10**	**-**	**-**	**(54)**	**(8)**	**1,700**	**15**	**1,715**

(1) The nominal value of each ordinary share is €0.40.

(2) The Shareholders' Meeting on May 10, 2016 proposed a dividend payment either in cash or in Havas SA shares. The option was exercisable from May 17, 2016 to June 3, 2016. At the end of this period, 22.89% of 2015 dividend was paid in Havas SA shares. As a result, 2,233,373 new shares were issued, representing 0.54% of Havas SA capital stock as at May 31, 2016. The Havas dividends per share paid on June 13, 2016 were €0.15, compared to €0.18 on June 13, 2017. As a result, 3,400,533 new shares were issued, representing 0.81% of Havas SA capital stock as at May 31, 2017.

(3) Havas has applied IFRS 3R since January 1, 2010.

4. Consolidated statement of cash flows for the interim period ended June 30, 2017

(in euro million)		1st Half 2017	1st Half 2016	Full year 2016
OPERATING ACTIVITIES				
Net income:				
Group share		54	82	177
Minority interests		3	5	17
Elimination of non-cash items:				
Amortization, impairment and provisions		25	9	18
Changes in deferred taxes		(17)	2	9
(Gains)/losses on disposal of fixed assets		3	1	2
Accrued interest		5	6	
Other operations		9	5	15
Cash flow after net cost of debt		**82**	**110**	**238**
Net cost of debt, excluding accrued interest		3	2	18
Cash flow before net cost of debt		**85**	**112**	**256**
Changes in accounts receivable		238	101	(97)
Changes in accounts payable		(207)	(185)	29
Changes in advances from clients		29	9	5
Changes in other receivables and payables		(211)	(92)	83
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		**(66)**	**(55)**	**276**
INVESTING ACTIVITIES				
Purchase of fixed assets		**(76)**	**(47)**	**(125)**
Intangible and tangible		(38)	(25)	(80)
Subsidiaries		(36)	(20)	(43)
Loans granted		(2)	(2)	(2)
Proceeds from sale and repayment of fixed assets		**7**	**6**	**7**
Intangible and tangible		2		
Subsidiaries		3	1	1
Repayment of loans granted		2	5	6
NET CASH USED IN INVESTING ACTIVITIES		**(69)**	**(41)**	**(118)**
FINANCING ACTIVITIES				
Dividends paid to Havas shareholders	(1)	(50)	(49)	(49)
Dividends paid to minority interests		(5)	(5)	(14)
Changes in equity	(1)			
Proceeds from borrowings		11	75	117
Repayment of borrowings		(17)	(20)	(62)
Payments for buy-out of non-controlling interests		(3)	(12)	(12)
Net interest paid		(4)	(2)	(18)
NET		**(68)**	**(13)**	**(38)**
Effect of exchange rate changes on net cash		(21)	(11)	(1)
NET INCREASE (DECREASE) IN NET CASH		**(224)**	**(120)**	**119**
NET CASH AT OPENING (see note 5.2.4)		**791**	**672**	**672**
NET CASH AT CLOSING (see note 5.2.4)		**567**	**553**	**791**

(1) In the first half of 2017 and 2016, Havas proposed the payment of dividend in exchange for Havas SA shares. Net dividend paid in cash amounted to €50.1 million in 2017 and €48.4 million in 2016.

5. Notes to the consolidated financial statements

5.1. Accounting principles

5.1.1. Information related to Havas Group

Havas SA is a public limited company, registered in France, and listed on Euronext. The functional currency of Havas SA is the euro. The Havas Group's (the "Group" or "Havas") consolidated financial statements are presented in millions of euro (€M), unless otherwise indicated.

5.1.2. Approval of the consolidated financial statements by the Board of Directors

The preparation of Havas' condensed consolidated financial statements for the interim period ended June 30, 2017 under IFRS is the responsibility of the Board of Directors. These statements were approved by the Board at its meeting on August 25, 2017.

5.1.3. Statement of compliance, accounting principles and methods

Pursuant to European Regulation 1606/2002 of July 19, 2002 on international accounting standards, the condensed consolidated financial statements of the Havas Group for the interim period ended June 30, 2017 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union on this date. These standards are available on the following website of the European Union:

http://ec.europa.eu/finance/company-reporting/ias/index_en.htm

Comparative first half of 2016 and full year 2016 consolidated financial statements have also been prepared in accordance with the same accounting principles and rules.

In compliance with IAS 34, these financial statements do not include all the notes as required for an annual report, merely selected explanatory notes. These financial statements should be read in connection with the Group's financial statements as at December 31, 2016.

5.1.4. New standard applicable in 2017

The following amendments and annual improvements came into force on January 1, 2017:

- Annual improvements (2014-2016 cycle) only on amendments to IFRS 12 "Disclosure of Interests in Other Entities",
- Amendments to IAS 7 "Statement of Cash Flows".

Amendments to IFRS 12 clarified the disclosure requirements with no effect on the consolidated financial statements.

Amendments to IAS 7 intended to improve information provided to users of financial statements about an entity's financing activities. The relevant note to the financial statements 5.2.5."Financial debt" had been adjusted accordingly.

5.1.5. Status of IFRS 15 "Revenue from Contracts with Customers" implementation with effect from January 1, 2018

During the first half of 2017, Havas has continued to assess the impact of the first-time application of IFRS 15. Havas will finalize the analysis before the end of the year 2017, as well as the update of the Group accounting procedure.

5.1.6. Estimates

The preparation of the financial statements requires management to make estimates and formulate judgments that affect the amounts of certain assets, liabilities, income and expenses as well as certain disclosures reported in the consolidated financial statements. The actual data may differ slightly from these estimates, depending on changes in assumptions and situations.

Any events occurring in the first half of the current year and requiring revisions to be made to estimates or assumptions used for the preceding closing are mentioned in the following notes.

5.1.7. Translation of financial statements

Since the Brexit vote on June 23, 2016, the British pound has shown strong volatility against the euro. Havas continues to apply the usual translation method to financial statements expressed in British pounds since 2016.

Due to the severe devaluation of the Venezuelan bolivar, since May 2017 Havas has applied the official DICOM exchange rate, replacing the SIMADI rate previously used.

5.2. Notes to the consolidated balance sheet and income statement

5.2.1. Highlights

On May 11, 2017, Havas was informed of an indicative offer submitted by Vivendi to acquire the approximately 60% stake owned by Bolloré Group in Havas, at a price of €9.25 per share. This operation will enable Havas to leverage Vivendi's skills in talent management, content creation and distribution.

On June 6, 2017, Vivendi entered into a purchase agreement with Bolloré Group.

On July 3, 2017, Vivendi acquired the Bolloré Group's majority 59.2% stake in Havas. In accordance with market regulations, Vivendi will launch a simplified tender offer on the remaining Havas shares, without seeking a delisting of Havas shares.

5.2.2. Scope of consolidation

The total number of consolidated companies was 507 at June 30, 2017 compared with 494 at December 31, 2016.

5.2.3. Goodwill

The carrying value of goodwill and trademarks is subject to an impairment test carried out at least once per annum and whenever events or circumstances indicate that they may be impaired. Such events or circumstances are tied to significant unfavorable changes on a long-term basis that affect either the economic environment or assumptions and objectives previously used. An impairment charge is required when the recoverable value of tested assets is persistently lower than their carrying value. The Group has therefore carried out goodwill impairment tests on its cash generating units (CGUs) or groups of CGUs at risk of impairment over the first half of 2017. The tests identified no goodwill impairment as at June 30, 2017.

Changes in goodwill net value in the first half of 2017 and full year 2016 are the following:

(in euro million)	1st Half 2017	Full year 2016
Value at beginning of period	**1,933**	**1,895**
Acquisitions of companies[1]	21	35
Buy-out adjustments[2]	3	4
Adjustments to goodwill estimates		5
Changes in consolidation scope		3
Currency translation adjustments[3]	(62)	(9)
Value at end of period	**1,895**	**1,933**

[1] In the first half of 2017, Havas acquired a 100% stake in A79 agency, France's leading independent digital agency. This pluri-digital agency assists its clients in implementing communications strategies, media buying and online campaign analytics and optimization. Havas also acquired a 58.02% controlling stake in Sorento, an India-based health and wellness communications agency. In December 2016, Havas acquired a 60% stake in Mr Smith, a New Zealand agency specialized in brand strategy and distribution channels, advertising and production of creative content for all types of platform, programmatic and media planning. This company was consolidated for the first time in the first half year of 2017. Including related buy-out and earn-out obligations, the total of provisional goodwill was estimated at €20.8 million at June 30, 2017.

[2] Commitments undertaken prior to January 1, 2010.

[3] As at June 30, 2017, the euro strengthened against the British pound, the US dollar and the Hong Kong dollar. Currency translation adjustments were €-5.6 million on the British pound, €-47.2 million on the US dollar and €-3.5 million on the Hong Kong dollar.

5.2.4. Net cash and cash equivalents

The net cash and cash equivalents position is the following:

(in euro million)	06.30.2017	12.31.2016
Cash	570	809
Short-term financial investments	1	1
Cash and cash equivalents	**571**	**810**
Bank overdrafts	(4)	(19)
Net cash and cash equivalents	**567**	**791**

Cash mainly includes sight deposits and term deposits at leading banks.

As at June 30, 2017, short-term financial investments consisted of investments in money market funds of €1.6 million compared with €1.5 million as at December 31, 2016. These are subject to Level 2 valuation and can be converted into cash at any time without risk of capital loss or penalty.

The reduction in net cash at June 30, 2017 as compared to December 31, 2016 resulted from net cash used in investing activities and also operating activities, which is traditionally negative in the first half.

Net cash shown on the consolidated statement of cash flows includes cash and cash equivalents net of bank overdrafts, which form an integral part of cash management.

5.2.5. Financial debt

5.2.5.1. Net debt summary

(in euro million)	06.30.2017	12.31.2016
Bonds	498	498
Bank borrowings	25	31
Other financial debts	104	103
Accrued interest	7	2
Employee profit-sharing blocked in current accounts	7	8
Borrowing and financial debts	**641**	**642**
Bank overdrafts	4	19
Total financial liabilities	**645**	**661**
Cash and cash equivalents	(571)	(810)
Net debt	**74**	**(149)**

Changes in the financial debt

(in euro million)	06.30.2017	Cash flow	Effect of exchange rate changes	12.31.2016
Bonds	498			498
Bank borrowings	25	(6)		31
Other financial debts	104	1		103
Employee profit-sharing blocked in current accounts	7	(1)		8
Total	**634**	**(6)**		**640**

The total "cash flow" corresponds to the following line items as set forth in the consolidated statement of cash flows:

Proceeds from borrowings	11
Repayment of borrowings	(17)
Net amount (in € million)	(6)

5.2.5.2. Bonds

On July 11, 2013, Havas SA issued bonds for a total amount of €100.0 million in the form of a Euro Private Placement (EURO PP) at a price of 99.663%. The bonds carry a coupon rate of 3.125% per annum, payable annually in arrears on July 11 of each year. They will be redeemed at par on July 11, 2018.

The amortized cost of this debt on the balance sheet represented €99.8 million as at June 30, 2017 compared with €99.7 million as at December 31, 2016.

On December 8, 2015, Havas SA issued other bonds for a total amount of €400.0 million enabling Havas to diversify its funding sources, lengthen the maturity of its debt, and give the Group means to continue its growth. The issue price was 99.717% and the interest rate is 1.875% per annum. Coupons are payable annually in arrears on December 8 of each year. Bonds will be redeemed at par on December 8, 2020.

The amortized cost of this debt on the balance sheet represented €398.1 million as at June 30, 2017 compared with €397.8 million as at December 31, 2016.

5.2.5.3. Financial ratios

Most confirmed credit lines contracted by Havas SA are subject to financial covenants to be met at each year-end closing. These covenants are as follows:

Financial covenants	
Adjusted EBITDA/Net interest expense	>3.5 : 1
Adjusted net debt/Adjusted EBITDA	<3.0 : 1

These financial covenants were met as at December 31, 2016.

5.2.5.4. Bank borrowings and other financial debts

As at June 30, 2017, the Group drew down a total amount of €24.7 million in short-term credit lines granted by banks, of which €12.8 million were located in Asia and €10.4 million in Latin America.

These borrowings were not subject to financial covenants since Havas SA has undertaken to cover their repayment.

In addition, Havas SA had confirmed credit lines granted by leading banks for a total amount of €510.0 million of which €150.0 million will be available until 2018, €330.0 million until 2020, and €30.0 million until 2021.

The applicable interest rate is Euribor + spread for all these credit lines.

These credit lines are subject to financial covenants as indicated above.

The “Other financial debts” line item of €103.6million included commercial paper for €100.0 million issued as part of the issue plan for a maximum total amount of €400.0 million implemented in the first half of 2009.

5.2.5.5. Breakdown of long-term borrowings and financial debts as at June 30, 2017

(in euro million)	Total	H2 2017/ H1 2018 (1)	H2 2018 (1)	2019	2020	2021	2022	After 2022
Bonds	498		100		398			
Bank borrowings	25	25						
Other financial debts	111	106		2	1	2		
Total	**634**	**131**	**100**	**2**	**399**	**2**		
Portion due in less than 1 year	(131)	(131)						
Total long-term borrowings and financial debts	**503**		**100**	**2**	**399**	**2**	**0**	**0**

(1) First half (H1), second half (H2).

5.2.6. Provisions

The table below summarizes changes in provisions in the first half of 2017:

(in euro million)	Non-current: Long-term provisions, pension and post-employment benefits				Current: Provisions			Total
	Tax risk	Pensions and post-employment benefits(1)	Vacant premises, and other provisions	Sub-total	Litigations(2)	Other provisions	Sub-total	
12.31.2016	**18**	**103**	**5**	**126**	**8**	**31**	**39**	**165**
Increase in provisions	2	5	4	11	2	2	4	15
Reversal of used provisions	(1)	(2)	-	(3)	(2)	-	(2)	(5)
Reversal of unused provisions	(1)	(2)	-	(3)	(2)	(1)	(3)	(6)
Currency translation adjustments and other	(1)	(1)	-	(2)	-	-	-	(2)
06.30.2017	**17**	**103**	**9**	**129**	**6**	**32**	**38**	**167**

(1) The actuarial assumptions used at the end of December 2016 were maintained through the first half of 2017.
(2) As at June 30, 2017, a provision of €1 million was recognized on litigations in connection with current operations, and another of €5 million on litigations with personnel.

5.2.7. Accounting for free share and performance share plans

The Board of Directors at its meeting on February 28, 2017 decided to grant a free share plan to "senior managers" of Havas SA and its subsidiaries in France and abroad within the framework of the authorization granted by the Shareholder's Meeting of May 10, 2016. The allocation involved 1,700,000 new Havas shares.

The characteristics of these three plans are the following:

Grant date	**January 29, 2014**	**January 19, 2015**	**March 19, 2015**	**August 27, 2015**	**May 10, 2016**	**July 21, 2016**	**February 28, 2017**	**Total**
Number of shares granted	2,465,000	2,420,000	70,000	119,960	2,784,000	148,080	1,700,000	
Market price of the share at the grant date	€5.76	€6.56	€7.41	€7.26	€7.21	€7.31	€8.14	
Fair value per share	€5.10	€5.89	€6.74	€6.59	€6.49 - €6.70	€6.51	€7.54	
Dividend rate	2.43%	1.98%	1.75%	1.79%	2.08%	2.05%	2.21%	
Risk-free rate	0.90%	0.18%	0.18%	0.18%	0.00%	0.00%	0.00%	
Vesting period in months	51	51	51	51	36 - 48	48	36	
Retention period	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Number of outstanding free shares and performance shares at December 31, 2016	**1,991,000**	**2,191,000**	**70,000**	**94,520**	**2,741,000**	**132,000**		**7,219,520**
Granted in 2017							1,699,000	1,699,000
Cancelled in 2017	(186,000)	(204,000)		(7,240)	(234,000)	(11,920)		(643,160)
Number of outstanding free shares performance shares at June 30, 2017	**1,805,000**	**1,987,000**	**70,000**	**87,280**	**2,507,000**	**120,080**	**1,699,000**	**8,275,360**

(1) None at end of the vesting period, i.e. April 29, 2018.
(2) None at end of the vesting period, i.e. April 19, 2019.
(3) At least 20% of performance shares must be held until the beneficiary's functions within the Company have ceased.
(4) None at end of the vesting period, i.e. November 27, 2019.
(5) None at end of the vesting period, i.e. May 10, 2019 and May 10, 2020; 20% of performance shares must be held until the *Président Directeur Général*'s functions within the Company have ceased.
(6) None at end of the vesting period, i.e July 21, 2020.
(7) None at end of the vesting period, i.e February 27, 2020.

The related charge amounted to €6.5 million for the first half of 2017 compared with €3.7 million for the first half of 2016.

5.2.8. Income tax expense

(in euro million)	1st Half 2017	1st Half 2016
Income of consolidated companies before tax	82	126
Income tax expense	(25)	(39)
Effective tax rate	**30,0%**	**31,0%**

The change in effective tax rate resulted from more restrictive tax policies in OECD countries, and a steady use of tax losses.

5.2.9. Compensation

(in euro million)	1st Half 2017	1st Half 2016
Personnel costs	(705)	(669)
Free share and performance share charges	(6)	(4)
Total	**(711)**	**(673)**

In France, article 66 of Amending Finance Law n° 2012-1510 of December 29, 2012 for 2012 introduced a tax credit for competitiveness and employment (*Crédit d'impôt compétitivité emploi* or *CICE*). Income of €2.2 million has been recognized in the first half of 2017 compared with €2.0 million in the first half of 2016, as a reduction in compensation, according to the statement issued by the French Accounting Authority (*Autorité des Normes Comptables*) on February 28, 2013. The *CICE* rate increased from 6% to 7% in application of article 72 of French 2017 Finance Act, in respect of eligible compensation paid from January 1, 2017 onwards.

5.2.10. Other expenses and income from operations

(in euro million)	1st Half 2017	1st Half 2016
Expenses	**(300)**	**(286)**
Amortization and depreciation	(25)	(23)
Other expenses	(275)	(263)
Income	**14**	**18**
Other income	14	18
Total	**(286)**	**(268)**

5.2.11. Other operating expenses and income

(in euro million)	1st Half 2017	1st Half 2016
Other operating expenses	**(11)**	**(10)**
Litigations with managers, and risk in operations	(9)	(10)
Other	(2)	
Other operating income		
Other		
Total	**(11)**	**(10)**

Significant and non-recurring expenses generated by restructuring and litigations are recorded on the “Other operating expenses” line item in order to give a clearer picture of the Group’s operational performance.

Ongoing restructuring generated total non-recurring expenses of €-9.5 million in the first half of 2017.

The “Other operating expenses and income” line item also include goodwill impairment charges, acquisition-related costs and adjustments to earn-out obligations in application of IFRS 3R.

5.2.12. Operating segments

All Group businesses present identical characteristics, are complementary and are run according to the same business model. For several years, the operating structure of Havas has increasingly been organized to offer each client a global range of communications services including traditional advertising, media and digital expertise.

As a result, internal reporting is based on an analysis of the various activities by geographical zone, permitting comparability over time. The scope of operations is adjusted to reflect managerial developments and expected synergies. The operating segments remained constant over the two comparative periods.

1st Half 2017

(in euro million)	France	Europe	United Kingdom	North America	Apac and Africa	Latam	Eliminations	Total
Consolidated income statement								
Revenue								
Revenue from external customers	230	202	118	398	90	71	(1)	1 108
Revenue from transactions with other segments	5	-	-	-	-	-	(5)	0
Total Revenue	**235**	**202**	**118**	**398**	**90**	**71**	**(6)**	**1 108**
Income from operations	**43**	**29**	**(5)**	**54**	**(5)**	**(6)**	**1**	**111**
Other operating expenses and income	-	-	(6)	(3)	-	(2)	0	(11)
Amortization and depreciation	(7)	(5)	(2)	(7)	(2)	(2)	0	(25)

1st Half 2016

(in euro million)	France	Europe	United Kingdom	North America	Apac and Africa	Latam	Eliminations	Total
Consolidated income statement								
Revenue								
Revenue from external customers	218	209	132	380	82	69	(3)	1 087
Revenue from transactions with other segments	5	-	-	-	-	-	(5)	0
Total Revenue	**223**	**209**	**132**	**380**	**82**	**69**	**(8)**	**1 087**
Income from operations	**65**	**27**	**9**	**43**	**(4)**	**1**	**6**	**147**
Other operating expenses and income	(2)	4	(1)	(10)	-	(1)	0	(10)
Amortization and depreciation	(6)	(5)	(2)	(7)	(1)	(1)	(1)	(23)

5.2.13. Net financial expense

The table below details net financial expense for the first half of 2017 and 2016:

(in euro million)	1st Half 2017	1st Half 2016
Interest income	**3**	**4**
Cost of debt	**(11)**	**(11)**
-Bonds	(6)	(6)
-Other	(5)	(5)
Other financial expenses and income	**(10)**	**(4)**
Exchange gains and (losses)	(9)	(2)
Other financial expenses and income	(1)	(2)
Net financial expense	**(18)**	**(11)**

5.2.14. Earnings per share

	1st Half 2017	1st Half 2016
Net income, Group share, in euro million	54	82
Number of weighted average outstanding shares, in thousands	419,976	417,681
Basic earnings per share, Group share, in euro	**0.13**	**0.20**
Number of free shares and performance shares, in thousands	**8,371**	**5,464**
January 29, 2014 plan	1,991	2,163
January 19, 2015 plan	2,191	2,342
March 19, 2015 plan	70	70
August 27, 2015 plan	94	109
May 10, 2016 plan	2,741	780
July 21, 2017 plan	132	
February 28, 2017 plan	1,152	
In euro million	0	0
Net income adjusted for dilutive instrument impact, Group share, in euro million	54	82
Diluted number of shares, in thousands	428,347	423,145
Diluted earnings per share, Group share, in euro	**0.13**	**0.19**

The number of stock share equivalents taken into account for the calculation of diluted earnings per share amounted to 8,371,064 as at June 30, 2017 compared with 5,463,972 as at June 30, 2016. These numbers reflected the situation of free shares and performance shares that were granted and not cancelled.

5.2.15. Related party transactions

Media Planning Group and its subsidiaries have entered into transactions with members of the family of Alfonso Rodés Vilà, Deputy Chief Executive Officer of Havas SA and Chief Executive Officer of Havas Media. These transactions were mainly in connection with media space buying, advertising and administrative services rendered.

On July 28, 2011, Havas Management España entered into an agreement with Mr. Fernando Rodés Vilà that includes services to be rendered successively, a non-compete clause and a notional dividend. A further agreement was signed on June 28, 2012 stipulating the remuneration in respect of the notional dividend of ISP and Gevisa. Both agreements were terminated by the end of 2016.

Furthermore, certain subsidiaries of the Group have rendered services in connection with advertising to Bolloré Group subsidiaries. Transactions were carried out at market value. The cash-pooling agreement signed on December 1, 2015 became obsolete at end of June 2017.

Similarly, certain subsidiaries of the Group have also performed operating transactions at market value for Vivendi and its subsidiaries. In the case of Canal+ Group:

- Havas Group clients have bought media space, via media agencies and for the purposes of their advertising campaigns, from the Canal+ Group totaling €25 million in the first half of 2017 (€51 million in the first half of 2016);
- As part of its campaigns to promote its Canal+, Canalsat and Canalplay brands, the Canal+ Group has purchased space in the principal media through the Havas Group and its agencies totaling €34 million in the first half of 2017 (€36 million in the first half of 2016);
- The Havas Group and its subsidiaries realized €12 million on media and production services, broadcasting rights and fees in the first half of 2017 (€9 million in the first half of 2016);
- The Havas Group and its subsidiaries devised and produced campaigns for Canal+ totaling €5 million in the first half of 2017 (€6 million in the first half of 2016).

In addition, the Havas group and its subsidiaries provided services to Telecom Italia totaling €6 million as revenue. The transactions with the other Vivendi Group subsidiaries in the first half of 2017 being non-material, all of these transactions were disclosed in the 2016 annual report.

The Havas Group did not enter into any new material transactions with related parties in the first half of 2017.

5.2.16. Events after the balance sheet date

On July 3, 2017, Vivendi acquired the Bolloré Group’s majority 59.2% stake in Havas as mentioned in the related note 5.2.1 above.

IV. Statutory Auditor’s review report on the half-year financial information

HAVAS

Limited company

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Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2017

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Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2017

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of article L.451-1-2 III of the Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying (condensed) half-yearly consolidated financial statements of HAVAS, for the period from January 1 to June 30, 2017,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I- Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II- Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Neuilly-sur-Seine, August 25, 2017

The Statutory Auditors

French original signed by

AEG FINANCES	CONSTANTIN ASSOCIES
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