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# REGISTRATION DOCUMENT

Including the annual financial report



17

#### 4.4.2. Banque PSA Finance, signature of a framework agreement with the BNP Paribas Group to form a car financing Partnership for Opel Vauxhall vehicles

On 6 March 2017, when the Master Agreement was concluded with General Motors, the Company simultaneously signed a Framework Agreement with BNP Paribas and BNP Paribas Personal Finance, to organise the joint purchase of Opel Vauxhall's finance companies and the setting up of a car financing partnership for Opel Vauxhall vehicles.

The acquisition of Opel Vauxhall's finance companies will be completed through a holding company. This joint venture, owned in equal shares and on the same terms by Banque PSA Finance and

BNP Paribas Personal Finance, will from an accounting point of view retain the current European platform and staff of GM Financial. The Opel Vauxhall finance companies will distribute financial and insurance products over a territory initially including the following countries: Germany, United Kingdom, France, Italy, Sweden, Austria, Ireland, Netherlands, Belgium, Greece and Switzerland. The cooperation may potentially be extended thereafter to other countries where Opel Vauxhall has a presence.

## 4.5. CAPITAL EXPENDITURE IN RESEARCH & DEVELOPMENT

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### Automotive Expertise to deliver useful technologies

Innovation, research and development are powerful levers for developing competitive advantages by addressing the major challenges faced in the automotive industry (environmental, safety, emerging mobility and networking needs, etc.).

Every year, Groupe PSA invests in research and development to stay ahead, technologically, of environmental and market changes.

#### 4.5.1. The R&D strategy in the “Push to Pass” plan

##### 4.5.1.1. R&D AT THE HEART OF THE “CORE MODEL STRATEGY”

Through its “Push to Pass” strategic plan, the Group has decided to launch a product offensive focused on both its customers and on its leading profit pools world-wide by releasing one new car per region, per brand and per year from 2018 (“Core Model Strategy”), to be developed on the basis of a targeted range of:

- 26 passenger cars;
- 8 light commercial vehicles, including a new one-ton pickup.

9 Opel Vauxhall launches will bolster the Groupe PSA product offensive.

To roll out this ambitious product plan and optimise its efficiency, Groupe PSA's R&D Department develops its vehicles through multi-brand and multi-region programmes, based on modular multi-energy platforms that enable it to maximise the reuse of parts.

Accordingly, the Group is developing all of its body models through global programmes each of which caters for the interests of the six regions and the brands for the segment it targets.

These body designs are created over two lighter, multi-energy platforms, and offer greater modularity in terms of length, height

and wheel diameter, to address the challenges faced in terms of mass, environment and functionalities.

- The mid- and hi-end body designs of all the Group's brands (sedans, coupés, MPVs, SUVs and LCVs) are developed on the EMP2 Efficient Modular Platform, launched in 2013. In addition to petrol and diesel engines, this platform will cater for the plug-in hybrid petrol-electric powertrain (PHEV).
- The segment B city car models up to the compact SUVs, as well as the new segment C sedans, dedicated mainly to urban use, will be developed on the Common Modular Platform (CMP), established in collaboration with Dongfeng Motor Corporation. This platform, to be launched in 2018, will by 2019 be available with an electric powertrain variant.

This modular approach, coupled with programme-based organisation, will enable the reuse of basic parts and modules but also body parts, generating a 20% saving on R&D costs and a 30% saving on capital expenditure (CAPEX) compared to an entirely new model.

The new Opel and Vauxhall cars will also be developed on these multi-energy EMP2 and CMP platforms.

#### 4.5.1.2. THE “CORE TECHNOLOGY STRATEGY”

Via its “Core Model Strategy”, Groupe PSA offers a targeted range of technologies that aims to provide its customers with a diverse selection of technological options to meet all of their responsible and sustainable mobility needs, thus reflecting the social changes that have a direct impact on the automotive industry: energy transition, increased urbanisation, the ageing of the population, digital advances and hyper-connectivity, globalisation, mobility and changes in habits.

Groupe PSA has therefore identified three R&D strategic focus areas through which it will offer all its customers new types of automotive

experience, tailored to the individual user habits around the world; To design and develop:

- cars that are ever more environmentally friendly;
- connected, autonomous cars to assist drivers during the most monotonous moments of driving;
- attractive, pleasurable cars, that match the DNA of each of the Group’s three automotive brands.

Given the increasing technological complexity of vehicles, the safety of the driver, the passengers and other road users remains at the very heart of the Groupe PSA’s work. The Group’s performance in this regard is presented in Section 2.3.2.

### 4.5.2. Groupe PSA technological response

#### 4.5.2.1. “CLEAN TECHNOLOGIES”

The transport industry affects the control of greenhouse gases emissions and air quality. For this reason, regulations are becoming stricter across the globe.

Approximately 50% of the Groupe PSA’s R&D budget is dedicated to developing technologies to improve the environmental efficiency and performance of its vehicles.

Concerned to adopt a sustainable mobility approach (see Section 2.1.2) and to meet the challenge of energy transition, the Group has made the “clean car” a strategic focus of its R&D. Thus, the performance of its internal-combustion and electrical powertrains can and will enable it to respond to the CO<sub>2</sub> issues, to reduce pollutant emissions and to accommodate the change in the petrol/diesel fuel mix at work in Europe, and particularly in France.

##### 4.5.2.1.1. Optimisation of internal combustion engines

Groupe PSA possesses a range of high-performing powertrains.

- Among petrol engines, the 3- and 4-cylinder PureTech family (formerly THP) is particularly efficient from the standpoint of consumption, weight and emissions.
  - The 3-cylinder 1.2l turbo version received the International Engine of the Year award in its category for 3 consecutive years, from 2015 to 2017.
  - The new generation of this engine range was launched in May 2017. Intended to conquer world markets, this range complies with the Euro 6d-temp standard (which came into force on 1 September 2017 for new vehicles) and, furthermore, with the more stringent Chinese China6b standard.
  - Groupe PSA has also developed a particulate filter, the GPF (gasoline particle filter) for direct-injection petrol engines. As measured by number of particles filtered, this technology is 75% more efficient. Since end 2017, this development has been generalised to all Groupe PSA’s direct-injection petrol engines.

The EC engine family rolled out across all regions completes this range of Groupe PSA petrol engines.

- For diesel engines, Groupe PSA has followed the most efficient technological options, rather than the least costly.
  - Following the widespread use of the particulate filter since 2011, SCR technology (selective catalytic reduction), launched in 2013, is today widely used on all diesel Euro 6b BlueHDI engines.
  - The new-generation 1.5 BlueHDI engines, launched in 2017, adheres to a real driving emissions (RDE) compliance factor of 1.5 instead of the required 2.1 for No<sub>x</sub> emissions, three years

ahead of the regulations. This is a compact engine, boasting an upgraded BlueHDI depollution system with enhanced No<sub>x</sub> treatment efficiency. Its design and engineering were 100% digital.

- In 2017, Groupe PSA also expanded its gearbox offer with a new 6-gear manual box developed using 100% digital engineering, and an 8-gear automatic box (EAT8), thereby achieving further, still more drastic vehicle consumption gains while offering the highest standard of driving comfort.

Besides developing technologies of ever-increasing efficiency from the standpoint of consumption and emissions, Groupe PSA is committed to a policy approach of transparency to its customers regarding the true consumption of its vehicles. It partnered with the NGOs Transport & Environnement (T&E) and *France Nature Environnement* (FNE), and with the Bureau Veritas certification agency to define a reliable protocol for measuring Real-World fuel consumption. The measurements obtained through this protocol make it possible to estimate the consumption in real-world driving conditions of more than 1,000 versions of Peugeot, Citroën and DS vehicles. This initiative, a first in the automotive world, won the ECOBEST 2017 award.

##### 4.5.2.1.2 New electric powertrains

To respond to energy transition issues, Groupe PSA has committed itself to electrifying its vehicle range, with clear aims:

- from 2019 onwards, every new model produced will be available in an Electric or Hybrid version;
- by 2023, the electric offer will extend to 80% of vehicles in the “core model strategy”.

In addition, the PACE! strategic plan affirms acceleration in the move of Opel and Vauxhall cars to electrical technology. Accordingly, 4 electric versions will be marketed by 2020 and, by 2024, all passenger cars of the Opel and Vauxhall brands will offer an electric version.

The electric powertrains are developed on the EMP2 and CMP multi-energy platforms, enabling Groupe PSA to adapt flexibly to the energy mix required on the different markets.

##### The plug-in petrol hybrid

Groupe PSA is developing a plug-in full-hybrid powertrain coupled with a petrol engine developed on the EMP2 multi-energy modular platform. This technology will provide its customers with, among others, benchmark dynamic product performances, spacious passenger compartments and boot; a 60km<sup>(1)</sup> range full electric mode.

The plug-in petrol hybrid range will be launched simultaneously in Europe and in China from 2019 with the DS7 Crossback.

(1) NEDC cycle.

**Electric vehicles**

The Groupe PSA electric powertrain is developed on the new common modular platform (CMP) to be launched in 2018. This platform use will allow the offer of a new generation of multi-purpose electric vehicles with long range (up to 450 km [274 miles]<sup>(9)</sup>, ranging from city cars to compact sedans and SUVs, to cater for every type of use.

The first vehicles will be simultaneously launched in Europe and China from 2019.

For end-to-end control of the value chain from design to production in the area of electrification, and to offer the best-performing technologies in order to maintain its technological leadership already established in internal-combustion engines, Groupe PSA has teamed up with the world leader in electrical machinery, Nidec Leroy Somer, in a joint venture to develop a range of electric and hybrid engines embodying state-of-the-art technology.

**4.5.2.2. “SMART” CARS: AUTONOMOUS AND CONNECTED**

Customers want their cars to provide them with independence but also to contribute to a collective well-being. The autonomous and connected cars of tomorrow will focus on this social change, encouraging the emergence of new transport and mobility models, while saving customers time and energy. Groupe PSA is actively involved in this transition.

**4.5.2.2.1. The communicating connected car**

The communicating connected car marks the transition from a closed-off vehicle to a more open vehicle, with mobile devices connected to the *cloud*. It broadens the range of mobility opportunities.

Thus, the motor vehicle is becoming part of the Internet of Things (IoT), in order to provide new experiences. This digital revolution

requires organising and managing car data security. TO this end, Groupe PSA is developing an automotive IoT software platform with world coverage, the connected vehicle modular platform (CVMP).

- The CVMP will ensure that all digital interactions between the car and the cloud are managed securely while at the same time guaranteeing data integrity, authenticity and confidentiality.
- CVMP will make it possible to introduce new services such as remote on-demand car diagnostics and remote control solutions such as battery charging and pre-heating; over-the-air car software updates, traffic information and navigation; car sharing and corporate fleet management; and customised onboard services such as personal assistant solutions.

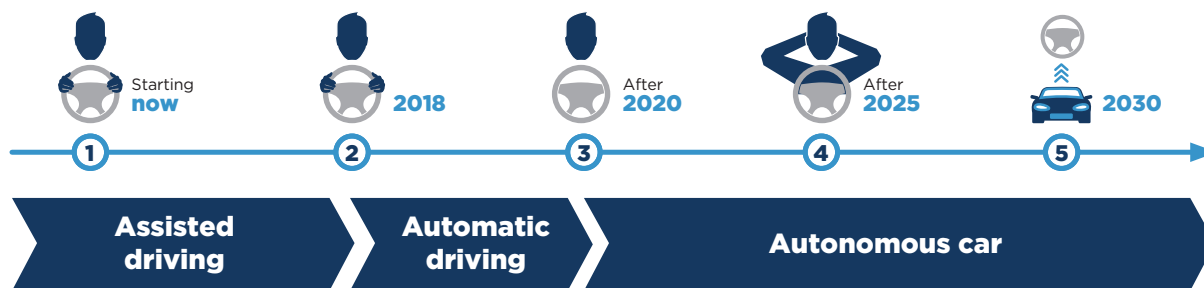
In November 2017, Groupe PSA announced that it was partnering with Huawei to develop this platform. Huawei is one of the world leaders in Information and Communication Technology, and its world-renowned expertise guarantees implementation of the highest standards of data security and regulations.

The first applications of the new platform will be launched for customers in Europe and China in 2018 and subsequently in the rest of the world. New services adjusted to customer needs will be rolled out gradually.

**4.5.2.2.2. Self-driving: towards the autonomous car**

In order to offer increasingly safer cars to its customers, cars that take the pressure off the driver during tedious driving conditions, and thereby make daily life easier, Groupe PSA is launching a wide range of assistance functions that will gradually lead to the option to partially, and then totally, hand over responsibility to the car, with total peace of mind, should the driver choose to do so.

As such, the autonomous car is becoming a reality, with increasing elements of automation and regulated autonomy, as shown in the timeline below.



The Groupe PSA cars are equipped with the first technology building blocks, which are the precursors of tomorrow's autonomous car:

- new-generation driver assistance functions deployed in the Group's models since 2016;
- driver-supervised automatic driving functions launched on the DS 7 Crossback:
  - DS CONNECTED PILOT, which controls the vehicle's speed in relation to the vehicle ahead of it, and positions it precisely in its lane,
  - DS PARK PILOT: the vehicle parks by itself in line with adjacent vehicles or in side-by-side parking slots without steering-wheel or pedal action by the driver. The vehicle also detects a parking space that will accommodate its size,

- DS NIGHT VISION, which detects the presence of pedestrians or animals on the road up to 100 metres ahead using an infra-red camera located in the radiator cowling, to alert the driver to hazards detected,
- DS DRIVER ATTENTION MONITORING, which detects any fall in driver vigilance *via* a camera with infra-red LEDs located above the steering wheel, and backed up by a camera at the top of the windscreen. It alerts the driver whenever an anomaly is detected.

The Group will deploy the Autonomous Driving functions after 2020. These Hands Off then Eyes Off functions will allow care-free delegation of driving to the vehicle, first partially, then totally, to free the driver for other activities, and make journeying time more congenial.



As proof of its technological maturity, Groupe PSA is the first car manufacturer to have obtained, in July 2015, the necessary French authorisations to allow its autonomous prototypes to travel on the open road then, in March 2017, for conducting tests with layman drivers.

At the end of 2017, 20 Groupe PSA prototypes were travelling the roads of Europe. These drivers travelled over 150,000 km in autonomous driving mode. Two new prototypes also arrived in China at the year-end, and open-road travelling began.

Additionally, in 2017, Groupe PSA signed a strategic partnership agreement with nuTonomy for the testing of fully autonomous vehicles in Singapore.

#### 4.5.2.2.3. Connected, autonomous cars that are safe and reliable: a new electronic architecture

Groupe PSA is designing a new electronic architecture as the nervous system of tomorrow's connected, autonomous car: NEA "New Electronic Architecture", presented at the Innovation Days in June 2017. This architecture imparts safety and reliability to connected, autonomous cars.

- NEA accesses all the car's automation and connectivity functions with maximum operating dependability and data protection (cybersecurity).
- NEA's design is ingenious and disruptive:
  - it is modular, adjusting to our customers' needs the degree of equipment sophistication, the vehicle's onboard electrical and electronic capabilities, and the purchase cost;
  - it is open-ended, so that innovations can be added without overhauling the electronic architecture, and can be offered to our customers rapidly.
- From 2020, all vehicles designed on the EMP2 platform will be equipped with NEA. This architecture will subsequently be phased in to all the Group's cars.

### 4.5.3. Groupe PSA Innovation

Innovation guarantees a genuine potential for differentiation in a demanding, fast-evolving market. Innovation enables Groupe PSA to stand out from the competition and bring to birth the car of tomorrow.

Groupe PSA commands a portfolio of high-value innovations protected by industrial property rights, particularly featuring a large number of patents.

In 2017, Groupe PSA published 1,021 patents in France, an increase compared to 2016 (930). This high number of patents is testament to the Group's commitment to protecting and promoting its innovations. In fact, innovation is central to the Group's strategy.

#### 4.5.3.1. OPEN INNOVATION

To increase the scope of opportunities available (reduction of development expenditure, detection of new trends and Time to Market acceleration), Groupe PSA structures its work around an

#### 4.5.2.3. ATTRACTIVE CARS

##### 4.5.2.3.1 Brand differentiation

Groupe PSA's R&D innervates the DNA of its three historic brands...

- Peugeot: Excellence, Allure, Emotion;
- Citroën: Optimistic, Human, Smart;
- DS: Avant-garde, Refinement, Technology;

...and that of the two new brands:

- Opel: Innovation accessible to all;
- Vauxhall: Great Design and ingenious technology.

The new body styles launched in 2017 illustrate this clear differentiation:

- for Peugeot: the new 5008;
- for Citroën: C5 Aircross and C3 Aircross;
- for DS: DS 7 Crossback;
- for Opel: Grandland X and Crossland.

##### 4.5.2.3.2 The in-car experience

Given the changes to the ways in which we use our cars, the driver and passenger experience has become a key element in the design of Groupe PSA cars. This experience notably involves new HMIs (human machine interface), capable of creating new relationships with our cars.

In 2016, Groupe PSA opened its "User Experience Cockpit Team" workspace; a new approach to envisioning the in-car experience of the future. This approach has seen practical embodiments in 2017 on all the new models.

Open Innovation initiative which links it to a wide range of partners that enable it to detect new trends, identify technological and/or scientific gems and to assist in its international expansion:

**The "individuals" ecosystem** incorporates Group employees, customers, and users of mobility services in general. The aim is to involve customers in the innovation process, right from the beginning. In support of this approach, incubators were set up in France as early as 2015, followed by Latin America in 2016. The scoreboard in 2017 is 455 candidate projects and 19 transformed, including the 3D-printed parts project for the DS3 Darkside.

**The "academic" ecosystem** focuses on scientific partnerships with the most advanced universities and laboratories in their respective fields. They are targeted so as to benefit from their expertise and explore ways to branch out into new research. In this respect, Groupe PSA created StelLab in 2010 to lead its scientific partnerships. StelLab is part of a network that today includes 17 OpenLabs and 6 academic chairs that are managed in direct collaboration with the PSA university.



In 2017, Groupe PSA launched a new OpenLab in Morocco, entitled "Sustainable mobility for Africa", based on an agreement with five Moroccan universities, two American universities with a presence in Morocco, an Écoles Centrales engineering school based in Morocco, and a technology centre at the International University of Rabat.

**The "institutions" ecosystem incorporates ministries, local administrations, the French National Research Agency (ANR), Agency for the Environment and Energy Management (ADEME), competitiveness clusters and the European Commission.** Under this ecosystem, Groupe PSA is an active member of automotive industry competitiveness clusters (MOV'EO, Véhicule du Futur, ID4car) which foster collaborative projects, close relationships with SMEs and startups and encourage meetings with new potential partners.

In 2017, Groupe PSA participated in 22 projects with European funding in a number of areas, among them:

- the connected autonomous vehicle, particularly through the SCOOP and L3PILOT projects;
- new urban-mobility objects through the EU-LIVE project;
- the factory of the future, featuring the Thomas, Versatile and Scalable projects;

some ten projects supported by the French State, chiefly through the French National Research Agency (*Agence Nationale de la Recherche*), the Public Investment Bank (*Banque Publique*

*d'Investissement*) and the Agency for the Environment and Energy Management (ADEME), in a variety of areas such as:

- adapting the autonomous-vehicle automation strategy to the needs and condition of drivers with the AutoConduct project;
- passenger-compartment air quality with the QAlcars project;
- development of innovative battery packs with the *Équipements Innovants du Véhicule Electrique* project (innovative equipment for electric vehicles).

**The "business" ecosystem incorporates SMEs, VSEs, startups and businesses from a variety of industries involved in the innovation process to enhance business agility and help seize new scientific, technological and businesses opportunities as early as possible.**

In 2017,

- Groupe PSA, in partnership with Le Village by CA Paris, issued a call for innovations to start-ups and SMEs of the the circular economy: "My Car, designed for second life". 68 candidate projects were submitted. They were analysed to identify collaborative opportunities that could be taken up during 2018;
- Groupe PSA and the nuTonomy start-up signed a strategic partnership agreement for the testing of fully autonomous vehicles in Singapore;
- Ericsson, Orange and Groupe PSA signed a partnership agreement for technical experimentation around 5G in order to validate potential automotive uses of this technology.



## 4.5.4. R&D effectiveness

### 4.5.4.1. THE R&D BUDGET

In 2017, capitalised R&D investment and expenditure amounted to €4,713 million (including €436 million in non-recurring investment), of which €1,432 million for Faurecia, compared with €2,673 million in 2016, of which €389 million for Faurecia (including income of €604 million from the sale of the Automotive Exteriors activity), and €2,695 million in 2015, including €915 million for Faurecia. Groupe PSA will continue its programme to optimise and make more effective its R&D expenses and investments, keeping them within a controlled scope. For further information, please refer to Note 5.3 to the 2017 consolidated financial statements, Section 5.6, below.

2017 featured a good many commercial launches throughout the world, illustrating the deployment of the Core Model and the Core Technology Strategy:

- new body styles: Peugeot 5008 (Europe and China), Citroën C5 Aircross (China) and C3 Aircross (Europe), and the Opel Grandland X and Cross land X (Europe) developed with the Opel Vauxhall teams;
- aboard the new DS 7 Crossback, unveiled in 2017 and marketed in early 2018, are the first automatic driving functions and the 3rd generation of the Connect Nav electronic data system. It will be launched in Europe, then in China;
- "Updated" cars: Peugeot 308 and 301 (Europe) and Partner (Latin America), restyled Citroën C5 (China), Elysée (Europe) and Partner (Latin America);
- KD (Knocked Down) projects, conducted with our local vehicle production and marketing partners: Peugeot Pick up (Africa), Peugeot Expert and Citroën Jumpy (Uruguay), Peugeot 3008 (Vietnam);
- the e-Mehari 2, in partnership with Bolloré;
- the launch of the new-generation Puretech and BlueHDi engines;
- the two new gearboxes: the 6-gear manual box developed using 100% digital technology, and the 8-gear automatic box (EAT8).

### 4.5.4.2. GLOBAL IMPACT OF R&D

Groupe PSA's R&D has a global reach and is built around four clusters that support the Group's international development:

- **an R&D cluster in Europe**
  - the main base in **France**, in charge of the early phase, the design and engineering of vehicles and subassemblies:
    - divided between three R&D centres and their three testing sites: Vélizy/La Ferté-Vidame, Sochaux/Belchamp and La Garenne-Colombes/Carrières sous Poissy,
    - with a workforce of 9,425 employees at end 2017 working within the PCD scope;
  - an Opel Vauxhall technical development centre at Rüsselsheim, in Germany, with a workforce of 7,550 employees at the end of 2017;
- **an R&D cluster in China:**
  - with three R&D centres:
    - two sites with our partner Dongfeng Motors: Shanghai (the Group's China Tech Centre) and Wuhan, in charge of developing new prototype vehicles, modifying engines and fostering local integration,
    - one site with our partner Changan in Shenzhen, responsible for local integration and manufacturing;
  - with a workforce of 2,650 people, of whom 2,000 are involved in the two joint ventures;
- **an R&D cluster in Latin America**, at São Paulo, dedicated to local integration and industrialisation, with a workforce of 500 people;
- **an R&D centre in Morocco**, located in Casablanca since July 2017, to support Groupe PSA's development in the Africa Middle East Region, mainly as part of the construction of the Kenitra industrial site scheduled for completion in 2019. At end 2017, the MTC (Morocco Technical Center) employed a workforce of 202 staff;

#### 4.5.4.3. PRESERVATION OF OUR CORE COMPETENCIES

The R&D jobs and skills strategy aims to focus available resources on the most strategic areas for the business:

- by subcontracting part of the highly standardised activities to core engineering suppliers (*fournisseurs majeurs d'ingénierie - FMI*) selected by the Group;
- *via* its expertise network established in 2010 which today includes 21 senior experts, 161 experts and 521 specialists who provide the Group with key competencies;
- *via* internal reconversions: 1,850 career paths were designed by the Quality and Engineering Department (DQI) as part of the internal reconversion programme called "Top Compétences" since it was launched, enabling employees to focus on and acquire skills that are highly valuable for the Group's R&D;
- *via* targeted recruitments: the number of targeted recruitments in 2017 for DQI is 170 during the applicability period of the "New Momentum for Growth" agreement.

As part of the "New Momentum for Growth", the DQI is fully incorporated within the Group with a view to enhancing employee experience through:

- the development of home and distance working (1484 home workers and 4694 distance workers at end 2017);
- establishing collaborative working areas, now commonplace in Vélizy and deployed at the Sochaux/Belchamp and Carrières-sous-Poissy sites.

#### 4.5.4.4. PERFORMANCE

Improving the effectiveness of Groupe PSA's R&D relies on three key factors:

- a targeted product and technology strategy and programme-based organisation to maximise the reuse of parts (see paragraph 4.5.1.);
- the transformation of its R&D and a revolutionary internal performance plan;
- the sharing of R&D costs under joint arrangements.

##### 4.5.4.4.1 The transformation of R&D and the performance plan

R&D has committed to show a performance gain of €1.5 billion between 2014 and 2018, with 5% productivity gains per year. To achieve this, the Quality and Engineering Department is heading a performance plan (called "DRIVE") recurrent productivity gains of €100 million over five years.

In 2017, the DRIVE plan generated savings of €115 million. The major drivers contributing to this achievement are:

- reductions in costs entailed in the impact of R&D by optimising average subcontracting costs and reducing the number of

subcontractors to achieve the break-even defined in Push to Pass;

- the "Digital Validation Boost" project which is aimed at tipping the balance between digital validations and physical validations in favour of digital, so as to reduce the number of physical resources:
  - elimination of style models (in 2017, 100% of the physical perceived-quality models were eliminated),
  - reduction in the number of pre-series vehicles dedicated to integration and validation testing,
  - designing powertrains without prototypes (in 2017, the new 1.5 BlueHDi and the new manual 6-gear box were launched, having been developed without a prototype);
- compression of the SOD operational development programme - development plan - by 13% in 2017, thereby accelerating product marketing;
- narrowing the range of technical diversity;
- optimisation of floor areas occupied by Groupe PSA R&D (down 26% since 2013 at the end of 2017 with a target of -40% for the end of 2018).

##### 4.5.4.4.2 Partnerships

Groupe PSA is developing internationally by curbing its R&D expenses thanks to its network of partnerships for joint developments in terms of technologies and vehicles:

- the CMP platform and its electrified version eCMP with Dongfeng Motor Corporation;
- diesel engines with Ford;
- the e-Mehari with Bolloré to add to our range of electric vehicles;
- a segment vehicles (Peugeot 108 and Citroën C1) with Toyota;
- commercial vehicles with Fiat and Toyota.

Local partnerships also offer support to Groupe PSA in terms of production and marketing of its vehicles:

- in Iran under our two Joint Ventures: IKAP (Iran-Khodro/Peugeot in Teheran) and SCCO (SAIPA/Citroën in Kashan);
- in Malaysia with our partner NAZA;
- in Vietnam, with the Vietnamese group THACO;
- in Kazakhstan for the production of vehicles in DKD (301, 3008, 508, Partner) with our partner Kazakh AMH;
- in Belarus with the partner Belarus PC-AUTO for KD production (301, 3008, 508, Partner, C-Elysée, Citroën Berlingo);
- in Nigeria for the ongoing production of the Peugeot 301 and the 508;
- in Ethiopia for the marketing of the Peugeot 301, 208 and 2008 launched at the end of 2016;
- in Uruguay, with EASA and Nordex for the production of the new Peugeot Expert and Citroën Jumpy since the second half of 2017.

# CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017



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The consolidated financial statements of the PSA Group are presented for the years ended 31 December 2017 and 2016. The 2015 consolidated financial statements are included in the Registration Document that was filed with the French securities regulator (*Autorité des Marchés Financiers*) on 24 March 2016 under no. D.16-0204.

## 5.1. CONSOLIDATED STATEMENTS OF INCOME

| (in million euros)   | Notes    | 2017                              |                   |              |               |
|--|----------|-----------------------------------|-------------------|--------------|---------------|
|  |          | Manufacturing and sales companies | Finance companies | Eliminations | Total         |
| <b>Continuing operations</b>   |          |                                   |                   |              |               |
| <b>Revenue</b>   | 5.1      | <b>65,094</b>                     | <b>139</b>        | <b>(23)</b>  | <b>65,210</b> |
| Cost of goods and services sold  |          | (53,017)                          | (98)              | 23           | (53,092)      |
| Selling, general and administrative expenses   |          | (5,862)                           | (27)              | -            | (5,889)       |
| Research and development expenses  | 5.3      | (2,238)                           | -                 | -            | (2,238)       |
| <b>Recurring operating income (loss)</b>   |          | <b>3,977</b>                      | <b>14</b>         | <b>-</b>     | <b>3,991</b>  |
| Non-recurring operating income   | 5.4 -8.3 | 202                               | 3                 | -            | 205           |
| Non-recurring operating expenses   | 5.4 -8.3 | (1,106)                           | (3)               | -            | (1,109)       |
| <b>Operating income (loss)</b>   |          | <b>3,073</b>                      | <b>14</b>         | <b>-</b>     | <b>3,087</b>  |
| Financial income   |          | 163                               | 4                 | -            | 167           |
| Financial expenses   |          | (404)                             | (1)               | -            | (405)         |
| <b>Net financial income (loss)</b>   | 12.2     | <b>(241)</b>                      | <b>3</b>          | <b>-</b>     | <b>(238)</b>  |
| <b>Income (loss) before tax of fully consolidated companies</b>                                      |          | <b>2,832</b>                      | <b>17</b>         | <b>-</b>     | <b>2,849</b>  |
| Current taxes  |          | (552)                             | (13)              | -            | (565)         |
| Deferred taxes   |          | (139)                             | 3                 | -            | (136)         |
| <b>Income taxes</b>  | 14       | <b>(691)</b>                      | <b>(10)</b>       | <b>-</b>     | <b>(701)</b>  |
| Share in net earnings of companies at equity   | 11.3     | (9)                               | 226               | -            | 217           |
| Other expenses related to the non-transferred financing of operations to be continued in partnership |          | -                                 | -                 | -            | -             |
| <b>Consolidated profit (loss) from continuing operations</b>   |          | <b>2,132</b>                      | <b>233</b>        | <b>-</b>     | <b>2,365</b>  |
| <i>Attributable to equity holders of the parent</i>  |          | 1,709                             | 227               | -            | 1,936         |
| <b>Operations held for sale or to be continued in partnership</b>                                    |          |                                   |                   |              |               |
| <b>Profit (loss) from operations held for sale or to be continued in partnership</b>                 |          | <b>(7)</b>                        | <b>-</b>          | <b>-</b>     | <b>(7)</b>    |
| <b>CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>   |          | <b>2,125</b>                      | <b>233</b>        | <b>-</b>     | <b>2,358</b>  |
| <i>Attributable to equity holders of the parent</i>  |          | 1,702                             | 227               | -            | 1,929         |
| <i>Attributable to minority interests</i>  |          | 423                               | 6                 | -            | 429           |

(in euros)

|   |      |
|---|------|
| Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2)   | 2.18 |
| Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2)                            | 2.18 |
| Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2) | 2.06 |
| Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2)                          | 2.05 |

|  | 2016     |                                   |                   |              |               |
|--|----------|-----------------------------------|-------------------|--------------|---------------|
| <i>(in million euros)</i>  | Notes    | Manufacturing and sales companies | Finance companies | Eliminations | Total         |
| <b>Continuing operations</b>   |          |                                   |                   |              |               |
| <b>Revenue</b>   | 5.1      | <b>53,884</b>                     | <b>161</b>        | <b>(15)</b>  | <b>54,030</b> |
| Cost of goods and services sold  |          | (43,599)                          | (125)             | 15           | (43,709)      |
| Selling, general and administrative expenses   |          | (5,136)                           | (35)              | -            | (5,171)       |
| Research and development expenses  | 5.3      | (1,915)                           | -                 | -            | (1,915)       |
| <b>Recurring operating income (loss)</b>   |          | <b>3,234</b>                      | <b>1</b>          | <b>-</b>     | <b>3,235</b>  |
| Non-recurring operating income   | 5.4 -8.3 | 117                               | -                 | -            | 117           |
| Non-recurring operating expenses   | 5.4 -8.3 | (741)                             | -                 | -            | (741)         |
| <b>Operating income (loss)</b>   |          | <b>2,610</b>                      | <b>1</b>          | <b>-</b>     | <b>2,611</b>  |
| Financial income   |          | 298                               | 4                 | -            | 302           |
| Financial expenses   |          | (570)                             | -                 | -            | (570)         |
| <b>Net financial income (loss)</b>   | 12.2     | <b>(272)</b>                      | <b>4</b>          | <b>-</b>     | <b>(268)</b>  |
| <b>Income (loss) before tax of fully consolidated companies</b>                                      |          | <b>2,338</b>                      | <b>5</b>          | <b>-</b>     | <b>2,343</b>  |
| Current taxes  |          | (588)                             | (8)               | -            | (596)         |
| Deferred taxes   |          | 90                                | (11)              | -            | 79            |
| <b>Income taxes</b>  | 14       | <b>(498)</b>                      | <b>(19)</b>       | <b>-</b>     | <b>(517)</b>  |
| Share in net earnings of companies at equity   | 11.3     | (67)                              | 195               | -            | 128           |
| Other expenses related to the non-transferred financing of operations to be continued in partnership |          | -                                 | (10)              | -            | (10)          |
| <b>Consolidated profit (loss) from continuing operations</b>   |          | <b>1,773</b>                      | <b>171</b>        | <b>-</b>     | <b>1,944</b>  |
| <i>Attributable to equity holders of the parent</i>  |          | 1,358                             | 167               | -            | 1,525         |
| <b>Operations held for sale or to be continued in partnership</b>                                    |          |                                   |                   |              |               |
| <b>Profit (loss) from operations held for sale or to be continued in partnership</b>                 |          | <b>174</b>                        | <b>31</b>         | <b>-</b>     | <b>205</b>    |
| <b>CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>   |          | <b>1,947</b>                      | <b>202</b>        | <b>-</b>     | <b>2,149</b>  |
| <i>Attributable to equity holders of the parent</i>  |          | 1,532                             | 198               | -            | 1,730         |
| <i>Attributable to minority interests</i>  |          | 415                               | 4                 | -            | 419           |

*(in euros)*

|   |      |
|---|------|
| Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2)   | 1.90 |
| Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2)                            | 2.16 |
| Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2) | 1.70 |
| Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2)                          | 1.93 |



## 5.2. CONSOLIDATED COMPREHENSIVE INCOME

|  | 2017         |                                 |              |
|--|--------------|---------------------------------|--------------|
|  | Before tax   | Income tax benefit<br>(expense) | After tax    |
| <i>(in million euros)</i>  |              |                                 |              |
| <b>Consolidated profit (loss) for the period</b>   | <b>3,059</b> | <b>(701)</b>                    | <b>2,358</b> |
| <b>Items that may be recycled through profit or loss</b>                                     |              |                                 |              |
| Fair value adjustments to cash flow hedges   | 35           | (8)                             | 27           |
| › of which, reclassified to the income statement   | (4)          | 4                               | -            |
| › of which, recognised in equity during the period   | 39           | (12)                            | 27           |
| Gains and losses from remeasurement at fair value of available-for-sale financial assets     | 6            | (1)                             | 5            |
| › of which, reclassified to the income statement   | -            | -                               | -            |
| › of which, recognised in equity during the period   | 6            | (1)                             | 5            |
| Exchange differences on translating foreign operations                                       | (424)        | -                               | (424)        |
| <b>Total other items of comprehensive income that may be recycled through profit or loss</b> | <b>(383)</b> | <b>(9)</b>                      | <b>(392)</b> |
| <b>Items that may not be recycled through profit or loss</b>                                 |              |                                 |              |
| Actuarial gains and losses on pension obligations  | (104)        | 26                              | (78)         |
| <b>Total other items of comprehensive income</b>   | <b>(487)</b> | <b>17</b>                       | <b>(470)</b> |
| › of which, companies at equity  | 114          | -                               | 114          |
| <b>CONSOLIDATED COMPREHENSIVE INCOME</b>   | <b>2,572</b> | <b>(684)</b>                    | <b>1,888</b> |
| › of which, attributable to equity holders of the parent                                     |              |                                 | 1,574        |
| › of which, attributable to minority interests   |              |                                 | 314          |

Items recognised in comprehensive income correspond to all changes in equity resulting from transactions with third parties other than shareholders.

| <i>(in million euros)</i>  | 2016         |                                 |              |
|--|--------------|---------------------------------|--------------|
|  | Before tax   | Income tax benefit<br>(expense) | After tax    |
| <b>Consolidated profit (loss) for the period</b>   | <b>2,666</b> | <b>(517)</b>                    | <b>2,149</b> |
| <b>Items that may be recycled through profit or loss</b>                                     |              |                                 |              |
| Fair value adjustments to cash flow hedges   | 53           | (19)                            | 34           |
| › of which, reclassified to the income statement   | 63           | (10)                            | 53           |
| › of which, recognised in equity during the period   | (10)         | (9)                             | (19)         |
| Gains and losses from remeasurement at fair value of available-for-sale financial assets     | 11           | (2)                             | 9            |
| › of which, reclassified to the income statement   | -            | -                               | -            |
| › of which, recognised in equity during the period   | 11           | (2)                             | 9            |
| Exchange differences on translating foreign operations                                       | (52)         | -                               | (52)         |
| <b>Total other items of comprehensive income that may be recycled through profit or loss</b> | <b>12</b>    | <b>(21)</b>                     | <b>(9)</b>   |
| <b>Items that may not be recycled through profit or loss</b>                                 |              |                                 |              |
| Actuarial gains and losses on pension obligations  | 37           | (1)                             | 36           |
| <b>Total other items of comprehensive income</b>   | <b>49</b>    | <b>(22)</b>                     | <b>27</b>    |
| › of which, companies at equity  | (78)         | -                               | (78)         |
| <b>CONSOLIDATED COMPREHENSIVE INCOME</b>   | <b>2,715</b> | <b>(539)</b>                    | <b>2,176</b> |
| › of which, attributable to equity holders of the parent                                     |              |                                 | 1,762        |
| › of which, attributable to minority interests   |              |                                 | 414          |



## 5.3. CONSOLIDATED BALANCE SHEETS

| Assets  | Notes  | 31 December 2017                  |                   |              | Total         |
|---|--------|-----------------------------------|-------------------|--------------|---------------|
|   |        | Manufacturing and sales companies | Finance companies | Eliminations |               |
| <i>(in million euros)</i>                             |        |                                   |                   |              |               |
| <b>Continuing operations</b>                          |        |                                   |                   |              |               |
| Goodwill  | 8.1    | 3,320                             | 1                 | -            | 3,321         |
| Intangible assets                                     | 8.1    | 7,862                             | 54                | -            | 7,916         |
| Property, plant and equipment                         | 8.2    | 13,275                            | 3                 | -            | 13,278        |
| Investments in companies at equity                    | 11     | 1,356                             | 2,116             | -            | 3,472         |
| Other non-current financial assets                    | 12.5.A | 487                               | 23                | -            | 510           |
| Other non-current assets                              | 9.1    | 1,602                             | 103               | -            | 1,705         |
| Deferred tax assets                                   | 14.3.A | 791                               | 13                | -            | 804           |
| <b>Total non-current assets</b>                       |        | <b>28,693</b>                     | <b>2,313</b>      | <b>-</b>     | <b>31,006</b> |
| <b>Operating assets</b>                               |        |                                   |                   |              |               |
| Loans and receivables - finance companies             | 13.2.A | -                                 | 331               | -            | 331           |
| Short-term investments - finance companies            |        | -                                 | 114               | -            | 114           |
| Inventories   | 6.1    | 7,321                             | -                 | -            | 7,321         |
| Trade receivables - manufacturing and sales companies | 6.2    | 2,367                             | -                 | (34)         | 2,333         |
| Current taxes   | 14.3.A | 338                               | 15                | -            | 353           |
| Other receivables                                     | 6.3.A  | 2,636                             | 85                | (2)          | 2,719         |
|   |        | <b>12,662</b>                     | <b>545</b>        | <b>(36)</b>  | <b>13,171</b> |
| <b>Current financial assets</b>                       | 12.5.A | <b>1,269</b>                      | <b>-</b>          | <b>-</b>     | <b>1,269</b>  |
| <b>Financial investments</b>                          | 12.5.B | <b>165</b>                        | <b>-</b>          | <b>-</b>     | <b>165</b>    |
| <b>Cash and cash equivalents</b>                      | 12.5.C | <b>11,582</b>                     | <b>320</b>        | <b>(8)</b>   | <b>11,894</b> |
| <b>Total current assets</b>                           |        | <b>25,678</b>                     | <b>865</b>        | <b>(44)</b>  | <b>26,499</b> |
| <b>TOTAL ASSETS</b>                                   |        | <b>54,371</b>                     | <b>3,178</b>      | <b>(44)</b>  | <b>57,505</b> |

| Equity and liabilities   | Notes  | 31 December 2017                  |                   |              | Total         |
|--|--------|-----------------------------------|-------------------|--------------|---------------|
|  |        | Manufacturing and sales companies | Finance companies | Eliminations |               |
| <i>(in million euros)</i>  |        |                                   |                   |              |               |
| <b>Equity</b>  |        |                                   |                   |              |               |
| Share capital  | 15     |                                   |                   |              | 905           |
| Treasury shares  |        |                                   |                   |              | (270)         |
| Retained earnings and other accumulated equity, excluding minority interests                       |        |                                   |                   |              | 13,914        |
| Minority interests   |        |                                   |                   |              | 2,171         |
| <b>Total equity</b>  |        |                                   |                   |              | <b>16,720</b> |
| <b>Continuing operations</b>   |        |                                   |                   |              |               |
| Non-current financial liabilities  | 12.6   | 4,778                             | -                 | -            | 4,778         |
| Other non-current liabilities  | 9.2    | 4,280                             | -                 | -            | 4,280         |
| Non-current provisions   | 10     | 1,596                             | -                 | -            | 1,596         |
| Deferred tax liabilities   | 14.3.A | 890                               | 7                 | -            | 897           |
| <b>Total non-current liabilities</b>   |        | <b>11,544</b>                     | <b>7</b>          | <b>-</b>     | <b>11,551</b> |
| <b>Operating liabilities</b>   |        |                                   |                   |              |               |
| Financing liabilities - finance companies  | 13.3   | -                                 | 415               | (8)          | 407           |
| Current provisions   | 10     | 4,658                             | 119               | -            | 4,777         |
| Trade payables   |        | 13,362                            | -                 | -            | 13,362        |
| Current taxes  | 14.3.A | 225                               | 9                 | -            | 234           |
| Other payables   | 6.3.B  | 7,878                             | 81                | (36)         | 7,923         |
|  |        | <b>26,123</b>                     | <b>624</b>        | <b>(44)</b>  | <b>26,703</b> |
| <b>Current financial liabilities</b>   | 12.6   | <b>2,531</b>                      | <b>-</b>          | <b>-</b>     | <b>2,531</b>  |
| <b>Total current liabilities</b>   |        | <b>28,654</b>                     | <b>624</b>        | <b>(44)</b>  | <b>29,234</b> |
| <b>Total liabilities of continuing operations<sup>(1)</sup></b>                                    |        | <b>40,198</b>                     | <b>631</b>        | <b>(44)</b>  | <b>40,785</b> |
| <b>Total transferred liabilities of operations held for sale or to be continued in partnership</b> |        | <b>-</b>                          | <b>-</b>          | <b>-</b>     | <b>-</b>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |        |                                   |                   |              | <b>57,505</b> |

(1) Excluding equity.

| Assets  | 31 December 2016 |                                   |                   |              |               |
|---|------------------|-----------------------------------|-------------------|--------------|---------------|
|   | Notes            | Manufacturing and sales companies | Finance companies | Eliminations | Total         |
| <i>(in million euros)</i>                             |                  |                                   |                   |              |               |
| <b>Continuing operations</b>                          |                  |                                   |                   |              |               |
| Goodwill  | 8.1              | 1,513                             | 1                 | -            | 1,514         |
| Intangible assets                                     | 8.1              | 5,393                             | 61                | -            | 5,454         |
| Property, plant and equipment                         | 8.2              | 11,291                            | 2                 | -            | 11,293        |
| Investments in companies at equity                    | 11               | 1,487                             | 1,527             | -            | 3,014         |
| Other non-current financial assets                    | 12.5.A           | 685                               | 37                | -            | 722           |
| Other non-current assets                              | 9.1              | 1,368                             | 7                 | -            | 1,375         |
| Deferred tax assets                                   | 14.3.A           | 574                               | 19                | -            | 593           |
| <b>Total non-current assets</b>                       |                  | <b>22,311</b>                     | <b>1,654</b>      | <b>-</b>     | <b>23,965</b> |
| <b>Operating assets</b>                               |                  |                                   |                   |              |               |
| Loans and receivables - finance companies             | 13.2.A           | -                                 | 346               | -            | 346           |
| Short-term investments - finance companies            |                  | -                                 | 103               | -            | 103           |
| Inventories   | 6.1              | 4,347                             | -                 | -            | 4,347         |
| Trade receivables - manufacturing and sales companies | 6.2              | 1,560                             | -                 | (19)         | 1,541         |
| Current taxes   | 14.3.A           | 148                               | 16                | -            | 164           |
| Other receivables                                     | 6.3.A            | 1,763                             | 92                | (4)          | 1,851         |
|   |                  | <b>7,818</b>                      | <b>557</b>        | <b>(23)</b>  | <b>8,352</b>  |
| <b>Current financial assets</b>                       | 12.5.A           | <b>629</b>                        | <b>-</b>          | <b>(1)</b>   | <b>628</b>    |
| <b>Financial investments</b>                          | 12.5.B           | <b>110</b>                        | <b>-</b>          | <b>-</b>     | <b>110</b>    |
| <b>Cash and cash equivalents</b>                      | 12.5.C           | <b>11,576</b>                     | <b>530</b>        | <b>(8)</b>   | <b>12,098</b> |
| <b>Total current assets</b>                           |                  | <b>20,133</b>                     | <b>1,087</b>      | <b>(32)</b>  | <b>21,188</b> |
| <b>TOTAL ASSETS</b>                                   |                  | <b>42,444</b>                     | <b>2,741</b>      | <b>(32)</b>  | <b>45,153</b> |

| Equity and liabilities   | 31 December 2016 |                                   |                   |              |               |
|--|------------------|-----------------------------------|-------------------|--------------|---------------|
|  | Notes            | Manufacturing and sales companies | Finance companies | Eliminations | Total         |
| <i>(in million euros)</i>  |                  |                                   |                   |              |               |
| <b>Equity</b>  |                  |                                   |                   |              |               |
| Share capital  | 15               |                                   |                   |              | 860           |
| Treasury shares  |                  |                                   |                   |              | (238)         |
| Retained earnings and other accumulated equity, excluding minority interests                       |                  |                                   |                   |              | 12,035        |
| Minority interests   |                  |                                   |                   |              | 1,961         |
| <b>Total equity</b>  |                  |                                   |                   |              | <b>14,618</b> |
| <b>Continuing operations</b>   |                  |                                   |                   |              |               |
| Non-current financial liabilities  | 12.6             | 4,526                             | -                 | -            | 4,526         |
| Other non-current liabilities  | 9.2              | 3,288                             | -                 | -            | 3,288         |
| Non-current provisions   | 10               | 1,429                             | -                 | -            | 1,429         |
| Deferred tax liabilities   | 14.3.A           | 880                               | 15                | -            | 895           |
| <b>Total non-current liabilities</b>   |                  | <b>10,123</b>                     | <b>15</b>         | <b>-</b>     | <b>10,138</b> |
| <b>Operating liabilities</b>   |                  |                                   |                   |              |               |
| Financing liabilities - finance companies  | 13.3             | -                                 | 430               | (9)          | 421           |
| Current provisions   | 10               | 3,249                             | 125               | -            | 3,374         |
| Trade payables   |                  | 9,352                             | -                 | -            | 9,352         |
| Current taxes  | 14.3.A           | 169                               | 3                 | -            | 172           |
| Other payables   | 6.3.B            | 5,366                             | 74                | (23)         | 5,417         |
|  |                  | <b>18,136</b>                     | <b>632</b>        | <b>(32)</b>  | <b>18,736</b> |
| <b>Current financial liabilities</b>   | 12.6             | <b>1,661</b>                      | <b>-</b>          | <b>-</b>     | <b>1,661</b>  |
| <b>Total current liabilities</b>   |                  | <b>19,797</b>                     | <b>632</b>        | <b>(32)</b>  | <b>20,397</b> |
| <b>Total liabilities of continuing operations<sup>(1)</sup></b>                                    |                  | <b>29,920</b>                     | <b>647</b>        | <b>(32)</b>  | <b>30,535</b> |
| <b>Total transferred liabilities of operations held for sale or to be continued in partnership</b> |                  | <b>-</b>                          | <b>-</b>          | <b>-</b>     | <b>-</b>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |                  |                                   |                   |              | <b>45,153</b> |

(1) Excluding equity.







## 5.4. CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Notes  | 2017                              |                   |              | Total          |
|---|--------|-----------------------------------|-------------------|--------------|----------------|
|   |        | Manufacturing and sales companies | Finance companies | Eliminations |                |
| <i>(in million euros)</i>   |        |                                   |                   |              |                |
| <b>Consolidated profit (loss) from continuing operations</b>  |        | <b>2,132</b>                      | <b>233</b>        | <b>-</b>     | <b>2,365</b>   |
| Other expenses related to the non-transferred financing of operations to be continued in partnership                                    |        | -                                 | -                 | -            | -              |
| Adjustments for non-cash items:   |        |                                   |                   |              |                |
| › depreciation, amortisation and impairment   | 16.2   | 2,667                             | 13                | -            | 2,680          |
| › provisions  |        | 225                               | (5)               | -            | 220            |
| › changes in deferred tax   |        | 137                               | (3)               | -            | 134            |
| › (gains) losses on disposals and other   |        | (134)                             | (5)               | -            | (139)          |
| Share in net (earnings) losses of companies at equity, net of dividends received  |        | 240                               | (88)              | -            | 152            |
| Revaluation adjustments taken to equity and hedges of debt  |        | 28                                | -                 | -            | 28             |
| Change in carrying amount of leased vehicles  |        | (90)                              | -                 | -            | (90)           |
| <b>Funds from operations</b>  |        | <b>5,205</b>                      | <b>145</b>        | <b>-</b>     | <b>5,350</b>   |
| Changes in working capital  | 6.4.A  | 8                                 | (82)              | 1            | (73)           |
| <b>Net cash from (used in) operating activities of continuing operations<sup>(1)</sup></b>  |        | <b>5,213</b>                      | <b>63</b>         | <b>1</b>     | <b>5,277</b>   |
| Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies                            |        | 81                                | 4                 | -            | 85             |
| Capital increase and acquisitions of consolidated companies and equity interests  | 16.3   | (840)                             | (525)             | 270          | (1,095)        |
| Proceeds from disposals of property, plant and equipment and of intangible assets   |        | 323                               | -                 | -            | 323            |
| Investments in property, plant and equipment <sup>(2)</sup>   | 8.2.B  | (2,351)                           | -                 | -            | (2,351)        |
| Investments in intangible assets <sup>(3)</sup>   | 8.1.B  | (1,753)                           | (16)              | -            | (1,769)        |
| Change in amounts payable on fixed assets   |        | (239)                             | -                 | -            | (239)          |
| Other   |        | 66                                | 2                 | -            | 68             |
| <b>Net cash from (used in) investing activities of continuing operations</b>  |        | <b>(4,713)</b>                    | <b>(535)</b>      | <b>270</b>   | <b>(4,978)</b> |
| Dividends paid:   |        |                                   |                   |              |                |
| › to Peugeot S.A. shareholders  |        | (431)                             | -                 | -            | (431)          |
| › intragroup  |        | -                                 | -                 | -            | -              |
| › net amounts received from (paid to) operations to be continued in partnership   |        | -                                 | -                 | -            | -              |
| › to minority shareholders of subsidiaries  |        | (129)                             | (6)               | -            | (135)          |
| Proceeds from issuance of shares  |        | 305                               | 270               | (270)        | 305            |
| (Purchases) sales of treasury shares  |        | (137)                             | -                 | -            | (137)          |
| Changes in other financial assets and liabilities   | 12.3.B | 43                                | -                 | (1)          | 42             |
| Other   |        | 2                                 | -                 | -            | 2              |
| <b>Net cash from (used in) financing activities of continuing operations</b>  |        | <b>(347)</b>                      | <b>264</b>        | <b>(271)</b> | <b>(354)</b>   |
| <b>Net cash related to the non-transferred debt of finance companies to be continued in partnership<sup>(4)</sup></b>                   |        | <b>-</b>                          | <b>-</b>          | <b>-</b>     | <b>-</b>       |
| <b>Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership<sup>(4)</sup></b> |        | <b>(7)</b>                        | <b>-</b>          | <b>-</b>     | <b>(7)</b>     |
| Effect of changes in exchange rates   |        | (119)                             | (2)               | -            | (121)          |
| <b>Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership</b>                       |        | <b>27</b>                         | <b>(210)</b>      | <b>-</b>     | <b>(183)</b>   |
| <b>Net cash and cash equivalents at beginning of period</b>   |        | <b>11,464</b>                     | <b>530</b>        | <b>(8)</b>   | <b>11,986</b>  |
| <b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   | 16.1   | <b>11,491</b>                     | <b>320</b>        | <b>(8)</b>   | <b>11,803</b>  |

(1) Excluding flows related to the non-transferred debt of finance companies to be continued in partnership.

(2) Of which for the manufacturing and sales activities, €743 million for the Automotive Equipment segment and €1,462 million for the Peugeot Citroën DS Automotive segment.

(3) Of which for the manufacturing and sales activities, €134 million for the Peugeot Citroën DS Automotive segment, excluding research and development.

(4) Details of cash flows from operations to be continued in partnership are disclosed in Note 16.5.

|   | 2016   |                                   |                   |              |                |
|---|--------|-----------------------------------|-------------------|--------------|----------------|
|   | Notes  | Manufacturing and sales companies | Finance companies | Eliminations | Total          |
| <i>(in million euros)</i>   |        |                                   |                   |              |                |
| <b>Consolidated profit (loss) from continuing operations</b>  |        | <b>1,773</b>                      | <b>171</b>        | <b>-</b>     | <b>1,944</b>   |
| Other expenses related to the non-transferred financing of operations to be continued in partnership                                    |        | -                                 | 11                | -            | 11             |
| Adjustments for non-cash items:   |        |                                   |                   |              |                |
| › depreciation, amortisation and impairment   | 16.2   | 2,477                             | 20                | -            | 2,497          |
| › provisions  |        | (31)                              | (28)              | -            | (59)           |
| › changes in deferred tax   |        | (93)                              | 5                 | -            | (88)           |
| › (gains) losses on disposals and other   |        | (139)                             | (7)               | -            | (146)          |
| Share in net (earnings) losses of companies at equity, net of dividends received  |        | 355                               | (102)             | -            | 253            |
| Revaluation adjustments taken to equity and hedges of debt  |        | 76                                | (1)               | -            | 75             |
| Change in carrying amount of leased vehicles  |        | 48                                | -                 | -            | 48             |
| <b>Funds from operations</b>  |        | <b>4,466</b>                      | <b>69</b>         | <b>-</b>     | <b>4,535</b>   |
| Changes in working capital  | 6.4.A  | 471                               | 1,287             | 177          | 1,935          |
| <b>Net cash from (used in) operating activities of continuing operations<sup>(1)</sup></b>  |        | <b>4,937</b>                      | <b>1,356</b>      | <b>177</b>   | <b>6,470</b>   |
| Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies                            |        | 608                               | 202               | -            | 810            |
| Capital increase and acquisitions of consolidated companies and equity interests  |        | (349)                             | (71)              | -            | (420)          |
| Proceeds from disposals of property, plant and equipment and of intangible assets   |        | 242                               | 1                 | -            | 243            |
| Investments in property, plant and equipment <sup>(2)</sup>   | 8.2.B  | (2,106)                           | (1)               | -            | (2,107)        |
| Investments in intangible assets <sup>(3)</sup>   | 8.1.B  | (1,449)                           | (18)              | -            | (1,467)        |
| Change in amounts payable on fixed assets   |        | 237                               | -                 | -            | 237            |
| Other   |        | 144                               | -                 | 10           | 154            |
| <b>Net cash from (used in) investing activities of continuing operations</b>  |        | <b>(2,673)</b>                    | <b>113</b>        | <b>10</b>    | <b>(2,550)</b> |
| Dividends paid:   |        |                                   |                   |              |                |
| › to Peugeot S.A. shareholders  |        | -                                 | -                 | -            | -              |
| › intragroup  |        | 434                               | (434)             | -            | -              |
| › net amounts received from (paid to) operations to be continued in partnership   |        | -                                 | 120               | -            | 120            |
| › to minority shareholders of subsidiaries  |        | (123)                             | (11)              | -            | (134)          |
| Proceeds from issuance of shares  |        | 332                               | (5)               | -            | 327            |
| (Purchases) sales of treasury shares  |        | -                                 | -                 | -            | -              |
| Changes in other financial assets and liabilities   | 12.3.B | (1,548)                           | -                 | (443)        | (1,991)        |
| Other   |        | -                                 | -                 | (4)          | (4)            |
| <b>Net cash from (used in) financing activities of continuing operations</b>  |        | <b>(905)</b>                      | <b>(330)</b>      | <b>(447)</b> | <b>(1,682)</b> |
| <b>Net cash related to the non-transferred debt of finance companies to be continued in partnership<sup>(4)</sup></b>                   |        | <b>-</b>                          | <b>(2,615)</b>    | <b>305</b>   | <b>(2,310)</b> |
| <b>Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership<sup>(4)</sup></b> |        | <b>(255)</b>                      | <b>1,097</b>      | <b>1</b>     | <b>843</b>     |
| Effect of changes in exchange rates   |        | (93)                              | 16                | -            | (77)           |
| <b>Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership</b>                       |        | <b>1,011</b>                      | <b>(363)</b>      | <b>46</b>    | <b>694</b>     |
| <b>Net cash and cash equivalents at beginning of period</b>   |        | <b>10,453</b>                     | <b>893</b>        | <b>(54)</b>  | <b>11,292</b>  |
| <b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   | 16.1   | <b>11,464</b>                     | <b>530</b>        | <b>(8)</b>   | <b>11,986</b>  |

(1) Excluding flows related to the non-transferred debt of finance companies to be continued in partnership.

(2) Of which for the manufacturing and sales activities, €666 million for Automotive Equipment Division and €1,440 million for the Automotive Division.

(3) Of which for the manufacturing and sales activities, €78 million for Automotive Equipment Division, excluding research and development.

(4) Details of cash flows from operations to be continued in partnership are disclosed in Note 16.5.





## 5.5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| <i>(in million euros)</i>  | Revaluations - excluding minority interests |                    |   |                        |   |   |  | Equity -<br>Attributable<br>to equity<br>holders of<br>the parent | Equity<br>-<br>Minority<br>Interests | Total<br>equity |
|--|---|--------------------|---|------------------------|---|---|--|---|--------------------------------------|-----------------|
|  | Share<br>capital                            | Treasury<br>shares | Retained<br>earnings<br>excluding<br>revaluations | Cash<br>flow<br>hedges | Available-<br>for-sale<br>financial<br>assets | Actuarial<br>gains and<br>losses on<br>pension<br>obligations | Effect of<br>changes in<br>exchange<br>rates |   |                                      |                 |
| <b>At 31 December 2015</b>   | <b>808</b>                                  | <b>(238)</b>       | <b>10,090</b>                                     | <b>(28)</b>            | <b>9</b>                                      | <b>(82)</b>   | <b>(4)</b>                                   | <b>10,555</b>   | <b>1,664</b>                         | <b>12,219</b>   |
| Income and expenses recognised in equity for the period                  | -   | -                  | 1,730   | 34                     | 9   | 51  | (62)   | 1,762   | 414                                  | 2,176           |
| Measurement of stock options and performance share grants                | -   | -                  | 8   | -                      | -   | -   | -  | 8   | 10                                   | 18              |
| Redemption of convertible bonds  | -   | -                  | (4)   | -                      | -   | -   | -  | (4)   | (5)                                  | (9)             |
| Effect of changes in scope of consolidation and other                    | -   | -                  | (4)   | -                      | -   | -   | -  | (4)   | 9                                    | 5               |
| Issuance of shares   | 52  | -                  | 278   | -                      | -   | -   | -  | 330   | 15                                   | 345             |
| Treasury shares  | -   | -                  | 10  | -                      | -   | -   | -  | 10  | (13)                                 | (3)             |
| Dividends paid by other Group companies                                  | -   | -                  | -   | -                      | -   | -   | -  | -   | (133)                                | (133)           |
| <b>At 31 December 2016</b>   | <b>860</b>                                  | <b>(238)</b>       | <b>12,108</b>                                     | <b>6</b>               | <b>18</b>                                     | <b>(31)</b>   | <b>(66)</b>                                  | <b>12,657</b>   | <b>1,961</b>                         | <b>14,618</b>   |
| Income and expenses recognised in equity for the period                  | -   | -                  | 1,929   | 22                     | 5   | (80)  | (302)  | 1,574   | 314                                  | 1,888           |
| Measurement of stock options and performance share grants                | -   | -                  | 29  | -                      | -   | -   | -  | 29  | 11                                   | 40              |
| Repurchase of treasury shares  | -   | (116)              | (18)  | -                      | -   | -   | -  | (134)   | (22)                                 | (156)           |
| Effect of changes in scope of consolidation and other                    | -   | -                  | (6)   | -                      | -   | -   | -  | (6)   | 27                                   | 21              |
| Issuance of shares   | 45  | -                  | 243   | -                      | -   | -   | -  | 288   | 17                                   | 305             |
| Equity warrants Peugeot S.A. equity warrants delivered to General Motors | -   | -                  | 541   | -                      | -   | -   | -  | 541   | -                                    | 541             |
| Treasury shares delivered to employees                                   | -   | 84                 | (53)  | -                      | -   | -   | -  | 31  | -                                    | 31              |
| Dividends paid by Peugeot S.A.   | -   | -                  | (431)   | -                      | -   | -   | -  | (431)   | -                                    | (431)           |
| Dividends paid by other Group companies                                  | -   | -                  | -   | -                      | -   | -   | -  | -   | (137)                                | (137)           |
| <b>AT 31 DECEMBER 2017</b>   | <b>905</b>                                  | <b>(270)</b>       | <b>14,342</b>                                     | <b>28</b>              | <b>23</b>                                     | <b>(111)</b>  | <b>(368)</b>                                 | <b>14,549</b>   | <b>2,171</b>                         | <b>16,720</b>   |

## 5.6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 2017

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**Preliminary note**

The consolidated financial statements for 2017 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on 19 February 2018, with Note 19 taking into account events that occurred in the period up to the Supervisory Board meeting on 28 February 2018.

**NOTE 1 ACCOUNTING POLICIES AND PERFORMANCE INDICATORS****1.1. ACCOUNTING STANDARDS APPLIED**

The PSA Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union on 31 December 2017<sup>(1)</sup>. As the IFRS standards not adopted by the European Union do not have a material impact on the Group's consolidated financial statements, they are thus also compliant with the IFRS framework.

International Financial Reporting Standards include IFRSs and IASs (International Accounting Standards) and the related interpretations as prepared by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The new IFRS standards that will be applied in the years to come, for some subject to their adoption by the European Union are the following:

The main amendments applicable to the Group for the first time in 2017 are as follows:

- the amendment to IAS 12 "Recognition of Deferred Tax Assets". This amendment was applied when consolidating Opel;
- the amendment to IAS 7 "Disclosure Initiative". This amendment requires a link to be shown between cash flows from financing activities in the Statement of cash flows and Changes in short-term debt in the balance sheet. This information is disclosed by the Group (see Note 12.3.B).

| <b>New standards and interpretations</b> |   | <b>First application in the EU for annual periods beginning on or after:</b> | <b>Impacts</b>          |
|--|---|--|-------------------------|
| IFRIC 22                                 | "Foreign Currency Transactions and Advance Consideration" | 01/01/2018 <sup>(*)</sup>  | Without material impact |
| IFRS 9                                   | "Financial Instruments"                                   | 01/01/2018   | See below               |
| IFRS 15                                  | "Revenue from Contracts with Customers"                   | 01/01/2018   | See below               |
| IFRS 16                                  | "Leases"  | 01/01/2019   | See below               |
| IFRIC 23                                 | "Uncertainty over Income Tax Treatments"                  | 01/01/2019 <sup>(*)</sup>  | Without material impact |
| IFRS 17                                  | "Insurance Contracts"                                     | 01/01/2021 <sup>(*)</sup>  | Without material impact |

(\*) Not yet adopted by the European Union.

In respect of IFRS 15, the Group reviewed its contracts. The main areas of impact are expected in the Automotive Equipment Division. In actual fact, from 2018, Faurecia will be classified as agent for monolith sales<sup>(2)</sup>, thereby reducing recognised revenue. The impact on Faurecia would be €3,219 million, and €2,947 million at Groupe PSA level.

IFRS 15 bases revenue recognition on the transfer of control, whereas **IAS 18 "Revenue"** based revenue recognition on the transfer of risks and rewards.

The bulk of automotive business revenue is from the sale of new and used vehicles, and the sale of spare parts. For these activities, the transfer of control takes place at the same time as the transfer of risks and rewards. The Group also provides its customers with services, for consideration or free of charge. They are already recognised over the service period under IAS 18 and will continue to be under IFRS 15 (subject to different performance obligations), except for certain services that are currently not material.

Some vehicles are sold with a buyback commitment. These transactions are already accounted for as leases under IAS 18. The income is staggered over the period from the sale of the new vehicle to the buyback of the used vehicle. The same will apply under IFRS 15.

The Group also confirmed that its Automotive business operates as principal and not as agent.

The warranties provided to end customers are designed to cover defects in the vehicles sold. Provisions are funded for them both under current standards and under IFRS 15.

The Group does not have a significant financial component that would require adjustments between revenue and net financial income (expense).

The possible impact on Opel Vauxhall's operations is being assessed.

With respect to IFRS 9, the impact on the measurement of the receivables of Manufacturing and Sales Companies is not material. Moreover, phase 3 of the new standard broadens hedge accounting to portions of raw materials, more closely aligning the accounts with economic realities.

The impact on the funding of provisions for receivables by Financial Companies is not material.

With respect to IFRS 16, the Group intends to apply the standard on a prospective basis. The Group did an inventory of leases, with the impact still being calculated. The search for an IT system is also underway.

(1) The International Financial Reporting Standards adopted for use in the European Union can be downloaded from the European Commission's website (<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02008R1126-20160101>)

(2) Precious metals and ceramics used in emission control systems.

## 1.2. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions in order to determine the reported amounts of certain assets, liabilities, income and expense items, as well as certain amounts disclosed in the notes to the financial statements relating to contingent assets and liabilities.

The estimates and assumptions used are those deemed by management to be the most pertinent and accurate in view of the Group's circumstances and past experience. Estimates and assumptions are reviewed periodically.

Nevertheless, given the uncertainty inherent in any projections, actual results may differ from initial estimates.

For the preparation of the 2017 annual financial statements, special attention was paid to the following items:

- fair value of the assets acquired and liabilities assumed in the course of a business combination (see Note 2 on the acquisition of the Opel Vauxhall operations);
- the recoverable amount of the Peugeot Citroën DS and Opel Vauxhall Automotive Divisions intangible assets and property,

plant and equipment (see Note 8.3), and the recoverable amount of investments in companies at equity (see Note 11.3);

- provisions (particularly restructuring provisions, pensions, warranty provisions for new cars as well as claims and litigation) (see Note 5.4.B, Note 7.1 and Note 10);
- sales incentives (see Note 5.1.A);
- residual values of vehicles sold with buyback commitment (see Note 8.2.C and Note 9.2);
- deferred tax assets (see Note 14).

## 1.3. PERFORMANCE INDICATORS

In its financial communications, the Group publishes performance indicators that are not directly discernible from the summary consolidated financial statements. The main indicators defined in the notes to the financial statements are as follows:

- recurring operating income (loss) by segment (see Note 4.1 and Note 5);
- free cash flow and Operating free cash flow (see Note 16.5);
- net financial position (see Note 12.3);
- financial security (see Note 12.4).

## NOTE 2 ACQUISITION OF THE OPEL VAUXHALL BUSINESS



On 6 March 2017, General Motors Co. (GM) and Groupe PSA signed an agreement for the acquisition of a majority interest in the Opel Vauxhall subsidiaries of General Motors and the European operations of GM Financial in partnership with BNP Paribas. These transactions were finalised in the second half of 2017 as follows.

### 2.1. ACQUISITION OF THE AUTOMOTIVE BUSINESS OF OPEL VAUXHALL

On 31 July 2017, Groupe PSA completed the acquisition of Opel's and Vauxhall's automotive subsidiaries from GM.

#### A. Description of the transaction

The transaction includes the bulk of Opel Vauxhall's automotive business, comprising the Opel and Vauxhall brands, six assembly and five component-manufacturing facilities, one engineering centre (Rüsselsheim in Germany). Opel Vauxhall will also continue to benefit from intellectual property licenses from GM until its vehicles progressively convert to Groupe PSA platforms over the coming years.

The purchase price paid by Groupe PSA, for the automotive business of Opel and Vauxhall was €1,018 million (see details in 2.1.F).

#### B. Opening balance sheet

(in million euros)

|  | 31 July 2017 |
|--|--------------|
| <b>Purchase price</b>                          | <b>1,018</b> |
| Intangible assets acquired                     | 1,792        |
| Property, plant and equipment acquired         | 1,577        |
| Other non-current assets acquired              | 517          |
| Current assets acquired                        | 4,120        |
| Cash acquired                                  | 301          |
| Provisions assumed                             | (1,390)      |
| Financial liabilities assumed                  | (785)        |
| Trade payables assumed                         | (3,171)      |
| Other liabilities assumed                      | (3,753)      |
| <b>Assets acquired and liabilities assumed</b> | <b>(792)</b> |
| <b>GOODWILL</b>                                | <b>1,810</b> |



### C. Allocation of the purchase price

The fair value measurement of the assets acquired and liabilities assumed was done by an independent expert.

#### (1) Property, plant and equipment

The fair value of the property, plant and equipment was €1,577 million. This includes €908 million in leased vehicles (sale with buyback commitment), €201 million in land, €468 million in buildings, plant and equipment.

This property, plant and equipment was measured using a combination of three approaches:

- market approach: price of a comparable asset in similar circumstances;
- income approach: present value of future cash flows;
- cost approach: replacement cost.

#### (2) Intangible assets: Brands

The fair value of the Opel and Vauxhall brands was €1,792 million. They were measured using the royalties method. These brands have indefinite useful lives.

#### (3) Inventories

The fair value of inventories was €2,970 million. Inventories were measured at the selling price less selling costs.

#### (4) Provisions

The fair value of provisions was €1,390 million, and included:

- €581 million in provisions for contingencies;
- €494 million in provisions for warranties.

#### (5) Deferred taxes

Deferred tax assets and liabilities were first calculated on the basis of temporary differences between the IFRS carrying amounts following the allocation of the purchase price and the tax bases of the assets acquired and liabilities assumed. In accordance with IAS 12, recognised deferred tax assets were limited to the amount of deferred tax liabilities and taxable profits expected over the life of the 2018-2021 medium-term plan. A total of €336 million in net deferred taxes was recognised.

In accordance with IFRS 3, this price and its provisional allocation may be adjusted within twelve months of the acquisition date.

### D. Goodwill

Goodwill totalled €1,810 million. This relates to the synergies expected by Groupe PSA in purchasing, manufacturing and R&D.

### E. Opel Vauxhall's contribution to revenue and profit (loss) for 2017

The contribution to revenue and profit (loss) since 1 August 2017 is as follows:

- revenue: €6,864 million;
- profit (loss): €(674) million.

The Group does not feel in a position to prepare *pro-forma* information for the relevant 12-months that could be audited in line with IFRS 3 for the following reasons:

- PSA acquired a business cut out of General Motors Europe, excluding the historical operations of General Motors which had a material impact on this scope;

- the results of General Motors Europe were prepared using another accounting basis (US GAAP and General Motors specific policies) with notably internal cost-sharing rules, in particular for R&D, and a transfer pricing policy, that will no longer be employed;

- given the seasonality of the automotive industry, Opel's five-month results simply cannot be extrapolated to 12 months.

Against this background, it would not be possible for us to meaningfully adjust the historical data using reasonable means in order to provide the market with useful information.

Moreover, a breakdown of the Opel Vauxhall contribution over five months is detailed in the presentation of our results by operating segment (see Note 4.1.).

### F. Purchase price

The €1,018 million purchase price for the Opel Vauxhall automotive business breaks down as follows:

- cash payment of €477 million (see 2.1.G);
- fair value of the Peugeot S.A. equity warrants.

The fair value of the equity warrants subscribed by General Motors Co. or its affiliates is estimated at €541 million (see Note 15.1). This value was estimated using the Black & Scholes model, considering that the warrants are equivalent to European style options with a maturity of five years and assuming the level of historical volatility of the PSA stock observed over two years. This fair value also includes the net present value of the five years' worth of dividends that General Motors will receive on the exercise date of the warrants.

### G. Cash flow analysis of the price paid upon acquisition

The net cash flow of €26 million paid for the acquisition includes the €477 million in cash paid to General Motors Co. (see 2.1.F) minus the €150 million cash advance to GM and €301 million in cash on the opening balance sheets of the acquired companies.

### H. Purchase price adjustment

The acquisition agreement includes a mechanism for determining the final purchase price based on the Opel Vauxhall financial statements prepared under US GAAP as of 31 July 2017. This process is ongoing and the purchase price is not final.

## 2.2. ACQUISITION OF THE OPEL VAUXHALL AUTOMOTIVE FINANCE OPERATIONS IN PARTNERSHIP WITH BNP PARIBAS

### A. Description of the transaction

On 1 November 2017, Banque PSA Finance, a wholly-owned subsidiary of PSA Group and BNP Paribas Personal Finance, a wholly-owned subsidiary of BNP Paribas, finalised the joint acquisition, announced on 6 March 2017, of all of GM Financial's European operations, encompassing the existing Opel Bank, Opel Financial Services and Vauxhall Finance brands.

Opel Bank S.A., which is the parent company of the acquired group, is owned 50:50 by BNP Paribas Personal Finance and Banque PSA Finance. PSA Group has significant influence because it only has 50% of the voting rights and doesn't enjoy exclusive control in light of the details provided in Note 13.4 Opel Bank S.A. is accounted for under the equity method by PSA Group.

## B. Allocation of the purchase price

As of the closing date and for the acquisition of its 50% interest, BPF paid €489 million. This price represents the provisional estimate of the transaction pursuant to the contractual terms. This price is less than the share of net assets acquired before allocation of the purchase price. At 31 December 2017 work on identifying and measuring the fair value of the assets and liabilities was ongoing.

Accordingly, at 31 December 2017, the Group did a provisional allocation of this estimated initial consolidation difference to various asset and liability lines of the group of entities accounted for by the equity method.

Under IFRS 3 (Revised), the Group has 12 months in which to finalise the fair value measurement and allocation of this initial consolidation difference. This provisional allocation may thus be revised up to end-October 2018.

The balance sheet as of 31 December 2017 of the acquired scope presented in Note 11.4.D – BNP Paribas agreement in the financing activities includes this provisional allocation of identified assets and liabilities measured at fair value pursuant to IFRS 3 (Revised). The €16 million profit in 2017 presented in Note 11.4.D represents two months of trading between the transaction closing date and the balance sheet date.

## NOTE 3 SCOPE OF CONSOLIDATION

### 3.1. ACCOUNTING POLICIES

#### A. Consolidation policies

##### (1) Consolidation methods

The generic name PSA Group refers to the Group of companies of which Peugeot S.A. is the parent.

The financial statements of Peugeot S.A. and companies in which Peugeot S.A. directly or indirectly exercises exclusive control are fully consolidated.

Companies in which Peugeot S.A. directly or indirectly exercises a significant influence are included in the consolidated financial statements using the equity method.

Pursuant to IFRS 11, joint operations must be recognised based on the proportion of assets, liabilities, revenue and expenses controlled by the Group. A joint operation may be conducted under a contractual arrangement or through a jointly controlled entity. Joint arrangements that are qualified as joint ventures because the parties have rights to the net assets of the arrangement will be accounted for using the equity method.

The securities of companies that meet the criteria for consolidation and that aren't consolidated for materiality or feasibility reason would not in aggregate have a material effect on the consolidated financial statements. These securities are recognised as equity investments in accordance with the general principles set out in Note 12.8.

All significant intragroup transactions and internal margins are eliminated in consolidation. The Group attributes the profit or loss of a subsidiary between the parent and minority interests based on their respective ownership interests. As a result, if there is no agreement committing the parent to absorbing the losses of the subsidiary, minority interests may be negative.

##### (2) Changes in scope of consolidation resulting in exclusive control

Business combinations occurring after 1 January 2010 are accounted for using the acquisition method, in accordance with **IFRS 3 (Revised) "Business Combinations"**.

The identifiable assets acquired and liabilities and contingent liabilities assumed are measured at acquisition-date fair value, provided that they meet the accounting criteria of IFRS 3 (revised). The residual goodwill represents anticipated post-acquisition cash flows due to synergies in addition to the assets and liabilities recognised on initial consolidation. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred.

In the event of a price adjustment in the 12 months following the acquisition date, the provisional initial assessment is adjusted against goodwill. Any subsequent adjustment is recognised as debt or credit against profit or loss of the Group.

In accordance with **IAS 36 "Impairment of Assets"**, goodwill is not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired (see Note 8.3).

##### (3) Goodwill on equity-accounted companies

Goodwill attributable to acquisitions of equity-accounted companies is the excess of the cost of shares, including directly attributable acquisition costs, over the Group's equity in the acquisition-date fair value of the identifiable assets and liabilities acquired. It is included in "Investments in companies at equity" and tested for impairment at the level of the equity-accounted companies concerned.

##### (4) Other Changes in scope of consolidation

Any change in ownership interests resulting in the loss of control of an entity is recognised under non-recurring operating income (loss) (if material) as a disposal of the whole entity immediately followed by an investment in the remaining interest.

Changes in ownership interests that do not result in a loss of control of the subsidiary are accounted for as equity transactions (transactions with owners in their capacity as owners) and therefore lead to equity, including transaction costs, being reallocated between the parent and the minority interests.

#### B. Conversion Methods

##### (1) Translation of the financial statements of foreign subsidiaries

###### (a) Standard method

The Group's functional currency is the euro (€), which is also the presentation currency in the consolidated financial statements. The functional currency of most foreign subsidiaries is their local currency, corresponding to the currency in which the majority of their transactions are denominated. The balance sheets of these subsidiaries are translated at the year-end exchange rate and their income statements are translated on a monthly basis at the average exchange rate for each month. Gains and losses resulting from the translation of financial statements of foreign subsidiaries are recorded in equity under "Translation reserve". Goodwill arising on the acquisition of these subsidiaries is measured in their functional currency.



**(b) Specific method**

Certain subsidiaries outside the euro zone carry out most of their transactions in euros or US dollars, which is accordingly recognised as their functional currency. Non-monetary items in these subsidiaries' accounts are translated at the historical exchange rate and monetary items at the year-end exchange rate. The resulting translation gains and losses are recognised directly in profit or loss.

The Group does not operate in hyperinflationary countries within the meaning of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

**(2) Translation of transactions in foreign currencies**

In compliance with IAS 21, transactions in foreign currencies are translated into the subsidiary's functional currency at the exchange rate on the transaction date.

At each balance sheet date, monetary items are translated at the closing rate and the resulting translation adjustment is recognised in profit or loss, as follows:

- in recurring operating income, for commercial transactions carried out by all Group companies and for financing transactions carried out by the Banque PSA Finance Group;
- in interest income or finance costs for financial transactions carried out by the manufacturing and sales companies.

**3.2. COMPOSITION OF THE GROUP**

The Group consists of the Peugeot S.A. holding company, listed on Euronext, and its affiliates consolidated in accordance with Note 3.1.

The Group's operations are organised around five main segments (see Note 4):

- the Peugeot Citroën DS Automotive segment, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot, Citroën and DS brands. It mainly comprises wholly owned subsidiaries, as well as jointly controlled subsidiaries for the production of vehicles or subassemblies in Europe and for industrial and commercial activities in China. These jointly controlled subsidiaries are consolidated in accordance with IFRS 11 (see Note 3.1);
- the Opel Vauxhall Automotive segment, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Opel and Vauxhall brands. It mainly comprises wholly owned subsidiaries;
- the Automotive Equipment segment, corresponding to the Faurecia Group comprising the Interior Systems, the Automotive

Seating and the Clean Mobility businesses. Faurecia is listed on Euronext. Peugeot S.A. holds 46.3% of Faurecia's capital and 63.09% of its voting rights which give exclusive control by the Group. The exercise of all the dilutive instruments issued by Faurecia would have no impact on the Group's exclusive control;

- the Finance segment, corresponding to the Banque PSA Finance Group, which provides retail financing to customers of the Peugeot, Citroën, DS and Opel Vauxhall brands and wholesale financing to the brands' dealer networks. Banque PSA Finance is classified as a financial institution. This mainly stems from the partnership between Banque PSA Finance and Santander Consumer Finance for the Peugeot, Citroën and DS brands as well as from the partnership with BNP Paribas for the Opel Vauxhall brands.

The Group's other activities are housed under "Other businesses", which notably includes the Peugeot S.A. holding company, and minority stakes in the GEFECO Group as well as in Peugeot Scooters (Peugeot Motorcycles) both consolidated by the equity method.

|  | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| <b>Fully consolidated companies</b>              |                  |                  |
| Manufacturing and sales companies <sup>(1)</sup> | 317              | 278              |
| Finance companies                                | 18               | 18               |
|  | <b>335</b>       | <b>296</b>       |
| <b>Joint operations</b>                          |                  |                  |
| Manufacturing and sales companies                | 3                | 3                |
| <b>Companies at equity</b>                       |                  |                  |
| Manufacturing and sales companies                | 55               | 50               |
| Finance companies <sup>(2)</sup>                 | 43               | 29               |
|  | <b>98</b>        | <b>79</b>        |
| <b>CONSOLIDATED COMPANIES</b>                    | <b>436</b>       | <b>378</b>       |

(1) 39 new companies fully consolidated, of which 34 for the Automotive Division Opel Vauxhall.

(2) 14 new companies accounted at equity, of which 12 for the Finance Division Opel Vauxhall.

## NOTE 4 SEGMENT INFORMATION

In accordance with **IFRS 8 "Operating Segments"**, segment information is presented in line with the indicators used internally by management to measure the performance of the Group's different business segments. The Group's main performance indicator on the segments is Recurring Operating Income.

The definition of operating segments is provided in Note 3.2.

For internal reporting, the full data of the Finance segment is given at 100%. It represents the consolidation of all the entities of the Finance Divisions by global integration or at equity, before the impact of IFRS 5. The "Reconciliation" column provides a link with the presentation given in the consolidated income statement.

## 4.1. BUSINESS SEGMENTS

The columns for each segment shown in the table below are on a stand-alone basis. All intersegment balance sheet items and transactions are eliminated and, for the purposes of reconciliation with the Group's financial statements, are shown under the heading "Eliminations and unallocated" together with unallocated amounts. Faurecia and Banque PSA Finance publish consolidated financial statements and segment information for these two businesses is therefore presented down to the level of net profit (loss). For the other segments, as cash positions and taxes are managed jointly in some countries, only operating income (loss) and share in net earnings of equity-accounted companies are presented by segment.

All intersegment commercial transactions are carried out on an arm's length basis on the same terms and conditions as those applicable to the supply of goods and services to third parties.

The 100% column under Finance companies represents the data on full consolidation of the companies in partnership with Santander and BNP Paribas. These columns coupled with the "Reconciliation" column make it possible to piece together the consolidated contribution of finance companies, with the share in net earnings of companies at equity in partnership with Santander and BNP Paribas.

|  | 2017               |               |               |                      |                  |                   |                |   |       |
|--|--------------------|---------------|---------------|----------------------|------------------|-------------------|----------------|---|-------|
|  | Automotive         |               |               | Automotive Equipment | Other Businesses | Finance companies |                | Eliminations and unallocated <sup>(1)</sup> | Total |
|  | Peugeot Citroën DS | Opel Vauxhall | 100%          |                      |                  | Reconciliation    |                |   |       |
| <i>(in million euros)</i>  |                    |               |               |                      |                  |                   |                |   |       |
| <b>Revenue</b>   |                    |               |               |                      |                  |                   |                |   |       |
| › third parties  | 40,281             | 6,864         | 17,947        | 2                    | 1,347            | (1e231)           | -              | 65,210                                      |       |
| › intragroup, intersegment   | 454                | 374           | 2,235         | 88                   | 129              | -                 | (3,280)        | -   |       |
| <b>Total<sup>(2)</sup></b>   | <b>40,735</b>      | <b>7,238</b>  | <b>20,182</b> | <b>90</b>            | <b>1,476</b>     | <b>(1,231)</b>    | <b>(3,280)</b> | <b>65,210</b>                               |       |
| <b>Recurring operating income (loss)</b>   | <b>2,965</b>       | <b>(179)</b>  | <b>1,170</b>  | <b>23</b>            | <b>632</b>       | <b>(618)</b>      | <b>(2)</b>     | <b>3,991</b>                                |       |
| Non-recurring operating income   | 176                | 2             | 4             | 20                   | 3                | -                 | -              | 205   |       |
| Restructuring costs  | (426)              | (440)         | (86)          | 1                    | (1)              | 1                 | -              | (951)                                       |       |
| Impairment of CGUs, provisions for onerous contracts and other                                       | (96)               | -             | -             | -                    | -                | -                 | -              | (96)  |       |
| Other non-recurring operating income and (expenses), net   | (11)               | (38)          | (13)          | 3                    | (14)             | 11                | -              | (62)  |       |
| <b>Operating income (loss)</b>   | <b>2,608</b>       | <b>(655)</b>  | <b>1,075</b>  | <b>47</b>            | <b>620</b>       | <b>(606)</b>      | <b>(2)</b>     | <b>3,087</b>                                |       |
| Interest income  | -                  | -             | 12            | -                    | -                | -                 | 30             | 42  |       |
| Finance costs  | -                  | -             | (114)         | -                    | -                | -                 | (94)           | (208)                                       |       |
| Other financial income   | -                  | -             | -             | -                    | 5                | (1)               | 121            | 125   |       |
| Other financial expenses   | -                  | -             | (31)          | -                    | (1)              | -                 | (165)          | (197)                                       |       |
| <b>Net financial income (expense)</b>  | <b>-</b>           | <b>-</b>      | <b>(133)</b>  | <b>-</b>             | <b>4</b>         | <b>(1)</b>        | <b>(108)</b>   | <b>(238)</b>                                |       |
| Income taxes expense   | -                  | -             | (262)         | -                    | (204)            | 194               | (429)          | (701)                                       |       |
| Share in net earnings of companies at equity   | (55)               | -             | 35            | 11                   | 17               | 209               | -              | 217   |       |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | -                  | -             | -             | -                    | -                | -                 | -              | -   |       |
| <b>Consolidated profit (loss) from continuing operations</b>   |                    |               | <b>715</b>    |                      | <b>437</b>       | <b>(204)</b>      |                | <b>2,365</b>                                |       |
| <b>Profit (loss) from operations to be sold or continued in partnership</b>                          | <b>-</b>           | <b>-</b>      | <b>(7)</b>    | <b>-</b>             | <b>-</b>         | <b>-</b>          | <b>-</b>       | <b>(7)</b>                                  |       |
| <b>CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>   |                    |               | <b>708</b>    |                      | <b>437</b>       | <b>(204)</b>      |                | <b>2,358</b>                                |       |
| <b>Capital expenditure<sup>(3)</sup> (excluding sales with a buyback commitment)</b>                 | <b>2,717</b>       | <b>169</b>    | <b>1,217</b>  | <b>-</b>             | <b>30</b>        | <b>(13)</b>       |                | <b>4,120</b>                                |       |
| <b>Depreciation provision</b>  | <b>(1,877)</b>     | <b>(25)</b>   | <b>(722)</b>  | <b>-</b>             | <b>(19)</b>      | <b>7</b>          |                | <b>(2,636)</b>                              |       |

(1) The "Eliminations and unallocated" column includes eliminations of intersector sales between the Finance companies and the other segments (€106 million).

(2) Of which a turnover of €39,076 million for manufacturer's activity of the Automotive segment Peugeot Citroën DS.

(3) The capital expenditure of the Peugeot Citroën DS and Opel Vauxhall segments relates to capital expenditure incurred for the production of Peugeot Citroën DS and Opel Vauxhall vehicles.





## CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Notes to the consolidated financial Statements at December 2017

In 2017, on a fully consolidated basis, Banque PSA Finance (Finance Companies segment) generated net banking revenue of €1,145 million. Net provision expense (cost of risk) amounted to €64 million.

In 2017, after application of IFRS 5, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €46 million. Net provision expense (cost of risk) amounted to €5 million.

|  | 2016           |                      |                  |                   |                |   | Total          |
|--|----------------|----------------------|------------------|-------------------|----------------|---|----------------|
|  | Automotive     | Automotive Equipment | Other Businesses | Finance companies |                | Eliminations and unallocated <sup>(1)</sup> |                |
| (in million euros)   |                |                      |                  | 100%              | Reconciliation |   |                |
| <b>Revenue</b>   |                |                      |                  |                   |                |   |                |
| ► third parties  | 37,065         | 16,819               | -                | 1,263             | (1,117)        | -   | 54,030         |
| ► intragroup, intersegment   | 1              | 1,891                | 112              | 142               | -              | (2,146)                                     | -              |
| <b>Total<sup>(2)</sup></b>   | <b>37,066</b>  | <b>18,710</b>        | <b>112</b>       | <b>1,405</b>      | <b>(1,117)</b> | <b>(2,146)</b>                              | <b>54,030</b>  |
| <b>Recurring operating income (loss)</b>   | <b>2,225</b>   | <b>970</b>           | <b>39</b>        | <b>571</b>        | <b>(570)</b>   | -   | <b>3,235</b>   |
| Non-recurring operating income   | 109            | 7                    | 1                | -                 | -              | -   | 117            |
| Restructuring costs  | (456)          | (90)                 | (1)              | -                 | -              | -   | (547)          |
| Impairment of CGUs, provisions for onerous contracts and other                                       | (143)          | -                    | -                | -                 | -              | -   | (143)          |
| Other non-recurring operating income and (expenses), net   | -              | (23)                 | (28)             | (2)               | 2              | -   | (51)           |
| <b>Operating income (loss)</b>   | <b>1,735</b>   | <b>864</b>           | <b>11</b>        | <b>569</b>        | <b>(568)</b>   | -   | <b>2,611</b>   |
| Interest income  | -              | 10                   | -                | -                 | -              | 85  | 95             |
| Finance costs  | -              | (147)                | -                | -                 | -              | (188)                                       | (335)          |
| Other financial income   | -              | 12                   | -                | (9)               | 13             | 191   | 207            |
| Other financial expenses   | -              | (38)                 | -                | (1)               | 1              | (197)                                       | (235)          |
| <b>Net financial income (expense)</b>  | <b>-</b>       | <b>(163)</b>         | <b>-</b>         | <b>(10)</b>       | <b>14</b>      | <b>(109)</b>                                | <b>(268)</b>   |
| Income taxes expense   | -              | (189)                | -                | (206)             | 187            | (309)                                       | (517)          |
| Share in net earnings of companies at equity   | (93)           | 20                   | 6                | 15                | 180            | -   | 128            |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | -              | -                    | -                | -                 | (10)           | -   | (10)           |
| <b>Consolidated profit (loss) from continuing operations</b>   |                | <b>532</b>           |                  | <b>368</b>        | <b>(197)</b>   |   | <b>1,944</b>   |
| <b>Profit (loss) from operations to be continued in partnership</b>                                  | <b>-</b>       | <b>174</b>           | <b>-</b>         | <b>-</b>          | <b>31</b>      | <b>-</b>                                    | <b>205</b>     |
| <b>CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>   |                | <b>706</b>           |                  | <b>368</b>        | <b>(166)</b>   |   | <b>2,149</b>   |
| <b>Capital expenditure (excluding sales with a buyback commitment)</b>                               | <b>2,481</b>   | <b>1,074</b>         | <b>-</b>         | <b>39</b>         | <b>(20)</b>    |   | <b>3,574</b>   |
| <b>Depreciation provision</b>  | <b>(1,895)</b> | <b>(661)</b>         | <b>-</b>         | <b>(24)</b>       | <b>4</b>       |   | <b>(2,576)</b> |

(1) The "Eliminations and unallocated" column includes eliminations of intersector sales between the Finance companies and the other segments (€127 million).  
(2) Of which a turnover of €35,948 million for manufacturer's activity of the Automotive Division.

In 2016, on a fully consolidated basis, Banque PSA Finance (Finance Companies segment) generated net banking revenue of €1,026 million. Net provision expense (cost of risk) amounted to €52 million.

In 2016, after application of IFRS 5, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €161 million. Net provision expense (cost of risk) amounted to €5 million.

## 4.2. GEOGRAPHICAL SEGMENTS

The indicators provided by region are revenue broken down by customer marketing area and property, plant and equipment broken down by geographic location of the consolidated companies.

| (en millions d'euros)         | Europe <sup>(1)</sup> | Eurasia | China & South-Asia | India Pacific | Latin America | Middle East & Africa | North America | Total         |
|-------------------------------|-----------------------|---------|--------------------|---------------|---------------|----------------------|---------------|---------------|
| <b>2017</b>                   |                       |         |                    |               |               |                      |               |               |
| Revenue                       | 47,762                | 481     | 3,439              | 1,287         | 4,719         | 2,985                | 4,537         | <b>65,210</b> |
| Property, plant and equipment | 11,538                | 143     | 478                | 123           | 582           | 73                   | 341           | <b>13,278</b> |
| <b>2016</b>                   |                       |         |                    |               |               |                      |               |               |
| Revenue                       | 38,959                | 339     | 3,191              | 916           | 3,781         | 2,323                | 4,521         | <b>54,030</b> |
| Property, plant and equipment | 9,686                 | 160     | 407                | 118           | 472           | 62                   | 388           | <b>11,293</b> |

(1) Of which France:

| (in million euros)            | 2017   | 2016   |
|-------------------------------|--------|--------|
| Revenue                       | 14,954 | 12,992 |
| Property, plant and equipment | 5,780  | 5,614  |

NOTE 5 OPERATING INCOME

Operating income corresponds to profit (loss)<sup>(1)</sup> before net financial income or expense, current and deferred taxes and the Group's share in the net earnings of equity-accounted companies.

The Group uses recurring operating income as its main business performance indicator. Recurring operating income corresponds to operating income before other non-recurring income and expenses, defined restrictively as material items of income and expense that are unusual in nature or infrequent in occurrence and not included in the Group's recurring performance.

In practice, other non-recurring operating income and expenses consist mainly of the following items which are described in the notes to the financial statements where appropriate (see Note 5.4):

- restructuring and early-termination plan costs;
- impairment losses (and subsequent adjustments) recognised on (i) non-current assets following impairment tests performed on the cash-generating units (CGUs) to which they belong, and (ii) the corresponding onerous contracts;
- gains on disposals of real estate and impairment of real estate held for sale.

**Selling, general and administrative expenses**

Selling, general and administrative expenses correspond to general administrative expenses, indirect selling expenses and warranty costs.

5.1. REVENUE

**A. Accounting policies**

**(1) Manufacturing and sales companies**

**(a) Peugeot Citroën DS and Opel Vauxhall Automotive segments**

Revenue includes mainly revenues from the sale and leasing of vehicles and the sale of other goods and services.

In accordance with **IAS 18 "Revenue"**, new vehicle sales are recognised on the date the risks and rewards of ownership are transferred. This generally corresponds to the date when the vehicles are made available to non-Group dealers or the delivery date, in the case of direct sales.

Sales at cost of items purchased on behalf of other parties and sales to subcontractors of raw materials, parts and mechanical sub-assemblies that are intended to be bought back at cost are not included in revenue.

Sales of new vehicles with a buyback commitment are not recognised at the time of delivery but accounted for as operating leases when it is probable that the vehicle will be bought back. This principle applies:

- whatever the duration of the buyback commitment;
- for both direct sales and sales financed by Banque PSA Finance and its subsidiaries.

The difference between the sale price and the buyback price is recognised as rental revenue on a straight-line basis over the duration of the buyback commitment. The vehicle is initially recognised at production cost in property, plant and equipment. Depreciation expense is calculated over the term of the lease by the straight-line method, on the basis of the vehicle's cost less its estimated residual value, representing the anticipated resale price on the used vehicle market. Any additional gain made on the final sale of the vehicle is recognised in the period in which it is sold on the used vehicle market. If the net difference is a loss, an allowance is booked when the buyback contract is signed.

**Sales incentives**

The cost of current and future sales incentive programmes is accrued on the basis of historical costs for the previous three months, determined country by country, and charged against profit for the period in which the corresponding sales are recognised. In cases where the cost of the programme varies according to sales, it is deducted from revenue.

The Group's incentive programmes include retail financing granted at a significant discount to market interest rates. The corresponding cost is recognised at the time of the sale.

**(b) Automotive Equipment segment**

The Automotive Equipment segment performs development work and manufactures or purchases specific tooling to produce parts or modules for programmes covered by specific customer orders.

The revenue recognition criteria provided for in IAS 18 are not met in cases where development and tooling costs are paid in proportion to parts delivered to the customer, with their full recovery being subject to an unguaranteed minimum level of orders placed by the customer. Under such circumstances, development work and tooling cannot be considered as having been sold. The development costs are recognised in intangible assets (see Note 5.3.A) and tooling in property, plant and equipment (see Note 8.2.A).

If the contract includes a payment guarantee, the development and tooling costs are recognised in inventories and work-in-progress. The corresponding revenue is recognised when the customer signs off on each technical phase.

**(2) Finance companies**

The Group's finance companies and the finance companies in partnership with Santander provide wholesale financing to dealer networks and retail financing to customers of the Peugeot Citroën DS automotive business. Since 1 November 2017, the finance companies in partnership with BNP Paribas have been providing wholesale financing to the dealer networks and retail financing to the customers of the Opel - Vauxhall automotive business. Financing may take the form of conventional loans, finance leases, buyback contracts or long-term leasing. Sales financing revenues are recorded using the yield-to-maturity method, so as to recognise a constant rate of interest over the life of the loan.

Most of the finance activities are managed in partnership with Santander and BNP Paribas. The revenue of these operations is not included in the Group's consolidated revenue as these companies are accounted for by the equity method (see Note 11.4). The revenue of all financing activities at 100% is presented in Note 4.1.



(1) Consolidated profit (loss) from continuing operations, excluding "other expenses related to the non-transferred financing of operations to be continued in partnership".



## B. Key figures

| <i>(in million euros)</i>         | <b>2017</b>   | <b>2016</b>   |
|-----------------------------------|---------------|---------------|
| Sales of vehicles and other goods | 63,444        | 52,526        |
| Service revenue                   | 1,650         | 1,358         |
| Financial services revenue        | 116           | 146           |
| <b>TOTAL</b>                      | <b>65,210</b> | <b>54,030</b> |

Sales of goods consist mainly of sales of vehicles and automobile parts, sub-assemblies and components.

Service revenues primarily comprise auto repairs and servicing by captive dealers, and vehicle leasing services as described in Note 8.2.C.

Financial services revenue corresponds for the most part to interest income, insurance premiums and other gross revenues.

### 5.2. RECURRING OPERATING EXPENSES ANALYSED BY NATURE

Broken down by type, operating expenses include staff costs and the depreciation or amortisation of intangible assets and property, plant and equipment, explained below. Other recurring operating expenses are analysed by each segment at its own appropriate level with the result that they cannot be presented on a consistent basis at Group level.

#### Staff costs

Group staff costs included in the Recurring Operating Income are as follows:

| <i>(in million euros)</i>                            | <b>2017</b>    | <b>2016</b>    |
|--|----------------|----------------|
| Automotive segment Peugeot Citroën DS <sup>(1)</sup> | (4,537)        | (4,641)        |
| Automotive segment Opel Vauxhall                     | (1,101)        | -              |
| Automotive Equipment segment <sup>(2)</sup>          | (3,177)        | (3,059)        |
| Finance companies <sup>(3)</sup>                     | (7)            | (9)            |
| Other businesses                                     | (98)           | (70)           |
| <b>TOTAL</b>   | <b>(8,920)</b> | <b>(7,779)</b> |

(1) Including €4,030 million representing staff costs of manufacturing activities of the Peugeot Citroën DS Automotive segment (€4,109 million in 2016).

(2) In 2016, €225 million representing staff costs were reclassified in activities to be sold or continued in partnership.

(3) In 2016, €17 million representing staff costs were reclassified in activities to be sold or continued in partnership.

The Competitiveness and Employment Tax Credit (CICE) has been deducted from personnel expenses in the amount of €103 million (€96 million in 2016).

Details of pension costs are disclosed in Note 7.

#### Depreciation and Amortisation Expense

Depreciation and amortisation expense included in recurring operating income breaks down as follows:

| <i>(in million euros)</i>                        | <b>2017</b>    | <b>2016</b>    |
|--|----------------|----------------|
| Capitalised development expenditure              | (845)          | (825)          |
| Other intangible assets                          | (98)           | (100)          |
| Specific tooling                                 | (636)          | (650)          |
| Other property, plant and equipment              | (1,057)        | (1,001)        |
| <b>TOTAL</b>                                     | <b>(2,636)</b> | <b>(2,576)</b> |
| <i>Of which Opel Vauxhall Automotive segment</i> | (24)           | -              |

### 5.3. RESEARCH AND DEVELOPMENT EXPENSES

#### A. Accounting policies

Research and development expenses include the cost of scientific and technical activities, industrial property, and the education and training necessary for the development, production or implementation and marketing of new or substantially improved materials, methods, products, processes, systems or services.

Under **IAS 38 "Intangible Assets"**, development expenditure is recognised as an intangible asset if the entity can demonstrate in particular:

- its intention to complete the intangible asset and use or sell it, as well as the availability of adequate technical, financial and other resources for this purpose;
- that it is probable that the future economic benefits attributable to the development expenditure will flow to the entity;
- that the cost of the asset can be measured reliably.

Capitalised development costs include related borrowing costs (see Note 12.2.A).

Expenses for the year include research costs, non-capitalised study and development costs under the above criteria, and the amortisation of capitalised development costs.

#### (1) Peugeot Citroën DS and Opel Vauxhall Automotive segment

Development expenditure on vehicles and mechanical sub-assemblies (engines and gearboxes) incurred between the project launch (corresponding to the styling decision for vehicles) and the start-up of pre-series production is recognised in

intangible assets. It is amortised from the start-of-production date over the asset's useful life, representing up to seven years for vehicles and ten years for mechanical sub-assemblies and modules. The capitalised amount mainly comprises payroll costs of personnel directly assigned to the project, the cost of prototypes and the cost of external services related to the project. No overheads or indirect costs related to research and development activities are included, such as rent, building depreciation and information system utilisation costs. The capitalised amount also includes the portion of qualifying development expenditure incurred by the Group under cooperation agreements that is not billed to the partner. Generally, development costs billed to the Group by its partners under cooperation agreements are also capitalised, when they are meeting capitalisation criteria. All development expenditure incurred to develop mechanical sub-assemblies compliant with new emissions standards is monitored on a project-by-project basis and capitalised.

#### (2) Automotive Equipment Division

Development work is undertaken for all programmes covered by specific customer orders. Where development costs are paid in proportion to parts delivered to the customer, with their full recovery being subject to an unguaranteed minimum level of orders placed by the customer, the costs incurred during the period between the customer's acceptance of the commercial offer and the start-of-production date of the parts or modules are recognised in intangible assets. The intangible asset is amortised based on the quantity of parts delivered to the customer, provided that accumulated amortisation at each year-end does not represent less than the amount that would be recognised if the asset were amortised on a straight-line basis over five years. If the contract includes a payment guarantee, the development expenditure is recognised in inventories and work-in-progress.



#### B. Research and development expenses, net

| <i>(in million euros)</i>                           | Notes | 2017           | 2016           |
|---|-------|----------------|----------------|
| Total expenditure <sup>(1)</sup>                    |       | (2,932)        | (2,361)        |
| Capitalised development expenditure <sup>(2)</sup>  |       | 1,536          | 1,267          |
| <b>Non-capitalised expenditure</b>                  |       | <b>(1,396)</b> | <b>(1,094)</b> |
| Amortisation of capitalised development expenditure | 8.1   | (842)          | (821)          |
| <b>TOTAL</b>  |       | <b>(2,238)</b> | <b>(1,915)</b> |

(1) Including €2,055 million for the Peugeot Citroën DS Automotive segment (€1,924 million in 2016), €408 million for the Opel Vauxhall automotive segment and €469 million for Faurecia (€437 million in 2016).

(2) In addition to this expenditure, borrowing costs are capitalised pursuant to IAS 23 "Borrowing costs" (Revised) (see Note 12.2.A).

The amounts presented in the above table are stated net of research funding received by the Group.

## 5.4. NON-RECURRING OPERATING INCOME AND EXPENSES

| <i>(in million euros)</i>   | Notes | 2017           | 2016         |
|---|-------|----------------|--------------|
| Net gains on disposals of real estate assets  |       | 164            | 101          |
| Reversal of impairment loss on CGUs, other assets and provisions for onerous contracts of the Peugeot Citroën DS Automotive segment | 8.3.B | 12             | 10           |
| Reversal of impairment loss on CGUs, other assets and provisions for onerous contracts of the Opel Vauxhall Automotive segment      |       | 1              | -            |
| Other non-recurring operating income on other CGUs  |       | 28             | 6            |
| <b>Total non-recurring operating income</b>   |       | <b>205</b>     | <b>117</b>   |
| Impairment loss on CGUs, other assets and provisions for onerous contracts of the Peugeot Citroën DS Automotive segment             | 8.3.B | (107)          | (143)        |
| Impairment loss on CGUs, other assets and provisions for onerous contracts of the Opel Vauxhall Automotive segment                  |       | (38)           | -            |
| Impairment loss on Faurecia CGUs and other Faurecia assets  | 8.3.C | -              | -            |
| Restructuring costs   | 5.4.B | (951)          | (547)        |
| Other non-recurring operating expenses on other CGUs  |       | (13)           | (51)         |
| <b>Total non-recurring operating expenses</b>   |       | <b>(1,109)</b> | <b>(741)</b> |

## A. Impairment test on CGU, provisions for onerous contracts and other depreciations

The detail of impairment testing, provisions for onerous contracts and other impairment is disclosed in Note 8.3.

## B. Restructuring costs

Restructuring costs consist mainly of workforce reductions.

| <i>(in million euros)</i>          | 2017         | 2016         |
|------------------------------------|--------------|--------------|
| Peugeot Citroën Automotive segment | (426)        | (456)        |
| Opel Vauxhall Automotive segment   | (440)        | -            |
| Automotive Equipment segment       | (86)         | (90)         |
| Other businesses segment           | 1            | (1)          |
| <b>TOTAL</b>                       | <b>(951)</b> | <b>(547)</b> |

## Peugeot Citroën DS Automotive segment

In 2017, Peugeot Citroën DS Automotive segment restructuring costs amounted to €426 million.

They relate chiefly to the recognition of the restructuring plans covering the Group's industrial sites in Europe (Jobs and Skills Matching System -DAEC-, Jobs and Skills Reallocation Plan -PREC-, Employment Safeguarding Plan -PSE- and older employee plans) in the amount of €375 million and the reorganisation of its commercial operations in Europe in the amount of €32 million. Other restructuring costs relate mainly to the Group's subsidiaries in Latin America in the amount of €16 million.

## Opel Vauxhall Automotive segment

In 2017, Opel Vauxhall Automotive segment restructuring costs amounted to €440 million.

## Automotive Equipment segment (Faurecia Group)

In 2017, Faurecia Group restructuring costs totalled €86 million, including €78 million in provisions for redundancy costs, mainly in Germany, France, the United States and in the Netherlands.

## NOTE 6 REQUIREMENTS IN WORKING CAPITAL OF MANUFACTURING AND SALES COMPANIES

### 6.1. INVENTORIES

Inventories are stated at the lower of cost and net realisable value, in accordance with **IAS 2 "Inventories"**.

Cost is determined by the first-in-first-out (FIFO) method and includes all direct and indirect variable production expenses, plus fixed production expenses based on the normal capacity of each production facility.

The net realisable value of inventories intended to be sold corresponds to their selling price, as estimated based on market conditions and any relevant external information sources, less the estimated costs necessary to complete the sale (such as variable

direct selling expenses, refurbishment costs not billed to customers for used vehicles and other goods).

The Automotive Equipment segment performs development work and manufactures or purchases specific tooling to produce parts or modules for programmes covered by specific customer orders. When the contract includes a payment guarantee, the development costs are recognised in inventories and work-in-progress and the corresponding revenue is recognised when the customer signs off on each technical phase.

|  | 31 December 2017 |              |              | 31 December 2016 |              |              |
|--|------------------|--------------|--------------|------------------|--------------|--------------|
|  | Gross            | Allowance    | Net          | Gross            | Allowance    | Net          |
| <i>(in million euros)</i>                        |                  |              |              |                  |              |              |
| Raw materials and supplies                       | 1,272            | (153)        | 1,119        | 807              | (140)        | 667          |
| Semi-finished products and work-in-progress      | 1,049            | (30)         | 1,019        | 949              | (31)         | 918          |
| Goods for resale and used vehicles               | 1,204            | (83)         | 1,121        | 911              | (110)        | 801          |
| Finished products and replacement parts          | 4,289            | (227)        | 4,062        | 2,107            | (146)        | 1,961        |
| <b>TOTAL</b>                                     | <b>7,814</b>     | <b>(493)</b> | <b>7,321</b> | <b>4,774</b>     | <b>(427)</b> | <b>4,347</b> |
| <i>Of which Opel Vauxhall Automotive segment</i> |                  |              | 2,862        |                  |              |              |

### 6.2. TRADE RECEIVABLES

A provision for impairment is recorded on the manufacturing and sales companies' trade receivables if the Group believes that there is a risk that the receivables will not be recovered. Indications of probable impairment include the existence of unresolved claims or litigation, the age of the receivables and the obligor's significant financial difficulties.

In accordance with IAS 39, the Group derecognises receivables for which the contractual rights to receive the cash flows have been transferred along with substantially all of the risks and rewards of ownership. In analysing the transfer of risks, dilution risk is not

included inasmuch as it has been defined and correctly segregated notably from the risk of late payment. Transferred receivables are not derecognised when the default risk is retained by the Group. Costs incurred in transferring a receivable are recognised in financial expense.

In segment reporting, this rule also applies to the Peugeot Citroën DS and Opel Vauxhall Automotive segments' debts transferred to the Group's finance companies and to the finance companies in partnership.

|  | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| <i>(in million euros)</i>                              |                  |                  |
| Trade receivables                                      | 2,674            | 1,726            |
| Allowances for doubtful accounts                       | (307)            | (166)            |
| <b>Total - manufacturing and sales companies</b>       | <b>2,367</b>     | <b>1,560</b>     |
| Elimination of transactions with the finance companies | (34)             | (19)             |
| <b>TOTAL</b>   | <b>2,333</b>     | <b>1,541</b>     |
| <i>Of which Opel Vauxhall Automotive segment</i>       | 724              | -                |

Assignments of trade receivables to financial institutions are disclosed in Note 12.6.E.



## 6.3. OTHER RECEIVABLES AND OTHER PAYABLES

## A. Other receivables

| <i>(in million euros)</i>   | <b>31 December 2017</b> | <b>31 December 2016</b> |
|---|-------------------------|-------------------------|
| State, regional and local taxes excluding income tax <sup>(1)</sup> | 1,198                   | 908                     |
| Personnel-related payables  | 41                      | 38                      |
| Due from suppliers  | 195                     | 196                     |
| Derivative instruments  | 274                     | 41                      |
| Prepaid expenses  | 444                     | 361                     |
| Miscellaneous other receivables                                     | 484                     | 219                     |
| <b>TOTAL</b>  | <b>2,636</b>            | <b>1,763</b>            |
| <i>Of which Opel Vauxhall Automotive segment</i>                    | 434                     | -                       |

(1) In 2017, the Group sold €43 million worth of French research tax credits and €94 million worth of French competitiveness and employment tax credits (see Note 12.6.E).

## B. Other payables

| <i>(in million euros)</i>                        | <b>31 December 2017</b> | <b>31 December 2016</b> |
|--|-------------------------|-------------------------|
| Taxes payable other than income taxes            | 1,108                   | 660                     |
| Personnel-related payables                       | 1,207                   | 1,019                   |
| Payroll taxes                                    | 358                     | 354                     |
| Payable on fixed asset purchases                 | 1,625                   | 597                     |
| Customer prepayments                             | 2,004                   | 1,569                   |
| Derivative instruments <sup>(1)</sup>            | 203                     | 17                      |
| Deferred income                                  | 943                     | 800                     |
| Miscellaneous other payables                     | 430                     | 350                     |
| <b>TOTAL</b>                                     | <b>7,878</b>            | <b>5,366</b>            |
| <i>Of which Opel Vauxhall Automotive segment</i> | 2,058                   | -                       |

(1) This item corresponds to the fair value of instruments purchased by the Group to hedge currency risks on current or forecast operating receivables and payables. These instruments are analysed by maturity in Note 12.7.A "Management of financial risks".

## 6.4. CHANGE IN WORKING CAPITAL REQUIREMENTS OF MANUFACTURING AND SALES COMPANIES

## A. Analysis of the change in working capital

| <i>(in million euros)</i>                   | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
| (Increase) decrease in inventories          | (167)       | (365)       |
| (Increase) decrease in trade receivables    | (476)       | 291         |
| Increase (decrease) in trade payables       | 1,179       | 389         |
| Change in income taxes                      | (124)       | 4           |
| Other changes                               | (404)       | 152         |
|   | <b>8</b>    | <b>471</b>  |
| Net cash flows with Group finance companies | 17          | (38)        |
| <b>TOTAL</b>                                | <b>25</b>   | <b>433</b>  |

## B. Analysis of the Change in balance sheet Items

### (1) Analysis by type

| 2017 (in million euros)                     | At 1 January | At 31 December |
|---|--------------|----------------|
| Inventories <sup>(1)</sup>                  | (4,347)      | (7,321)        |
| Trade receivables                           | (1,560)      | (2,367)        |
| Trade payables <sup>(2)</sup>               | 9,352        | 13,362         |
| Income taxes                                | 21           | (113)          |
| Other receivables                           | (1,763)      | (2,636)        |
| Other payables <sup>(3)</sup>               | 5,366        | 7,878          |
|   | <b>7,069</b> | <b>8,803</b>   |
| Net cash flows with Group finance companies | (15)         | 1              |
| <b>TOTAL</b>                                | <b>7,054</b> | <b>8,804</b>   |

Of which Opel Vauxhall Automotive segment at 31 December 2017:

(1) €(2,863) million.

(2) €2,906 million.

(3) €2,099 million.

### (2) Movements of the year

| (in million euros)   | 2017         | 2016         |
|--|--------------|--------------|
| <b>At 1 January</b>  | <b>7,069</b> | <b>6,379</b> |
| Cash flows from operating activities                       | (41)         | 484          |
| Cash flows from investing activities                       | (144)        | 400          |
| Changes in scope of consolidation and other <sup>(1)</sup> | 1,920        | 1            |
| Translation adjustment                                     | 28           | (164)        |
| Revaluations taken to equity                               | (29)         | (31)         |
| <b>AT 31 DECEMBER</b>                                      | <b>8,803</b> | <b>7,069</b> |

(1) Of which €1,785 million related to the acquisition of Opel Vauxhall in 2017.

The change in working capital in the consolidated statement of cash flows at 31 December 2017 (€8 million positive effect) corresponds to cash flows from operating activities (€41 million negative effect), exchange differences (€15 million positive effect), change in the ineffective portion of currency options (€28 million positive effect) and other movements (€6 million positive effect).

| (in million euros)   | 2017        | 2016       |
|--|-------------|------------|
| <b>Cash flows from operating activities of manufacturing and sales companies</b> | <b>(41)</b> | <b>484</b> |
| Exchange differences   | 15          | 51         |
| Change in the ineffective portion of currency options                            | 28          | (45)       |
| Other changes  | 6           | (19)       |
| <b>Change in working capital in the statement of cash flows</b>                  | <b>8</b>    | <b>471</b> |





## NOTE 7 EMPLOYEE BENEFITS EXPENSE

## 7.1. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits paid in accordance with the laws and regulations of the countries in which they operate, Group companies are liable for the payment of supplementary pensions and retirement bonuses. These benefits are paid under defined contribution and defined benefit plans.

For defined contribution plans, contributions made during the year are expensed.

In accordance with **IAS 19 "Employee Benefits"**, obligations under defined benefit plans are measured by independent actuaries using the projected unit credit method. The main assumptions underpinning the measurement of the commitment are the retirement date, wage increases and staff turnover, and a discount rate and an inflation rate.

The projected benefit obligation is measured twice a year for the main plans, at mid-year and at year-end, and every three years for the other plans, except when more frequent valuations are necessary to take into account changes in actuarial assumptions or significant changes in demographic statistics.

Changes in actuarial assumptions and experience adjustments – corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred – give rise to actuarial gains and losses. These actuarial gains and losses are recorded under "consolidated comprehensive income", and are not recyclable in the income statement.

In the event of change in the benefits conferred by a pension plan, the effects of changes are recognised in full in the income statement of the period in which they are incurred, in "operating income" under "past service cost".

As a result, for each defined benefit plan, the Group records a provision in an amount equal to the projected benefit obligation less the fair value of the plan assets.

These pension surpluses constituted by the Group are recognised in the balance sheet according to the IFRIC 14 interpretation.

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:

- the service cost and past service cost (recognised in "Recurring income");
- the accretion expense of the net commitment of the return on plan hedging assets (in other financial income and expenses). These two components (accretion and return on assets) are determined based on the discount rate of commitments.

Other employee benefit obligations recognised in the balance sheet concern:

- long-service awards payable by French and foreign subsidiaries;
- healthcare costs paid by certain subsidiaries in the United States.

## A. Plan descriptions

Group employees in certain countries are entitled to supplementary pension benefits payable annually to retirees, or retirement bonuses representing one-off payments made at the time of retirement. These benefits either are paid under defined contribution or defined benefit plans. The Group's only obligation under defined contribution plans is to pay fixed contributions into the fund concerned. The payments are recognised in income (loss) for the year. Payments under defined benefit plans concern primarily France, the United Kingdom and Germany.

In France, the existing defined benefit plans concern:

- the retirement bonuses provided for by collective bargaining agreements;
- the portion of the top-hat pension scheme for engineers and management personnel that was not transferred to an external fund in 2002 and guarantees an aggregate replacement rate from all plans of up to 60% of the employee's final salary (currently covering 2,500 retired employees);
- the pension plan set up by the former subsidiary of the Chrysler Group in France (Talbot), which was closed to new entrants in 1981 and covers 12,000 retired employees at end-2017;
- the closed Citroën supplementary plan (ACC) that covered 4,100 retired employees at end-2017.

In the United Kingdom, the Group has four trustee-administered defined benefit plans. These plans have been closed to new entrants since May 2002. At 31 December 2017, 18,200 beneficiaries were covered by these plans, including 500 active employees, 6,700 former employees not yet retired and 11,000 retired employees. The plans guarantee a replacement rate of up to 66% of the employee's final salary.

In Germany, the main defined benefit plan relates to Opel Automobile GmbH covering beneficiaries in these companies at 1 August 2017 in the form of:

- the retirement bonuses provided for by collective bargaining agreements;
- the supplementary pension plan covering 20,000 employees. This plan was fully funded at 1 August 2017.

The supplementary pension scheme for all Faurecia managerial employees in France comprises a defined benefit plan granting a rent relating to salary tranche C. A specific pension scheme dedicated to the Executive Committee members who have an employment contract with Faurecia S.A. or any of its subsidiaries has been implemented in 2015. This new scheme, defined benefit plan for French members and defined contribution plan for foreign members, guarantees an annuity based on the reference salary, the Faurecia Group's operating income, and the budget approved by the Board of Directors.

## B. Assumptions

|                                      | Euro zone    | United-Kingdom |
|--------------------------------------|--------------|----------------|
| Discount Rate                        |              |                |
| <b>2017</b>                          | <b>1.60%</b> | <b>2.60%</b>   |
| 2016                                 | 1.50%        | 2.80%          |
| Inflation Rate                       |              |                |
| <b>2017</b>                          | <b>1.80%</b> | <b>3.20%</b>   |
| 2016                                 | 1.80%        | 3.25%          |
| Average Duration ( <i>in years</i> ) |              |                |
| <b>2017</b>                          | <b>17</b>    | <b>15</b>      |
| 2016                                 | 12           | 14             |

At each period-end, the discount rate is determined based on the most representative returns on prime corporate bonds with a life that approximates the duration of the benefit obligation.

Prime corporate bonds are defined as bonds awarded one of the top two ratings by a recognised rating agency (for example, bonds rated AA or AAA by Moody's or Standard & Poor's).

The assumptions regarding future salary increases take into account inflation and forecast individual pay rises in each country. The assumption for French plans is inflation plus individual pay rise according to the employee's age. The assumption for the United Kingdom plans is inflation plus 1%. In Germany, the assumption is for inflation plus 0.5% for hourly employees and 0.75% for salaried employees.

Mortality and staff turnover assumptions are based on the specific economic conditions of each host country.

**Sensitivity of assumptions:** a 0.25-point increase or decrease in the discount rate and in the inflation rate in France, Germany or the United Kingdom would lead to the following increases or decreases in projected benefit obligations:

|                | Discount rate<br>+0.25 PT | Inflation rate<br>+0.25 PT |
|----------------|---------------------------|----------------------------|
| France         | -2.75%                    | 1.91%                      |
| United Kingdom | -4.17%                    | 3.70%                      |
| Germany        | -4.94%                    | 1.13%                      |

A 1-point increase or decrease in the expected return on external funds would have led to an increase or decrease in the investment income recognised in 2017 of €9 million for French plans, €28 million for the United Kingdom plans and €12 million for the German plans.

In 2012, the Group arranged an interest rate swap for the United Kingdom within the pension fund, making it possible to vary hedging assets in response to changes in the liability at the discount rate.

## C. Information on external funds

The projected benefit obligation is partially covered by dedicated external funds.

The breakdown of external funds is as follows:

|                | 31 December 2017 |       | 31 December 2016 |       |
|----------------|------------------|-------|------------------|-------|
|                | Equities         | Bonds | Equities         | Bonds |
| France         | 19%              | 81%   | 17%              | 83%   |
| United Kingdom | 12%              | 88%   | 19%              | 81%   |
| Germany        | 0%               | 100%  | -                | -     |

The fair value of shares and bonds was at level 1 in 2016 and 2017.

In 2017, the actual return on external funds managed by the Group in France, in Germany and by the pension trusts in the United Kingdom was +4% for the French funds, +2.8% for the German funds and +5.6% for the United Kingdom funds. In France, equity funds consist of MSCI EMU Euro index tracker funds and international index tracker funds, while bond funds are invested in prime European government bonds, in European corporate bonds rated A or higher and in European inflation-linked government bonds.

In the United Kingdom, all the equities are invested in global equity funds. 69% of the bond portfolio are comprised of inflation-linked government bonds denominated in pounds sterling. The remaining 31% are comprised mainly of corporate bonds rated A or higher.

In Germany, bond investments are 80% in corporate bonds with an average rating of A-, 12% in EU government bonds (minimum investment grade) and 8% in short-term money market instruments.

In France, the Group is free to decide the amount of its contributions to the external funds. At 31 December 2017, no decision had been made as to the amount of contributions to be paid in 2018.

In the United Kingdom, the Group's annual contribution (excluding Faurecia) amounted to £34 million (€39 million) in 2017. It is estimated at £33 million (€37 million) for 2018, although this sum may change in light of the negotiations planned for 2018.

In Germany, the Group's annual contribution (excluding Faurecia) amounted to €12 million. It is estimated at €4 million for 2018.





## D. Movement for the year

### Excluding minimum funding requirement (IFRIC 14)

|  | 2017           |                |                |              |                | 2016           |                |              |                |
|--|----------------|----------------|----------------|--------------|----------------|----------------|----------------|--------------|----------------|
|  | France         | United Kingdom | Germany        | Other        | Total          | France         | United Kingdom | Other        | Total          |
| <i>(in million euros)</i>  |                |                |                |              |                |                |                |              |                |
| <b>Projected benefit obligation</b>  |                |                |                |              |                |                |                |              |                |
| <b>At beginning of period: Present value</b>                                   | <b>(1,620)</b> | <b>(2,098)</b> | <b>(425)</b>   | <b>(270)</b> | <b>(4,413)</b> | <b>(1,564)</b> | <b>(2,096)</b> | <b>(670)</b> | <b>(4,330)</b> |
| Service cost   | (49)           | (62)           | (48)           | (14)         | (173)          | (43)           | (10)           | (16)         | (69)           |
| Interest cost  | (24)           | (56)           | (26)           | (7)          | (113)          | (36)           | (71)           | (17)         | (124)          |
| Benefit payments for the year  | 111            | 114            | 11             | 35           | 271            | 89             | 82             | 46           | 217            |
| Unrecognised actuarial gains and (losses):                                     |                |                |                |              |                |                |                |              |                |
| ▷ amount   | 86             | (187)          | (151)          | 3            | (249)          | (95)           | (316)          | (43)         | (454)          |
| ▷ as a % of projected benefit obligation at beginning of period <sup>(1)</sup> | 5.3%           | 8.9%           | 5.4%           | 1.1%         | 5.6%           | 6.1%           | 15.1%          | 6.4%         | 10.5%          |
| Translation adjustment   | -              | 75             | -              | 15           | 90             | -              | 313            | 1            | 314            |
| Effect of changes in scope of consolidation and other                          | (3)            | (60)           | (2,385)        | (316)        | (2,764)        | -              | -              | -            | -              |
| Effect of curtailments and settlements   | 1              | -              | -              | -            | 1              | 29             | -              | 4            | 33             |
| <b>AT PERIOD-END: PRESENT VALUE</b>  | <b>(1,498)</b> | <b>(2,274)</b> | <b>(3,024)</b> | <b>(554)</b> | <b>(7,350)</b> | <b>(1,620)</b> | <b>(2,098)</b> | <b>(695)</b> | <b>(4,413)</b> |
| <b>External fund</b>   |                |                |                |              |                |                |                |              |                |
| <b>At beginning of period: Fair value</b>                                      | <b>899</b>     | <b>2,777</b>   | <b>130</b>     | <b>140</b>   | <b>3,946</b>   | <b>932</b>     | <b>2,657</b>   | <b>285</b>   | <b>3,874</b>   |
| Normative return on external funds   | 13             | 75             | 22             | 4            | 114            | 23             | 94             | 7            | 124            |
| Actuarial gains and (losses):  |                |                |                |              |                |                |                |              |                |
| ▷ amount   | 20             | 81             | 46             | (3)          | 144            | 18             | 475            | 7            | 500            |
| ▷ as a % of projected benefit obligation at beginning of period <sup>(1)</sup> | 2.2%           | 2.9%           | 1.7%           | 2.1%         | 3.6%           | 1.9%           | 17.9%          | 2.5%         | 12.9%          |
| Translation adjustment   | -              | (97)           | -              | (8)          | (105)          | -              | (403)          | -            | (403)          |
| Employer contributions   | 45             | 42             | 15             | 7            | 109            | 20             | 36             | 12           | 68             |
| Benefit payments for the year  | (118)          | (114)          | (11)           | (25)         | (268)          | (94)           | (82)           | (41)         | (217)          |
| Effect of changes in exchange rates and other                                  | -              | -              | 2,502          | 182          | 2,684          | -              | -              | -            | -              |
| <b>AT PERIOD-END: FAIR VALUE</b>   | <b>859</b>     | <b>2,764</b>   | <b>2,704</b>   | <b>297</b>   | <b>6,624</b>   | <b>899</b>     | <b>2,777</b>   | <b>270</b>   | <b>3,946</b>   |

(1) The percentage actuarial gains and (losses) is calculated on the basis of the obligations and the external fund at the beginning of the period, which for Germany includes the effect of the change in scope of consolidation due to the acquisition of Opel Vauxhall in 2017.

## E. Reconciliation of balance sheet items

|  | 2017           |                |                |              |                | 2016           |                |              |                |
|--|----------------|----------------|----------------|--------------|----------------|----------------|----------------|--------------|----------------|
|  | France         | United Kingdom | Germany        | Other        | Total          | France         | United Kingdom | Other        | Total          |
| <i>(in million euros)</i>  |                |                |                |              |                |                |                |              |                |
| <b>Present value of projected benefit obligation</b>   | <b>(1,498)</b> | <b>(2,274)</b> | <b>(3,024)</b> | <b>(554)</b> | <b>(7,350)</b> | <b>(1,620)</b> | <b>(2,098)</b> | <b>(695)</b> | <b>(4,413)</b> |
| Fair value of external funds   | 859            | 2,764          | 2,704          | 297          | 6,624          | 899            | 2,777          | 270          | 3,946          |
| <b>NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET BEFORE MINIMUM FUNDING REQUIREMENT (IFRIC 14)</b> | <b>(639)</b>   | <b>490</b>     | <b>(320)</b>   | <b>(257)</b> | <b>(726)</b>   | <b>(721)</b>   | <b>679</b>     | <b>(425)</b> | <b>(467)</b>   |
| Minimum funding requirement liability (IFRIC 14)   | -              | (37)           | -              | -            | (37)           | -              | (39)           | -            | (39)           |
| <b>NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET</b>   | <b>(639)</b>   | <b>453</b>     | <b>(320)</b>   | <b>(257)</b> | <b>(763)</b>   | <b>(721)</b>   | <b>640</b>     | <b>(425)</b> | <b>(506)</b>   |
| Of which, liability (Note 10)  | (663)          | (134)          | (320)          | (276)        | (1,393)        | (747)          | (63)           | (425)        | (1,235)        |
| Of which, asset  | 24             | 587            | -              | 19           | 630            | 26             | 703            | -            | 729            |
| Of which, unfunded plans   | 0.3%           | 0.0%           | 0.0%           | 15.4%        | 1.2%           | 0.0%           | 0.0%           | 9.6%         | 1.5%           |

## F. Expenses recognised in the income statement

These expenses are recorded as follows:

- service cost is recorded under "Selling, general and administrative expenses";
- the impact of restructuring is reported under "Non-recurring operating income" or "Non-recurring operating expenses";
- interest cost and the normative return on external funds are recorded under "Other financial expenses" and "Other financial income" respectively.

Pension expenses break down as follows:

| (in million euros)  | 2017        |                |             |             |              | 2016        |                |             |             |
|---|-------------|----------------|-------------|-------------|--------------|-------------|----------------|-------------|-------------|
|   | France      | United Kingdom | Germany     | Other       | Total        | France      | United Kingdom | Other       | Total       |
| Service cost  | (49)        | (62)           | (48)        | (14)        | (173)        | (43)        | (10)           | (16)        | (69)        |
| Interest cost   | (24)        | (56)           | (26)        | (7)         | (113)        | (36)        | (71)           | (17)        | (124)       |
| Normative return on external funds                          | 13          | 75             | 22          | 4           | 114          | 23          | 94             | 7           | 124         |
| Effect of curtailments and settlements                      | 1           | -              | -           | -           | 1            | 29          | -              | 4           | 33          |
| <b>Total (before minimum funding requirement liability)</b> | <b>(59)</b> | <b>(43)</b>    | <b>(52)</b> | <b>(17)</b> | <b>(171)</b> | <b>(27)</b> | <b>13</b>      | <b>(22)</b> | <b>(36)</b> |
| Change in minimum funding requirement liability (IFRIC 14)  | -           | -              | -           | -           | -            | -           | 4              | -           | 4           |
| <b>TOTAL</b>  | <b>(59)</b> | <b>(43)</b>    | <b>(52)</b> | <b>(17)</b> | <b>(171)</b> | <b>(27)</b> | <b>17</b>      | <b>(22)</b> | <b>(32)</b> |

## 7.2. SHARE-BASED PAYMENT

Stock options and performance shares are granted to Group management and certain employees under equity-settled share-based payment plans. These plans are recognised in accordance with **IFRS 2 "Share-based Payment"**.

### A. Employee stock options

No plan was awarded between 2009 and 2017. The last plan expired on 19 August 2016.

### B. Performance share plans

#### (1) Peugeot S.A. performance share plan

##### (a) 2015 performance share plan

A performance share plan was established in 2015. At the end of the vesting period on 31 March 2017, 2,019,000 treasury shares were delivered to French tax resident beneficiaries. As of 31 December 2017, 379,124 shares were potentially attributable to foreign residents; the relevant vesting period ends on 31 March 2019. The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €4.4 million for the 2017, excluding payroll taxes.

##### (b) 2016 Performance share plan

A performance share plan was established in 2016 (see Note 6.2.B.(1).(b) to the 2016 consolidated financial statements). The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. Taking into consideration the performance targets, the shares will vest in two equal portions subject to continued employment on 3 June 2019 and 3 June 2020. At year-end 2017, 1,907,491 shares were potentially attributable to the beneficiaries of the plan. The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €7.1 million for 2017, excluding payroll taxes.

##### (c) 2017 performance share plan

###### Plan characteristics

Following the authorisation given by the Extraordinary Shareholders' Meeting of 27 April 2016 and the Supervisory Board at its meeting of 27 April 2016, the Peugeot S.A. Managing Board adopted a performance share plan on 10 April 2017. This plan covers a maximum of 2,693,000 shares. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period.

Vesting is subject to two performance conditions relating to the percentage of the Peugeot Citroën DS Automotive segment's average recurring operating income (ROI) over the 2017-2019 period and Group revenue growth between 2016 and 2019 at constant exchange rates.

In light of the objectives, the shares will vest in two equal parts subject to presence within the Company at 14 April 2020 and 14 April 2021.



### Personnel costs arising from the performance share plan characteristics

At year-end 2017 the plan covers a maximum total of 2,334,942 shares, resulting in the delivery of treasury shares.

For the purposes of calculating personnel costs, the weighted average fair value of the shares notified is €15.38.

The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €7.5 million for 2017, excluding payroll taxes.

The details of performance share plans at year-end 2017 are provided in the following table:

| (number of shares)                      | Maximum number of performance shares <sup>(1)</sup> due if: |                    |
|---|---|--------------------|
|   | objective achieved  | objective exceeded |
| <b>Date of Managing Board decision:</b> |   |                    |
| 23/07/2015                              | 570,122   | 741,081            |
| 25/07/2016                              | 687,711   | 894,665            |
| 20/07/2017                              | 617,595   | 802,830            |

(1) Net of free shares granted cancelled.

Following achievement of the performance target in the plan awarded by the Board on 24 July 2013, 947,050 shares were delivered in July 2017. In light of the achievement of the performance targets in the plan awarded by the Board on 28 July 2014, 761,865 shares will be delivered in July 2018.

### 7.3. MANAGEMENT COMPENSATION

The Group is managed by the Managing Board. The Group's management bodies correspond to the Group Executive Committee, which includes the members of the Managing Board and other members of executive management.

The compensation details provided in the table above do not include payroll taxes. The amount of compensation paid to members of management bodies, including accrued variable compensation, is provisional.

The fixed compensation of the Managing Board members was constant in 2017.

| (in million euros)   | Notes | 2017 | 2016 |
|--|-------|------|------|
| Number of Executive Committee members at 31 December                             |       | 18   | 18   |
| Fixed & variable compensation and other short-term benefits (excluding pensions) |       | 22.2 | 17.2 |
| Stock option and performance share costs <sup>(1)</sup>                          | 7.2   | 4.8  | 6.9  |

(1) This is the portion of the IFRS 2 expense for the period relating to the Managing Board's members and other members of the Executive Committee.

Furthermore, the expense recognised in 2017 for the contribution to the new defined contribution pension plan totalled €4.8 million for the members of the Managing Board and the other members of the Executive Committee and breaks down into €2.4 million paid to a pension fund and €2.4 million paid in cash to the beneficiaries (taking into account a scheme based on taxation upon first deposit).

Details of the performance shares granted in 2015, 2016 and 2017 granted to members of the managing bodies and still exercisable at period-end, can be found in the following table:

| (number of options)                    | 2017      | 2016      |
|--|-----------|-----------|
| Performance shares held at 31 December | 1,670,000 | 1,585,000 |

Besides, members of the Group's management bodies are not entitled to any long-term benefits apart from pension benefits and the performance shares under the plans referred to above, or any other forms of share-based payments or any compensation for loss of office.

## NOTE 8 GOODWILL AND INTANGIBLE ASSETS - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and intangible assets are carried at amortised cost less deductions of impairment losses, pursuant to IAS 36 (see Note 8.3).

### 8.1. GOODWILL AND INTANGIBLE ASSETS

#### A. Accounting policies

Accounting policies relating to goodwill are described in Note 3.1.A.(2) and those related to research and development expenses in Note 5.3.(A).

#### Other internally-developed or purchased intangible assets, excluding research and development expenditure

The portion of development costs relating to software for internal use that corresponds to directly attributable internal or

external costs necessary to create the software or improve its performance is recognised as an intangible asset when it is probable that these costs will generate future economic benefits. The capitalised costs are amortised over the estimated useful life of the software, ranging from four to twelve years. Other software acquisition and development costs are expensed as incurred.

Other intangible assets (consisting principally of patents and trademarks) are amortised on a straight-line basis over the estimated period of benefit, not to exceed twenty years.

#### B. Change in carrying amount

|   | 31 December 2017 |                         |  |                   |
|---|------------------|-------------------------|--|-------------------|
|   | Goodwill         | Development expenditure | Brands, software and other intangible assets | Intangible assets |
| <i>(in million euros)</i>                                 |                  |                         |  |                   |
| <b>At beginning of period</b>                             | <b>1,514</b>     | <b>4,860</b>            | <b>594</b>                                   | <b>5,454</b>      |
| Purchases/additions <sup>(1)</sup>                        | -                | 1,619                   | 150  | 1,769             |
| Amortisation for the year                                 | -                | (845)                   | (98)   | (943)             |
| Impairment losses   | -                | (80)                    | -  | (80)              |
| Disposals   | -                | (1)                     | (46)   | (47)              |
| Change in scope of consolidation and other <sup>(2)</sup> | 1,829            | 8                       | 1,824  | 1,832             |
| Translation adjustment                                    | (22)             | (70)                    | 1  | (69)              |
| <b>AT PERIOD-END</b>                                      | <b>3,321</b>     | <b>5,491</b>            | <b>2,425</b>                                 | <b>7,916</b>      |
| <i>Of which Opel Vauxhall Automotive segment</i>          |                  | 40                      | 1,795  | 1,835             |

<sup>(1)</sup> Including borrowing costs of €88 million capitalised in accordance with IAS 23 (Revised) "Borrowing Costs" (see Note 12.2.A).

<sup>(2)</sup> Including 1,810 million in goodwill for the Opel acquisition.

|  | 31 December 2016 |                         |  |                   |
|--|------------------|-------------------------|--|-------------------|
|  | Goodwill         | Development expenditure | Brands, software and other intangible assets | Intangible assets |
| <i>(in million euros)</i>                  |                  |                         |  |                   |
| <b>At beginning of period</b>              | <b>1,382</b>     | <b>4,352</b>            | <b>417</b>                                   | <b>4,769</b>      |
| Purchases/additions <sup>(1)</sup>         | -                | 1,365                   | 102  | 1,467             |
| Amortisation for the year                  | -                | (825)                   | (100)  | (925)             |
| Impairment losses                          | -                | (47)                    | 2  | (45)              |
| Disposals                                  | -                | (19)                    | (2)  | (21)              |
| Change in scope of consolidation and other | 127              | 13                      | 176  | 189               |
| Translation adjustment                     | 5                | 21                      | (1)  | 20                |
| <b>AT PERIOD-END</b>                       | <b>1,514</b>     | <b>4,860</b>            | <b>594</b>                                   | <b>5,454</b>      |

<sup>(1)</sup> Including borrowing costs of €92 million capitalised in accordance with IAS 23 (Revised) "Borrowing Costs".



### C. Breakdown of goodwill at end of period

(in million euros)

|   | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| <b>Net</b>                                  |                  |                  |
| Automotive Opel Vauxhall CGU                | 1,810            | -                |
| Faurecia CGUs                               | 1,216            | 1,218            |
| Faurecia CGU                                | 172              | 172              |
| Automotive Peugeot Citroën DS CGU           | 122              | 124              |
| Financing activities Peugeot Citroën DS CGU | 1                | -                |
| <b>TOTAL</b>                                | <b>3,321</b>     | <b>1,514</b>     |

Impairment tests on goodwill allocated to the Automotive Equipment CGUs are discussed in Note 8.3.

## 8.2. PROPERTY, PLANT AND EQUIPMENT

### A. Accounting policies

#### (1) Cost

In accordance with **IAS 16 "Property, Plant and Equipment"**, property, plant and equipment are stated at acquisition or production cost. They are not revalued.

Capitalised costs include the portion of specific tooling expenses incurred by the Group under cooperation agreements that is not billed to its partners.

The cost of items of property, plant and equipment that take at least twelve months to get ready for their intended use includes related borrowing costs (see Note 12.2.A).

Government grants are recognised as a reduction in the cost of the corresponding assets.

Maintenance costs are expensed as incurred.

Leased assets include vehicles leased to retail customers by the Group's companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 5.1.A.(1)(a).

Assets acquired under finance leases, as defined in IAS 17 "Leases", are recognised at an amount equal to the present value of the future lease payments, or to the fair value of the leased property, whichever is lower. A financial liability is recognised in the same amount. The assets are depreciated by applying the method and rates indicated below.

#### (2) Depreciation

##### (a) Standard method

Depreciation is calculated on a straight-line basis to write off the acquisition or production cost of the assets, less any residual value, over their estimated useful lives. Property, plant and equipment generally have no residual value, except for rental vehicles. The main useful lives of property, plant and equipment are as follows:

(in years)

|                                 |         |
|---------------------------------|---------|
| Buildings                       | 20 - 30 |
| Material and tooling            | 4 - 16  |
| Computer equipment              | 3 - 4   |
| Vehicles and handling equipment | 4 - 7   |
| Fixtures and fittings           | 10 - 20 |

##### (b) Specific tooling

In the Peugeot Citroën DS and Opel Vauxhall Automotive segments, specific tooling is depreciated over the estimated lives of the corresponding models, which are generally shorter than the useful lives of the tooling concerned due to the frequency of model changes.

In the Automotive Equipment segment, specific tooling is depreciated based on the quantity of parts delivered to the customer, provided that accumulated depreciation at each year-end does not represent less than the amount that would be recognised if the asset were depreciated on a straight-line basis over five years.

The estimated useful lives of property, plant and equipment are reviewed periodically, particularly whenever a decision is made to halt production of a vehicle or mechanical sub-assembly.

## B. Breakdown of property, plant and equipment

The carrying amount of property, plant and equipment can be analysed as follows:

|  | 31 December 2017   |                     |                                |                                 |                              |                           |                 |
|--|--------------------|---------------------|--------------------------------|---------------------------------|------------------------------|---------------------------|-----------------|
| (in million euros)   | Land and buildings | Plant and equipment | Leased vehicles <sup>(2)</sup> | Vehicles and handling equipment | Fixtures, fittings and other | Assets under construction | Total           |
| <b>Net</b>   |                    |                     |                                |                                 |                              |                           |                 |
| <b>At beginning of period</b>                                      | <b>2,116</b>       | <b>5,122</b>        | <b>2,475</b>                   | <b>22</b>                       | <b>305</b>                   | <b>1,253</b>              | <b>11,293</b>   |
| Purchases/additions <sup>(1)</sup>                                 | 121                | 1,052               | -                              | 8                               | 23                           | 1,202                     | 2,406           |
| Depreciation for the year  | (253)              | (1,343)             | (12)                           | (4)                             | (81)                         | -                         | (1,693)         |
| Impairment losses  | 28                 | 8                   | -                              | -                               | -                            | 7                         | 43              |
| Disposals  | (107)              | (38)                | -                              | (2)                             | (5)                          | -                         | (152)           |
| Transfers and reclassifications                                    | 24                 | 205                 | -                              | 1                               | 31                           | (261)                     | -               |
| Change in scope of consolidation and other <sup>(2)</sup>          | 408                | 805                 | 850                            | -                               | 44                           | (551)                     | 1,556           |
| Translation adjustment   | (28)               | (97)                | (14)                           | 1                               | (3)                          | (34)                      | (175)           |
| <b>AT PERIOD-END</b>   | <b>2,309</b>       | <b>5,714</b>        | <b>3,299</b>                   | <b>26</b>                       | <b>314</b>                   | <b>1,616</b>              | <b>13,278</b>   |
| <i>Gross value</i>   | <i>6,766</i>       | <i>31,978</i>       | <i>3,537</i>                   | <i>82</i>                       | <i>958</i>                   | <i>1,647</i>              | <i>44,968</i>   |
| <i>Accumulated depreciation and impairment</i>                     | <i>(4,457)</i>     | <i>(26,264)</i>     | <i>(238)</i>                   | <i>(56)</i>                     | <i>(644)</i>                 | <i>(31)</i>               | <i>(31,690)</i> |
| <i>Of which Opel Vauxhall Automotive segment (carrying amount)</i> | <i>345</i>         | <i>317</i>          | <i>629</i>                     | <i>-</i>                        | <i>14</i>                    | <i>143</i>                | <i>1,448</i>    |

(1) Including property, plant and equipment acquired under finance leases for €14 million. Borrowing costs capitalised in accordance with IAS 23 (Revised) "Borrowing Costs" amounted to €31 million (see Note 12.2.A).

(2) Change in scope of consolidation and other movements in "Leased vehicles" includes net changes for the year (additions less disposals).

|   | 31 December 2016   |                     |                                |                                 |                              |                           |                 |
|---|--------------------|---------------------|--------------------------------|---------------------------------|------------------------------|---------------------------|-----------------|
| (in million euros)  | Land and buildings | Plant and equipment | Leased vehicles <sup>(2)</sup> | Vehicles and handling equipment | Fixtures, fittings and other | Assets under construction | Total           |
| <b>Net</b>  |                    |                     |                                |                                 |                              |                           |                 |
| <b>At beginning of period</b>                             | <b>2,174</b>       | <b>4,712</b>        | <b>2,570</b>                   | <b>21</b>                       | <b>269</b>                   | <b>1,148</b>              | <b>10,894</b>   |
| Purchases/additions <sup>(1)</sup>                        | 127                | 787                 | -                              | 8                               | 22                           | 1,190                     | 2,134           |
| Depreciation for the year                                 | (218)              | (1,352)             | (6)                            | (4)                             | (71)                         | -                         | (1,651)         |
| Impairment losses   | (4)                | 120                 | -                              | -                               | -                            | 4                         | 120             |
| Disposals   | (55)               | (44)                | -                              | (3)                             | (9)                          | -                         | (111)           |
| Transfers and reclassifications                           | 18                 | 521                 | -                              | -                               | 56                           | (595)                     | -               |
| Change in scope of consolidation and other <sup>(2)</sup> | 70                 | 357                 | (8)                            | -                               | 38                           | (497)                     | (40)            |
| Translation adjustment                                    | 4                  | 21                  | (81)                           | -                               | -                            | 3                         | (53)            |
| <b>AT PERIOD-END</b>                                      | <b>2,116</b>       | <b>5,122</b>        | <b>2,475</b>                   | <b>22</b>                       | <b>305</b>                   | <b>1,253</b>              | <b>11,293</b>   |
| <i>Gross value</i>  | <i>6,897</i>       | <i>31,285</i>       | <i>2,799</i>                   | <i>81</i>                       | <i>905</i>                   | <i>1,296</i>              | <i>43,263</i>   |
| <i>Accumulated depreciation and impairment</i>            | <i>(4,781)</i>     | <i>(26,163)</i>     | <i>(324)</i>                   | <i>(59)</i>                     | <i>(600)</i>                 | <i>(43)</i>               | <i>(31,970)</i> |

(1) Including property, plant and equipment acquired under finance leases for €21 million. Borrowing costs capitalised in accordance with IAS 23 (Revised) "Borrowing Costs" amounted to €35 million (see Note 12.2.A).

(2) Change in scope of consolidation and other movements in "Leased vehicles" includes net changes for the year (additions less disposals).





### C. Leased vehicles

Leased vehicles totaling an amount of €3,299 million at year-end include vehicles leased under short-term leases to retail customers by the Group's companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 5.1.A.(1)(a).

## 8.3. ASSET IMPAIRMENT

### A. Accounting policies

In accordance with **IAS 36 "Impairment of Assets"**, the recoverable amount of property, plant and equipment and intangible assets is tested whenever there are indications of impairment and at least once a year for assets with indefinite useful lives, which is primarily goodwill and brands. Indications of impairment are in particular a significant fall in volumes, deteriorating profitability, technological or regulatory developments that adversely impact the business. The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. The impairment test usually consists of estimating the asset's value in use. Value in use is usually measured as the net present value of estimated future cash flows.

For the purposes of impairment testing, the recoverable amount is determined for a cash-generating unit (CGU) to which the assets belong, except where the recoverable amount of the individual asset can be determined. CGUs are defined as the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If a CGU's recoverable amount is less than its carrying amount, an impairment loss is recognised in profit or loss and, to the extent possible, as an adjustment to the carrying amount of any goodwill allocated to the CGU.

The two Peugeot Citroën DS and Opel Vauxhall Automotive segments comprise a number of Vehicle CGUs, each corresponding to a vehicle model. The assets included in a Vehicle CGU consist of tooling and other specific plant and equipment used to manufacture the model, as well as capitalised model development expenditure (see Note 5.3.A.(1)). The assets belonging to the vehicle CGUs and all the other assets are combined and tested together at a higher CGU level, respectively, Peugeot Citroën DS and Opel Vauxhall Automotive CGUs. The Opel Vauxhall goodwill and both brands are allocated to Opel Vauxhall Automotive CGU.

In terms of individual assets, where there are indications of impairment the Group does impairment tests on the plants (including property, plant and equipment and intangible assets) in Latin America and Russia. Moreover, the Group may do impairment tests on assets dedicated to specific contracts (in particular cooperation agreements or agreements with joint-ventures) or assets dedicated to a single technology.

In the Automotive Equipment segment, each CGU corresponds to a programme and comprises all customer contract-related intangible assets and property, plant and equipment. These CGUs are combined in Business Units (Automotive Seating, Interior Systems and Clean Mobility) to which support assets and goodwill are allocated. The Automotive Equipment segment CGU comprises the assets of the CGUs in the above four Business Units and the Faurecia goodwill recognised in the PSA Group's consolidated financial statements.

### B. Impairment test on the CGU and individual assets of the Peugeot Citroën DS and Opel Vauxhall Automotive segments

The projections used to determine future cash flows for the purposes of impairment testing of CGUs and individual assets in the Peugeot Citroën DS Automotive segment were updated in December 2017. These projections are taken from the last medium-term plan presented to the Supervisory Board, which covers 2018-2022 (MTP) and take into account the main risks pertaining to this plan. The automotive market forecasts used are the Group's most recent estimates, which are based on external forecasts.

#### Vehicle CGUs

The Vehicle CGU tests are taken from cash flow projections for each vehicle model showing indications of impairment. These flows are projected out over the estimated life cycle of the vehicle model and of the corresponding spare parts. The flows are discounted using an after-tax rate of 9.5%.

At 31 December 2017, the tests on the assets dedicated to the Vehicle CGUs in the Peugeot Citroën DS Automotive and Opel Vauxhall Automotive segments did not identify any impairment.

#### Individual assets

Specific tests performed on the Latin American plants and the Russian plant were updated on the basis of the 2018-2022 MTP. The discount rates used were 16.5% for the Latin American plants and 13% for the Russian plant. These tests identified an additional annual impairment charge of €17 million related to capital expenditure during the year in Russia. It was recognised under non-recurring operating income. As of 31 December 2017, taking into account impairment recognised previously, total impairment charges for the Latin American and Russian plants totalled €378 million.

The research and development individual assets held by the fully consolidated companies of the Peugeot Citroën DS Automotive segment and dedicated to the Chinese activities have been impaired on the amount of €78 million.

#### Peugeot Citroën DS and Opel Vauxhall Automotive CGUs

The profitability assumed for the purposes of determining the terminal value is consistent with the historical performance of the Peugeot Citroën DS Automotive business.

The after-tax discount rate applied was 9.5% for 2018-2022 and 10.5% for the terminal value based on a perpetual growth rate of 1%. These rates are unchanged compared with those used for the periods ended 31 December 2016, to test the assets of the Peugeot Citroën DS Automotive CGU.

As of 31 December 2017, taking into account impairment recognised previously, net impairment charges of the Peugeot Citroën DS Automotive CGU totalled €604 million.

Following the impairment of the Peugeot Citroën DS Automotive CGU and of individual assets included in this CGU, the net carrying amount of all property, plant and equipment and intangible assets included in this CGU was €11,516 million.

Sensitivities to the main changes in assumptions are as follows: the fair value of assets would be €275 million lower than that resulting from the base test with a discount rate 0.5% higher, €231 million with a perpetual growth rate capped at 0.5%, €1,106 million with an operating margin 0.5% lower in the reference year for the terminal value and €1,461 million if the three factors were combined.

In the absence of indications of impairment and given the provisional purchase price allocation, the Opel Vauxhall Automotive CGU was not tested for impairment.

### C. Impairment test on Faurecia Group CGUs and other assets

#### Faurecia Group CGUs

The carrying amount of each group of assets was compared with the higher of its fair value and value in use. Value in use is defined as the present value of estimated future cash flows expected to be generated by each cash-generating unit based on the latest projections from the Medium-Term Plan (2018-2020 plan revised at mid-2017).

The main assumption affecting value in use is the level of recurring operating income, particularly for the calculation of terminal value. The calculation was performed by extrapolating to perpetuity projected cash flows for the last year of the Medium-Term Plan (2020) using a growth rate of 1.4% (1.4% in 2016). Future cash flows were discounted at an after-tax rate of 9.0% (9.0% in 2016), provided by an independent expert.

The test performed at end-2017 confirmed that the goodwill allocated to the three CGUs was fairly stated in the balance sheet. The balance sheet values are presented in the table below:

(in million euros)

|                      | 31 December 2017 | 31 December 2016 |
|----------------------|------------------|------------------|
| › Automotive Seating | 794              | 794              |
| › Clean Mobility     | 355              | 376              |
| › Interior Systems   | 67               | 48               |
| <b>TOTAL</b>         | <b>1,216</b>     | <b>1,218</b>     |

The test results are largely positive, and the combined sensitivity to changes in assumptions (0.5 percentage point increase in the discount rate, 0.5 percentage point reduction in the perpetual growth rate and 0.5 percentage point reduction in the perpetual recurring operating income) does not call into question the carrying amount of goodwill.

#### Faurecia CGU in the accounts of PSA Group

The stock market value of the Faurecia shares held by Peugeot S.A. at 31 December 2017 was €4,166 million based on a share price of €65.13, representing the price that would be paid in a transaction between minority shareholders not leading to the acquisition of control. The Group's share of Faurecia's net assets in the consolidated balance sheet is valued at €1,624 million (including the goodwill of €172 million recognised by Peugeot S.A. at that date). In light of these values no impairment loss was recognised on the Faurecia goodwill at 31 December 2017.

### D. Impairment of investments in companies at equity in the automotive business

The companies at equity in the automotive business include the companies in partnership with Dongfeng Motor Company Group and the company in partnership with Changan Group, based in China.

The non-current assets of these companies are tested for impairment on the basis of the same principles as applicable to the Automotive business of Groupe PSA (see Note 8.3). When there are indications of an impairment loss, the assets that are specific to the vehicle models are tested by the Vehicle CGU and all assets

(including those that aren't specific to the models) are tested in aggregate at the level of each partnership.

At 31 December 2017, impairment testing at the companies in partnership with the Dongfeng Motor Group resulted in the recognition of RMB1,515 million in impairment losses (the Group's share was RMB758 million, i.e. €97 million).

At 31 December 2017, impairment testing by Changan PSA Automobiles Co, Ltd in cooperation with Changan Group did not identify any additional impairment losses. At 31 December 2016, the Group's share of the impairment losses recognised by this company was €263 million. Accordingly, Groupe PSA retained €51 million in impairment losses for investments in companies at equity and a €190 million provision for contingencies after inclusion of a €24 million loss in 2017. The two partners agreed to carry out a capital increase for circa €230 million each in the first half of 2018.

In addition, Groupe PSA does additional impairment testing of the investments in companies at equity when there are indications of impairment losses, such as for example a significant fall in volumes or deteriorating profitability. The recoverable amount is determined by looking at the value in use based on cash flow forecasts. These forecasts are taken from the most recent medium-term plan for 2018-2022 approved by the partners of each of these two joint ventures. The terminal value is determined with reference to the data in the final years of the plan and having regard to a perpetual growth rate of 3.0%. The future cash flows are discounted using an after-tax rate of 12.5% for 2018-2022 and 13.5% for the terminal value.

At 31 December 2017, the impairment testing of investments in companies at equity in the automotive business did not identify any impairment losses on top of those already recognised for the assets of these companies.



#### 8.4. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES RELATED TO OPERATING ACTIVITIES

| <i>(in million euros)</i>                                     | <b>31 December 2017</b> | <b>31 December 2016</b> |
|---|-------------------------|-------------------------|
| Capital commitments for the acquisition of non-current assets | 1,284                   | 854                     |
| Orders for research and development work                      | 22                      | 33                      |
| Minimum purchase commitments                                  | 173                     | 53                      |
| Non-cancellable lease commitments                             | 1,867                   | 1,473                   |
| <b>TOTAL</b>  | <b>3,346</b>            | <b>2,413</b>            |
| <i>Of which Opel Vauxhall Automotive segment</i>              | 475                     | -                       |

##### A. Minimum purchase commitments

In order to speed up its growth and reduce costs, the Group has entered into cooperation agreements with other carmakers for the joint development and/or manufacture of mechanical sub-assemblies or vehicles. These joint arrangements enable the partners to share project costs, delivering economies of scale that translate into competitive advantage.

Under the terms of these agreements, the Group is committed to financing investment in research and development and specific tooling and to taking delivery of a minimum quantity of products manufactured by the joint arrangements. If it fails to honour this minimum purchase commitment, it will be required to pay a penalty designed to cover the related production costs borne by the partner.

Any adverse consequences of these commitments are reflected in the consolidated financial statements as soon as they are

considered probable, in the form of asset impairments or, if necessary, provisions for contingencies.

For contracts where the products are manufactured by the Group's partner, capacity reservation fees are accounted for as off-balance sheet commitments net of any provisions.

##### B. Capital commitments for the acquisition of non-current assets

This item corresponds mainly to commitments to purchase property, plant and equipment. It also includes the Group's commitment towards the two *Fonds d'Avenir Automobile* (FAA - tier 1 and tier 2), two funds set up to support automotive equipment manufacturers. The Group's total commitment to FAA amounted to €204 million. At 31 December 2017, the Group had already paid €145 million into these two funds.

##### C. Non-cancellable lease commitments

###### PERIODS

| <i>(in million euros)</i>                      | <b>31 December 2017</b> | <b>31 December 2016</b> |
|--|-------------------------|-------------------------|
| 2017   | -                       | 263                     |
| 2018   | 446                     | 209                     |
| 2019   | 272                     | 172                     |
| 2020   | 242                     | 148                     |
| 2021   | 175                     | 130                     |
| 2022   | 129                     | 107                     |
| 2023   | 112                     | -                       |
| Subsequent years                               | 491                     | 444                     |
| <b>TOTAL NON-CANCELLABLE LEASE COMMITMENTS</b> | <b>1,867</b>            | <b>1,473</b>            |

Non-cancellable leases are entered into in the normal course of business and consist mainly of leases on commercial property and vehicles. The lease terms reflect local practices in each country.

## NOTE 9 OTHER NON-CURRENT ASSETS AND OTHER NON-CURRENT LIABILITIES

### 9.1. OTHER NON-CURRENT ASSETS

| <i>(in million euros)</i>  | Notes | 31 December 2017 | 31 December 2016 |
|--|-------|------------------|------------------|
| Excess of payments to external funds over pension obligations        | 7.1.E | 630              | 729              |
| Investments in non-consolidated companies and units in the FAA funds |       | 462              | 254              |
| Derivative instruments <sup>(1)</sup>                                |       | 6                | 28               |
| Guarantee deposits and other   |       | 607              | 364              |
| <b>TOTAL</b>   |       | <b>1,705</b>     | <b>1,375</b>     |
| <i>Of which Opel Vauxhall Automotive segment</i>                     |       | 118              | -                |

*(1) Corresponding to the non-current portion of derivative instruments hedging commodity risks.*

The Group has invested in the two *Fonds d'Avenir Automobile* (FAA - tier 1 and tier 2). The Group has committed €204 million to these two funds, €145 million of which has been paid to date. These units have been classified as "available-for-sale" in accordance with

IAS 39 and are therefore measured at fair value (see Note 12.8.C.(3)). They are reported as non-current assets because of the lock-up applicable to the Group's investment.

### 9.2. OTHER NON-CURRENT LIABILITIES

| <i>(in million euros)</i>                                      | Notes         | 31 December 2017 | 31 December 2016 |
|--|---------------|------------------|------------------|
| Liabilities related to vehicles sold with a buyback commitment | 5.1.A.(1).(a) | 4,180            | 3,126            |
| Other  |               | 100              | 162              |
| <b>TOTAL</b>   |               | <b>4,280</b>     | <b>3,288</b>     |
| <i>Of which Opel Vauxhall Automotive segment</i>               |               | 863              | -                |



## NOTE 10 CURRENT AND NON-CURRENT PROVISIONS

## ACCOUNTING POLICIES

In accordance with **IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"**, a provision is recognised when, at the balance sheet date, the Group has a present obligation towards a third party, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and no inflow of resources of an equivalent amount is expected. Provisions for restructuring costs are recognised only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed formal plan.

In application of **IFRIC 21 "Levies charged by public authorities"**, taxes levied by public authorities are recognised as of the date of their tax generating event.

Provisions are discounted only when the effect is material. In this case, the discount rate is based on a risk-free rate.

**Warranties**

A provision is recorded to cover the estimated cost of vehicle and spare parts warranties at the time of sale to independent dealer networks or end-customers. Revenues from the sale of extended warranties or maintenance contracts are recognised over the period during which the service is provided.

| <i>(in million euros)</i>                        | <b>31 December<br/>2016</b> | <b>Additions</b> | <b>Releases<br/>(utilisations)</b> | <b>Releases<br/>(unused<br/>provisions)</b> | <b>Recognised<br/>in equity<br/>during the<br/>period</b> | <b>Change in<br/>scope of<br/>consolidation<br/>and other</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|------------------|------------------------------------|---|---|---|-----------------------------|
| Pensions (Note 7.1.E)                            | 1,235                       | 172              | (112)                              | (1)   | 104   | (5)   | 1,393                       |
| Other employee benefit obligations and other     | 194                         | 36               | (30)                               | -   | -   | 3   | 203                         |
| <b>TOTAL NON-CURRENT PROVISIONS</b>              | <b>1,429</b>                | <b>208</b>       | <b>(142)</b>                       | <b>(1)</b>                                  | <b>104</b>  | <b>(2)</b>  | <b>1,596</b>                |
| Warranties                                       | 924                         | 679              | (548)                              | (82)  | -   | 473   | 1,446                       |
| Commercial and tax claims and litigations        | 648                         | 130              | (104)                              | (54)  | -   | 97  | 717                         |
| Restructuring plans <sup>(1)</sup>               | 996                         | 788              | (512)                              | (7)   | -   | 56  | 1,321                       |
| Long-term and operating contract losses          | 442                         | 313              | (331)                              | (15)  | -   | 52  | 461                         |
| Other  | 364                         | 104              | (54)                               | (152)                                       | -   | 570   | 832                         |
| <b>TOTAL CURRENT PROVISIONS</b>                  | <b>3,374</b>                | <b>2,014</b>     | <b>(1,549)</b>                     | <b>(310)</b>                                | <b>-</b>  | <b>1,248</b>  | <b>4,777</b>                |
| <i>Of which Opel Vauxhall Automotive segment</i> |                             |                  |                                    |   |   | 1,384   | 1,857                       |

(1) The main additions for restructuring plans in 2017 are discussed in Note 5.4.B.

The provision for warranties mainly concerns sales of new vehicles, where the contractual obligations generally cover two years.

It corresponds to the expected cost of warranty claims related to vehicles and replacement parts. The amount expected to be

recovered from suppliers is recognised as an asset, under "Miscellaneous other receivables" (Note 6.3.A).

Provisions for tax claims concern a number of claims primarily outside France, and notably in Brazil.

## NOTE 11 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

The share in earnings of equity-accounted companies represents the Group's share of the earnings of those companies, plus any impairment of investments in equity-accounted companies.

Gains on disposals of investments in equity-accounted companies are recorded in operating income.

Companies accounted for by the equity method include:

- joint ventures with Dongfeng Motor Group (see Note 11.4.A) and Changan (see Note 11.4.B), located in China;
- finance companies in partnership with:
  - Santander Consumer Finance covering the financing of the Peugeot, Citroën and DS brands' operations in the following

countries: France, the United-Kingdom, Malta, Spain, Switzerland, Italy, the Netherlands, Belgium, Germany, Austria, Brazil and Poland (see Note 11.4.C),

- BNP Paribas covering the financing of the Opel and Vauxhall brands' operations in the following countries: Germany, France, the Netherlands, the United-Kingdom, Sweden and Switzerland (see Note 11.4.D),
- as well as the joint company with Dongfeng Motor Group in China;
- the companies over which the Group has significant influence, mainly GEFCO and since 2015 Peugeot Scooters.

### 11.1. CHANGES IN THE CARRYING AMOUNT OF INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

(in million euros)

|   | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| <b>At beginning of period</b>   | <b>3,014</b>     | <b>2,637</b>     |
| Dividends and profit transfers <sup>(1)</sup>                         | (369)            | (381)            |
| Share of net earnings   | 217              | 128              |
| Newly consolidated companies <sup>(2)</sup>                           | 555              | 484              |
| Capital increase (reduction) <sup>(3)</sup>                           | 57               | 42               |
| Changes in scope of consolidation and other                           | 108              | 188              |
| Translation adjustment  | (110)            | (84)             |
| <b>AT PERIOD-END</b>  | <b>3,472</b>     | <b>3,014</b>     |
| O/w Dongfeng Peugeot Citroën Automobiles goodwill                     | 75               | 82               |
| O/w Dongfeng Peugeot Citroën Automobiles Finance Company Ltd goodwill | 2                | 3                |
| O/w Saipa Citroën Company goodwill                                    | 90               | -                |
| O/w GEFCO goodwill  | 57               | 57               |

(1) Dividends and profit transfers in 2017 included €200 million in net dividends paid to the Group by the companies in partnership with DPCA, of which €10 million withheld.

(2) Concerns mainly companies in partnership with BNP Paribas.

(3) Concerns mainly companies in partnership with Santander.



## 11.2. SHARE IN NET ASSETS OF EQUITY-ACCOUNTED COMPANIES

| <i>(in million euros)</i>   | <b>Latest % interest</b> | <b>31 December 2017</b> | <b>31 December 2016</b> |
|---|--------------------------|-------------------------|-------------------------|
| Dongfeng Motor Company cooperation agreement:                           |                          | 897                     | 1,192                   |
| ▸ Dongfeng Peugeot Citroën Automobiles <sup>(1)</sup>                   | 50%                      | 868                     | 1,043                   |
| ▸ Dongfeng Peugeot Citroën Automobiles Sales Co                         | 50%                      | 17                      | 143                     |
| ▸ Dongfeng Peugeot Citroën International Co                             | 50%                      | 12                      | 6                       |
| Changan cooperation agreement: Changan PSA Automobiles Co., Ltd         | 50%                      | (190)                   | (177)                   |
| Other   |                          | 151                     | 10                      |
| Automotive  |                          | 858                     | 1,025                   |
| Automotive equipment  |                          | 136                     | 115                     |
| ▸ GEFCO <sup>(1)</sup>  | 25%                      | 156                     | 153                     |
| ▸ Peugeot Scooters  | 49%                      | -                       | 1                       |
| Other activities  |                          | 156                     | 154                     |
| <b>Manufacturing and sales activities</b>                               |                          | <b>1,150</b>            | <b>1,294</b>            |
| Finance companies in partnership with Santander Consumer Finance        | 50%                      | 1,535                   | 1,450                   |
| Finance companies in partnership with BNP Paribas                       | 50%                      | 493                     | -                       |
| Dongfeng Peugeot Citroën Automobiles Finance Company Ltd <sup>(1)</sup> | 25%                      | 88                      | 77                      |
| <b>Finance activities</b>   |                          | <b>2,116</b>            | <b>1,527</b>            |
| <b>TOTAL</b>  |                          | <b>3,266</b>            | <b>2,821</b>            |

(1) Including goodwill (see Note 11.1).

The share in net assets of equity-accounted companies breaks down into €3,472 million (€3,014 million at 31 December 2016) for companies with positive net equity, reported under "Investments in equity-accounted companies" less €206 million (€193 million at 31 December 2016) for companies with negative net equity.

## 11.3. SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES

| <i>(in million euros)</i>   | <b>Latest % interest</b> | <b>31 December 2017</b> | <b>31 December 2016</b> |
|---|--------------------------|-------------------------|-------------------------|
| Dongfeng Motor Company cooperation agreement:                           |                          | (30)                    | 242                     |
| ▸ Dongfeng Peugeot Citroën Automobiles <sup>(1)</sup>                   | 50%                      | (14)                    | 129                     |
| ▸ Dongfeng Peugeot Citroën Automobiles Sales Co                         | 50%                      | (16)                    | 113                     |
| ▸ Dongfeng Peugeot Citroën International Co                             | 50%                      | -                       | -                       |
| Changan cooperation agreement: Changan PSA Automobiles Co., Ltd         | 50%                      | (24)                    | (292)                   |
| Other   |                          | (1)                     | (43)                    |
| Automotive  |                          | (55)                    | (93)                    |
| Automotive equipment  |                          | 35                      | 20                      |
| ▸ GEFCO <sup>(1)</sup>  | 25%                      | 17                      | 14                      |
| ▸ Peugeot Scooters  | 49%                      | (6)                     | (8)                     |
| Other activities  |                          | 11                      | 6                       |
| <b>Manufacturing and sales activities</b>                               |                          | <b>(9)</b>              | <b>(67)</b>             |
| Finance companies in partnership with Santander Consumer Finance        | 50%                      | 201                     | 181                     |
| Finance companies in partnership with BNP Paribas                       | 50%                      | 8                       | -                       |
| Dongfeng Peugeot Citroën Automobiles Finance Company Ltd <sup>(1)</sup> | 25%                      | 17                      | 14                      |
| <b>Finance activities</b>   |                          | <b>226</b>              | <b>195</b>              |
| <b>TOTAL</b>  |                          | <b>217</b>              | <b>128</b>              |

(1) Including goodwill (see Note 11.1).

#### 11.4. KEY FINANCIAL DATA OF EQUITY-ACCOUNTED COMPANIES

The detailed data about the equity-accounted companies are the following.

##### A. Dongfeng Motor Group cooperation agreement in the automotive activities

PSA Group and Dongfeng Motor Group have three joint ventures:

- Dongfeng Peugeot Citroën Automobiles (DPCA), based in Wuhan, which is subject to joint control and is qualified for accounting purposes as a joint venture. It manufactures motor vehicles under the Dongfeng Peugeot and Dongfeng Citroën brands in China and Fengshen;

- Dongfeng Peugeot Citroën Automobiles Sales Co (DPCS), based in Wuhan, over which the Group has significant influence. It markets in China the vehicles produced by DPCA;
- Dongfeng Peugeot Citroën Automobiles International Co (DPCI), based in Singapore, over which the Group has significant influence. It markets outside China, in the ASEAN zone the vehicles produced by DPCA.

Another jointly controlled company is being created in charge of research and development.

The amounts below represent the combined financial statements of DPCA and DPCS.

#### EARNINGS ITEMS AT 100%

|  | in million euros |              | in million yuans |                |
|--|------------------|--------------|------------------|----------------|
|  | 2017             | 2016         | 2017             | 2016           |
| Revenue  | 5,404            | 7,455        | 41,355           | 54,795         |
| Recurring operating income (loss)  | 59               | 524          | 498              | 3,858          |
| Operating income (loss)  | (138)            | 568          | (1,060)          | 4,181          |
| <i>Of which depreciation and impairment</i>  | <i>(548)</i>     | <i>(299)</i> | <i>(4,172)</i>   | <i>(2,202)</i> |
| Net financial income (loss)  | 51               | 55           | 384              | 402            |
| Income taxes   | 26               | (138)        | 211              | (1,015)        |
| <b>Profit (loss) from continuing operations</b>  | <b>(61)</b>      | <b>485</b>   | <b>(465)</b>     | <b>3,568</b>   |
| Profit (loss) from discontinued operations   | -                | -            | -                | -              |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>  | <b>(61)</b>      | <b>485</b>   | <b>(465)</b>     | <b>3,568</b>   |
| Group's share in the profit (loss) for the period (Share in net earnings of companies at equity) | (30)             | 242          |                  |                |
| Income and expenses recognised in equity, net  | -                | -            |                  |                |
| <b>Other information</b>   |                  |              |                  |                |
| Net dividend received from the joint venture(s) by PSA Group                                     | 200              | 260          |                  |                |

The amount of depreciation and impairment recorded in 2017 for 4,172 million yuan includes notably the overall depreciation of assets as identified by the two partners for 1,515 million yuan.







## CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Notes to the consolidated financial Statements at December 2017

### BALANCE SHEET ITEMS AT 100%

|   | in million euros |                  | in million yuans |                  |
|---|------------------|------------------|------------------|------------------|
|   | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| <b>Assets</b>                                     |                  |                  |                  |                  |
| Non-current assets                                | 2,954            | 3,380            | 23,057           | 24,746           |
| Current assets                                    | 2,668            | 2,826            | 20,806           | 20,700           |
| <i>Of which cash and cash equivalents</i>         | <i>1,691</i>     | <i>1,224</i>     | <i>13,196</i>    | <i>8,957</i>     |
| <b>Liabilities</b>                                |                  |                  |                  |                  |
| Non-current liabilities (excluding equity)        | 269              | 287              | 2,100            | 2,103            |
| <i>Of which non-current financial liabilities</i> | <i>269</i>       | <i>287</i>       | <i>2,100</i>     | <i>2,103</i>     |
| Current liabilities                               | 3,731            | 3,711            | 29,106           | 27,166           |
| <i>Of which current financial liabilities</i>     | <i>511</i>       | <i>22</i>        | <i>3,985</i>     | <i>164</i>       |
| Equity  | 1,622            | 2,208            | 12,657           | 16,177           |
| <b>Transition table</b>                           |                  |                  |                  |                  |
| Equity  | 1,622            | 2,208            |                  |                  |
| % of interest                                     | 50%              | 50%              |                  |                  |
| Group's share in equity                           | 811              | 1,104            |                  |                  |
| Goodwill  | 75               | 82               |                  |                  |
| Investments in company at equity                  | 886              | 1,186            |                  |                  |

### B. Changan cooperation agreement

Since 2011, PSA Group and Changan have owned a joint venture known as Changan PSA Automobiles (CAPSA), based in Shenzhen, subject to joint control and classified for accounting purposes as a joint venture. It manufactures and markets motor vehicles under the DS brand in China. The newly built plant began production in 2013.

### EARNINGS ITEMS AT 100%

|   | in million euros |              | in million yuans |                |
|---|------------------|--------------|------------------|----------------|
|   | 2017             | 2016         | 2017             | 2016           |
| Revenue   | 133              | 368          | 1,014            | 2,702          |
| Recurring operating income (loss)   | (11)             | (22)         | (83)             | (161)          |
| Operating income (loss)   | (14)             | (488)        | (104)            | (3,561)        |
| <i>Of which depreciation and impairment</i>   | <i>(8)</i>       | <i>(464)</i> | <i>(63)</i>      | <i>(3,383)</i> |
| Net financial income (loss)   | (28)             | (24)         | (213)            | (177)          |
| Income taxes  | (6)              | (72)         | (44)             | (529)          |
| <b>Profit (loss) from continuing operations</b>   | <b>(48)</b>      | <b>(584)</b> | <b>(361)</b>     | <b>(4,267)</b> |
| Profit (loss) from discontinued operations  | -                | -            | -                | -              |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>   | <b>(48)</b>      | <b>(584)</b> | <b>(361)</b>     | <b>(4,267)</b> |
| Group's share in the profit (loss) for the period<br>(Share in net earnings of companies at equity) | (24)             | (292)        |                  |                |
| Income and expenses recognised in equity, net   | -                | -            |                  |                |
| <b>Other information</b>  |                  |              |                  |                |
| Net dividend received from the joint venture(s)<br>by PSA Group                                     | -                | -            |                  |                |

BALANCE SHEET ITEMS AT 100%

|   | in million euros |                  | in million yuans |                  |
|---|------------------|------------------|------------------|------------------|
|   | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| <b>Assets</b>                                     |                  |                  |                  |                  |
| Non-current assets                                | 442              | 388              | 3,442            | 2,847            |
| Current assets                                    | 141              | 192              | 1,100            | 1,408            |
| <i>Of which cash and cash equivalents</i>         | 62               | 91               | 480              | 665              |
| <b>Liabilities</b>                                |                  |                  |                  |                  |
| Non-current liabilities (excluding equity)        | 272              | 408              | 2,120            | 2,990            |
| <i>Of which non-current financial liabilities</i> | 272              | 408              | 2,120            | 2,990            |
| Current liabilities                               | 691              | 525              | 5,390            | 3,845            |
| <i>Of which current financial liabilities</i>     | 379              | 250              | 2,954            | 1,832            |
| Equity  | (380)            | (353)            | (2,968)          | (2,580)          |
| <b>Transition table</b>                           |                  |                  |                  |                  |
| Equity  | (380)            | (353)            |                  |                  |
| % of interest                                     | 50%              | 50%              |                  |                  |
| Group's share in equity                           | (190)            | (177)            |                  |                  |

C. Santander agreement in the financing activities

The combined financial statements of all the joint ventures with Santander are presented in summary form in the tables below. The scope of the partnership with Santander includes at 31 December 2017 eleven European countries as well as Brazil.

EARNINGS ITEMS AT 100%

| <i>(in million euros)</i>  | 2017         | 2016       |
|--|--------------|------------|
| <b>Net banking revenue</b>   | <b>1,041</b> | <b>895</b> |
| General operating expenses and others  | (380)        | (330)      |
| <b>Gross operating income</b>  | <b>661</b>   | <b>565</b> |
| Cost of risk   | (58)         | (28)       |
| <b>Operating income</b>  | <b>603</b>   | <b>537</b> |
| Non operating items  | (12)         | -          |
| Income taxes   | (190)        | (176)      |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>  | <b>401</b>   | <b>361</b> |
| Group's share in the profit (loss) for the period (Share in net earnings of companies at equity) | 201          | 181        |
| Income and expenses recognised in equity, net  | (3)          | (3)        |
| <b>Other information</b>   |              |            |
| Net dividend received from the joint venture(s) by PSA Group                                     | 136          | (92)       |

BALANCE SHEET ITEMS AT 100%

| <i>(in million euros)</i>      | 31 December 2017 | 31 December 2016 |
|--------------------------------|------------------|------------------|
| Customer loans and receivables | 24,605           | 22,450           |
| Other assets                   | 2,639            | 2,481            |
| <b>TOTAL ASSETS</b>            | <b>27,244</b>    | <b>24,931</b>    |
| Financing liabilities          | 18,978           | 17,635           |
| Other liabilities              | 5,199            | 4,396            |
| Equity                         | 3,067            | 2,900            |
| <b>TOTAL LIABILITIES</b>       | <b>27,244</b>    | <b>24,931</b>    |



**D. BNP Paribas agreement in the financing activities**

The combined financial statements of all the joint ventures with BNP Paribas are presented in summary form in the tables below. The scope of the partnership with BNP Paribas includes at 31 December 2017 six European countries.

## EARNINGS ITEMS AT 100%

| <i>(in million euros)</i>  | <b>2017</b> |
|--|-------------|
| <b>Net banking revenue</b>   | <b>66</b>   |
| General operating expenses and others  | (43)        |
| <b>Gross operating income</b>  | <b>23</b>   |
| Cost of risk   | (1)         |
| <b>Operating income</b>  | <b>22</b>   |
| Non operating items  | -           |
| Income taxes   | (6)         |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>  | <b>16</b>   |
| Group's share in the profit (loss) for the period (Share in net earnings of companies at equity) | 8           |
| Income and expenses recognised in equity, net  | -           |
| <b>Other information</b>   |             |
| Net dividend received from the joint venture(s) by PSA Group                                     | -           |

## BALANCE SHEET ITEMS AT 100%

| <i>(in million euros)</i>      | <b>31 December 2017</b> |
|--------------------------------|-------------------------|
| Customer loans and receivables | 9,157                   |
| Other assets                   | 1,020                   |
| <b>TOTAL ASSETS</b>            | <b>10,177</b>           |
| Financing liabilities          | 7,133                   |
| Other liabilities              | 2,057                   |
| Equity                         | 987                     |
| <b>TOTAL LIABILITIES</b>       | <b>10,177</b>           |

**11.5. RELATED PARTY TRANSACTIONS - EQUITY-ACCOUNTED COMPANIES**

Transactions with equity-accounted companies are billed on arm's length terms.

Sale and purchase transactions carried out by the consolidated manufacturing and sales companies with equity-accounted companies are as follows:

| <i>(in million euros)</i>  | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|
| Sales to manufacturing and sales companies <sup>(1)</sup>        | 675         | 857         |
| Sales and assignments to companies in partnership with Santander | 5,171       | 5,172       |
| Purchases <sup>(2)</sup>   | (2,257)     | (2,043)     |

(1) Of which €546 million in sales to companies in partnership with DCPA (€735 million in 2016) and €23 million in sales to CAPSA (€33 million in 2016).

(2) Of which €1,856 million in purchases from GEFECO (€1,684 million in 2016).

Receivables and payables with equity-accounted companies are as follows:

| <i>(in million euros)</i>   | <b>31 December 2017</b> | <b>31 December 2016</b> |
|-----------------------------|-------------------------|-------------------------|
| Long-term loans             | 48                      | 51                      |
| Loans - due within one year | 116                     | 27                      |
| Accounts receivable         | 318                     | 315                     |
| Accounts payable            | (364)                   | (325)                   |

Dealings between PSA Group and the financial companies are largely unchanged following Santander's investment in the joint ventures.

## NOTE 12 FINANCING AND FINANCIAL INSTRUMENTS - MANUFACTURING AND SALES COMPANIES

### 12.1. ACCOUNTING POLICIES

The principles governing the measurement of financial assets and liabilities within the meaning of IAS 32 and IAS 39 are described in Note 12.8.

### 12.2. NET FINANCIAL INCOME (LOSS)

| <i>(in million euros)</i>          | <b>2017</b>  | <b>2016</b>  |
|------------------------------------|--------------|--------------|
| Interest income <sup>(1)</sup>     | 42           | 95           |
| Finance costs                      | (208)        | (335)        |
| Other financial income             | 121          | 203          |
| Other financial expenses           | (196)        | (235)        |
| <b>NET FINANCIAL INCOME (LOSS)</b> | <b>(241)</b> | <b>(272)</b> |

*(1) Including €30 million for the Automotive Division and Other Businesses (€85 million in 2016).*

Finance costs include in 2016 an exceptional charge of €65 million for the early redemption of bonds by Peugeot S.A.

#### A. Finance costs

Finance costs are actual expense less the capitalised portion of assets in development.

| <i>(in million euros)</i>  | <b>2017</b>  | <b>2016</b>  |
|--|--------------|--------------|
| Financial costs  | (337)        | (447)        |
| Foreign exchange gain (loss) on financial transactions and other | 2            | (15)         |
| <b>Finance costs incurred</b>                                    | <b>(335)</b> | <b>(462)</b> |
| <i>Of which Automotive Division and Other Businesses</i>         | <i>(216)</i> | <i>(311)</i> |
| Capitalised borrowing Costs                                      | 127          | 127          |
| <b>TOTAL</b>   | <b>(208)</b> | <b>(335)</b> |

#### Capitalised borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an item of property, plant and equipment or an intangible asset that takes at least twelve months to get ready for its intended use are capitalised as part of the cost of that asset (the "qualifying asset"). Group inventories do not meet the definition of qualifying assets under **IAS 23 "Borrowing Costs"** and their carrying amount does not therefore include any borrowing costs.

When funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation corresponds to the actual borrowing costs incurred during the period less any investment income on the temporary investment of any borrowed funds not yet used.

When funds borrowed for general corporate purposes are used to obtain a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate equal to the weighted average borrowing costs for the period of the operating segment that obtains the qualifying asset.



## FINANCE COSTS INCURRED, NET OF INTEREST INCOME

| <i>(in million euros)</i>                                | <b>2017</b>  | <b>2016</b>  |
|--|--------------|--------------|
| Finance costs incurred                                   | (335)        | (462)        |
| <i>Of which Automotive Division and Other Businesses</i> | (216)        | (311)        |
| Interest income  | 42           | 95           |
| <i>Of which Automotive Division and Other Businesses</i> | 31           | 85           |
| <b>TOTAL</b>   | <b>(293)</b> | <b>(367)</b> |
| <i>Of which Automotive Division and Other Businesses</i> | (186)        | (226)        |

**B. Other financial income and expenses**

| <i>(in million euros)</i>  | <b>2017</b>  | <b>2016</b>  |
|--|--------------|--------------|
| Expected return on pension funds   | 21           | 26           |
| Other financial income   | 100          | 177          |
| <b>FINANCIAL INCOME</b>  | <b>121</b>   | <b>203</b>   |
| Interest cost on employee benefit obligations                            | (20)         | (27)         |
| Ineffective portion of the change in fair value of financial instruments | (28)         | (45)         |
| Other financial expenses   | (148)        | (163)        |
| <b>FINANCIAL EXPENSES</b>  | <b>(196)</b> | <b>(235)</b> |

**12.3. NET FINANCIAL POSITION (NET DEBT) OF MANUFACTURING AND SALES COMPANIES**

Net financial position (net debt) of the manufacturing and sales companies is a financial indicator not defined by IFRS. According to the Group's definition, it is equal to the financial liabilities net of financial assets used as collateral, or that may be utilised to redeem these liabilities, as well as those assigned to specific expenses of the manufacturing and sales companies. This definition remains unchanged from the date of first adoption

of IFRS in the Group. The share of these financial assets not readily available is not taken into consideration in the financial security of the manufacturing and sales companies (see Note 12.4).

Financial assets and liabilities with maturities of more than one year at the balance sheet date are classified as non-current. All other assets and liabilities are reported as current.

**A. Composition of net financial position (net debt)**

| <i>(in million euros)</i>  | <b>31 December 2016</b> | <b>Net decrease in cash and cash equivalents</b> | <b>Change in scope of consolidation</b> | <b>Remeasurement of equity</b> | <b>Exchange rate fluctuations</b> | <b>Other changes</b> | <b>31 December 2017</b> |
|--|-------------------------|--|---|--------------------------------|-----------------------------------|----------------------|-------------------------|
| Non-current financial liabilities  | (4,526)                 | (960)  | (82)                                    | -                              | 23                                | 767                  | (4,778)                 |
| Current financial liabilities  | (1,661)                 | 604  | (812)                                   | (1)                            | 91                                | (752)                | (2,531)                 |
| Other non-current financial assets   | 685                     | (19)   | (157)                                   | (10)                           | (11)                              | (1)                  | 487                     |
| Current financial assets   | 629                     | 344  | 301                                     | 1                              | (17)                              | 11                   | 1,269                   |
| Financial investments  | 110                     | 55   | -                                       | -                              | -                                 | -                    | 165                     |
| Cash and cash equivalents  | 11,576                  | 6  | -                                       | -                              | -                                 | -                    | 11,582                  |
| <b>(NET DEBT) NET FINANCIAL POSITION<sup>(1)</sup></b>   | <b>6,813</b>            | <b>30</b>  | <b>(750)</b>                            | <b>(10)</b>                    | <b>86</b>                         | <b>25</b>            | <b>6,194</b>            |
| Of which external loans and borrowings   | 6,804                   |  |   |                                |                                   |                      | 6,186                   |
| Of which financial assets and liabilities with finance companies                               | 9                       |  |   |                                |                                   |                      | 8                       |
| <b>(1) Of which Peugeot Citroën DS, Opel Vauxhall Automotive segments and Other Businesses</b> | <b>7,288</b>            |  |   |                                |                                   |                      | <b>6,840</b>            |

## B. Change in net financial position (net debt)

In 2017, the Group kept up the proactive refinancing strategy and conservative liquidity policy described in Note 12.7.A.

In 2017, the manufacturing and sales companies have slightly decreased their net financial position.

Net cash from operating activities for the year totalled positive €5,213 million, representing funds from operations of €5,205 million plus the positive impact of a €8 million slight increase in working capital. Changes in working capital are discussed in Note 6.4.A.

Investments for the period in property, plant and equipment and intangible assets amounted to €4,020 million. Other net investment and financing needs for the year stood at €1,253 million. This amount includes in particular the payment of €431 million in

dividends to Peugeot S.A. shareholders, €129 million to non-controlling shareholders of Groupe PSA subsidiaries, as well as €774 million in capital increases and acquisitions of consolidated companies and equity interests.

Other cash inflows for the period comprised the capital increases following in particular the conversion of equity warrants, for €288 million.

These various cash inflows and outflows have resulted in a controlled reduction in the net financial position of €619 million, which breaks down as follows:

- cash reserves increased by €153 million;
- net debt before cash and cash equivalents increased by €43 million as a result of the following variations:

| <i>(in million euros)</i>                            | <b>2017</b> | <b>2016</b>    |
|--|-------------|----------------|
| Increase in borrowings                               | 1,046       | 1,262          |
| Repayment of borrowings and conversion of bonds      | (731)       | (2,921)        |
| (Increase) decrease in non-current financial assets  | 169         | (70)           |
| (Increase) decrease in current financial assets      | (548)       | 160            |
| Increase (decrease) in current financial liabilities | 107         | 21             |
|  | <b>43</b>   | <b>(1,548)</b> |
| <i>Net cash flows with Group finance companies</i>   | <i>(1)</i>  | <i>(443)</i>   |
| <b>TOTAL</b>   | <b>42</b>   | <b>(1,991)</b> |

The €1,046 million increase in borrowings mainly resulted from the 23 March 2017 issuance of two bonds for €600 million and €100 million by Peugeot S.A., and the €250 million loan arranged on 2 February 2017 by PSA Automobiles S.A. from the European Investment Bank (see Note 12.6.A).

Debt repayments in the amount of €731 million include notably (see Note 12.6.A) the repayment by Peugeot S.A. of €304 million in 2012 bonds upon maturity in July 2017.

Furthermore, the non-cash changes represented an increase of €729 million in the net debt of the Group.

## 12.4. FINANCIAL SECURITY

Financial security is made up of available cash, other readily available financial assets and undrawn credit lines.

€1,241 million (€585 million at 31 December 2016) and €334 million (€503 million at 31 December 2016) in current and non-current financial assets respectively were included in the calculation of financial security, representing a total of €1,575 million (€1,088 million at 31 December 2016).

| <i>(in million euros)</i>                      | <b>Notes</b>  | <b>31 December 2017</b> | <b>31 December 2016</b> |
|--|---------------|-------------------------|-------------------------|
| Cash and cash equivalents <sup>(1)</sup>       | <i>12.5.C</i> | 11,582                  | 11,576                  |
| Financial investments                          | <i>12.5.B</i> | 165                     | 110                     |
| Current & non current financial assets         |               | 1,575                   | 1,088                   |
| <b>Total</b>                                   |               | <b>13,322</b>           | <b>12,774</b>           |
| Lines of credit (undrawn) - excluding Faurecia |               | 3,000                   | 3,000                   |
| Lines of credit (undrawn) - Faurecia           |               | 1,200                   | 1,200                   |
| <b>TOTAL FINANCIAL SECURITY</b>                |               | <b>17,522</b>           | <b>16,974</b>           |
| <i>of which Faurecia</i>                       |               | <i>2,849</i>            | <i>2,840</i>            |

(1) Of which €43 million in Argentina (€12 million at 31 December 2016).



### Undrawn syndicated lines of credit

The Group's manufacturing and sales companies have the following additional borrowing capacity under revolving lines of credit expiring at various dates through to 2021:

| <i>(in million euros)</i>                | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| Peugeot S.A. and GIE PSA Trésorerie      | 3,000            | 3,000            |
| Faurecia                                 | 1,200            | 1,200            |
| <b>UNDRAWN CONFIRMED LINES OF CREDIT</b> | <b>4,200</b>     | <b>4,200</b>     |

The Peugeot S.A. and GIE PSA Trésorerie credit line is comprised of two tranches for €2,000 million and €1,000 million, respectively, both falling due in November 2020.

This credit facility was undrawn at the period-end.

This facility is subject to the respect of:

- a level of net debt of manufacturing and sales companies of less than of €6 billion;
- a ratio of the net debt of manufacturing and sales companies to consolidated equity of less than 1.

The net debt of manufacturing and sales companies is defined and disclosed in Note 12.3. The Group's equity is that listed under "Total Equity" in liabilities.

All of these clauses were complied with at 31 December 2017.

Faurecia's additional borrowing capacity, other than through Peugeot S.A., results from a syndicated line of credit arranged on 15 December 2014. It comprises only one €1,200 million tranche expiring in December 2019. This line of credit was renegotiated on 24 June 2016 to extend the maturity to five years from that date, namely 24 June 2021. This credit facility was undrawn at the period-end.

## 12.5. BREAKDOWN OF FINANCIAL ASSETS

### A. Other non-current and current financial assets

| <i>(in million euros)</i>   | 31 December 2017 |              | 31 December 2016 |            |
|---|------------------|--------------|------------------|------------|
|   | Non-current      | Current      | Non-current      | Current    |
| Loans and receivables   | 255              | 1,261        | 285              | 627        |
| Financial assets classified as "at fair value through profit or loss" | 223              | -            | 380              | -          |
| Derivative instruments  | 9                | 8            | 20               | 2          |
| <b>TOTAL FINANCIAL ASSETS, NET</b>                                    | <b>487</b>       | <b>1,269</b> | <b>685</b>       | <b>629</b> |

### B. Financial investments

Short-term investments are investments of surplus cash flows for which the remaining maturity and investment horizon is less than 12 months. They total €165 million (€110 million as of 31 December 2016).

### C. Cash and cash equivalents

Cash primarily represents cash in bank current accounts, and excludes bank overdrafts. Cash equivalents consist primarily of cash investments and negotiable debt securities that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value and held in order to meet short-term cash commitments with an original maturity of three months or less according to IAS 7.

Cash and cash equivalents include:

| <i>(in million euros)</i>                        | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| Mutual fund units and money market securities    | 8,719            | 8,389            |
| Cash and current account balances                | 2,863            | 3,187            |
| <b>Total - manufacturing and sales companies</b> | <b>11,582</b>    | <b>11,576</b>    |
| <i>o/w deposits with finance companies</i>       | (8)              | (8)              |
| <b>TOTAL</b>                                     | <b>11,574</b>    | <b>11,568</b>    |

Cash includes the proceeds from borrowings arranged to meet future financing needs (see Note 12.3.A).

At 31 December 2017, cash equivalents mainly included money market funds for €4,610 million, bank deposits and overnight money market notes in the amount of €1,489 million, and commercial paper for €104 million.

All of these instruments comply with the "Committee of European Securities Regulators" (CESR) definition of Short-Term Money Market Funds.

## 12.6. BREAKDOWN OF FINANCIAL LIABILITIES

| <i>(in million euros)</i>                           | Carrying amount at<br>31 December 2017 |              | Carrying amount at<br>31 December 2016 |              |
|---|--|--------------|--|--------------|
|   | Amortised cost or fair value           |              | Amortised cost or fair value           |              |
|   | Non-current                            | Current      | Non-current                            | Current      |
| Bonds   | 3,835                                  | 651          | 3,706                                  | 393          |
| Finance lease liabilities                           | 147                                    | 27           | 143                                    | 23           |
| Other long-term borrowings                          | 795                                    | 452          | 674                                    | 251          |
| Other short-term financing and overdraft facilities | -                                      | 1,399        | -                                      | 981          |
| Derivative instruments and other                    | 1                                      | 2            | 3                                      | 13           |
| <b>TOTAL FINANCIAL LIABILITIES</b>                  | <b>4,778</b>                           | <b>2,531</b> | <b>4,526</b>                           | <b>1,661</b> |

## A. Main financing transactions during the year

The financial risk management policy is set out in Note 12.7.A.

The main transactions during the year were as follows:

## Bond issues and other borrowings by manufacturing and sales companies (excluding Faurecia)

On 23 March 2017, Peugeot S.A. issued two bonds for €600 million and €100 million maturing in March 2024, bearing an annual coupon of 2%.

On 2 February 2017, PSA Automobiles S.A. arranged a €250 million loan from the European Investment Bank to be repaid in March 2024 bearing interest at an annual rate of 1.5%.

In July 2017, Peugeot S.A. repaid at maturity the €304 million bond.



## B. Characteristics of bonds and other borrowings

| <i>(in million euros)</i>  | Carrying amount at<br>31 December 2017 |            | Issuing<br>currency | Due          |
|--|--|------------|---------------------|--------------|
|  | Non-current                            | Current    |                     |              |
| <b>Manufacturing and sales companies (excluding Faurecia)</b>                          |  |            |                     |              |
| 2003 bond issue - €600 million   | 825                                    | 10         | EUR                 | Q3/2033      |
| 2013 bond issue - €559 million   | -                                      | 592        | EUR                 | Q1/2018      |
| 2013 bond issue - €430 million   | 429                                    | 27         | EUR                 | Q1/2019      |
| 2016 bond issue - €500 million   | 497                                    | 9          | EUR                 | Q2/2023      |
| 2017 bond issue - €596 million   | 596                                    | 9          | EUR                 | Q1/2024      |
| 2017 bond issue - €100 million   | 101                                    | 2          | EUR                 | Q1/2024      |
| <b>Faurecia</b>  |  |            |                     |              |
| 2015 bond issue - €700 million   | 694                                    | 1          | EUR                 | Q2/2022      |
| 2016 bond issue - €700 million   | 693                                    | 1          | EUR                 | Q2/2023      |
| <b>TOTAL BOND ISSUES</b>   | <b>3,835</b>                           | <b>651</b> |                     |              |
| <b>Manufacturing and sales companies (excluding Faurecia) - euro-denominated loans</b> |  |            |                     |              |
| EIB loan <sup>(1)</sup> - €250 million   | 241                                    | -          | EUR                 | Q1/2024      |
| EIB loan - €300 million  | -                                      | 59         | EUR                 | 2018         |
| FDES loan <sup>(1)</sup> - Zero coupon   | 24                                     | -          | EUR                 | Q1/2020      |
| Borrowings - Morocco   | 13                                     | -          | EUR                 | 2021 to 2025 |
| Borrowings - Iran  | -                                      | 5          | EUR                 | 2018         |
| Borrowings - Spain   | 119                                    | 19         | EUR                 | 2018 to 2026 |
| Borrowings - Russia  | 13                                     | 12         | EUR                 | 2018 to 2021 |
| Borrowings - Other France  | 56                                     | -          | EUR                 |              |
| Borrowings - Other <sup>(2)</sup>  | 22                                     | 193        | EUR                 |              |
| <b>Manufacturing and sales companies (excluding Faurecia) - foreign currency loans</b> |  |            |                     |              |
| Borrowings - Brazil  | 103                                    | 48         | BRL                 | 2018 to 2024 |
| Borrowings - Russia  | 2                                      | 5          | RUB                 | Q2/2019      |
| Other borrowings   | 6                                      | 62         | na                  | na           |
| <b>Faurecia</b>  |  |            |                     |              |
| Other borrowings   | 196                                    | 49         | EUR                 | 2018 to 2019 |
| <b>TOTAL OTHER LONG-TERM BORROWINGS</b>  | <b>795</b>                             | <b>452</b> |                     |              |

(1) EIB: European Investment Bank; FDES: French social and economic development fund.

(2) Concerns the Automotive segment Opel Vauxhall.



### C. Characteristics of other short-term financing and overdraft facilities

| <i>(in million euros)</i>                                       | Issuing currency | Carrying amount<br>at 31/12/2017 | Carrying amount<br>at 31/12/2016 |
|---|------------------|----------------------------------|----------------------------------|
| Commercial paper  | EUR              | 80                               | -                                |
| Short-term loans  | N/A              | 464                              | 363                              |
| Bank overdrafts   | N/A              | 332                              | 356                              |
| Payments issued <sup>(1)</sup>                                  | N/A              | 93                               | 112                              |
| Factoring liabilities on assets that have not been derecognised | N/A              | 430                              | 150                              |
| <b>TOTAL</b>  |                  | <b>1,399</b>                     | <b>981</b>                       |

(1) This item corresponds to payments issued but not yet debited from the bank accounts, as the due date was not a bank business day.

### D. Finance lease liabilities

The present value of future payments under finance leases can be analysed as follows by maturity:

| <i>(in million euros)</i>                     | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| Less than 1 year                              | 31               | 45               |
| 1 to 5 years                                  | 76               | 49               |
| Subsequent years                              | 77               | 79               |
|   | <b>184</b>       | <b>173</b>       |
| Less interest portion                         | (10)             | (7)              |
| <b>PRESENT VALUE OF FUTURE LEASE PAYMENTS</b> | <b>174</b>       | <b>166</b>       |
| Of which short-term                           | 27               | 23               |
| Of which long-term                            | 147              | 143              |

### E. Financing by the assignment of receivables

The Automotive segments and Faurecia meet part of their financing needs by selling receivables to financial institutions. The financing of receivables in the Automotive segments' dealer networks by

financing companies in partnership with Santander and BNP Paribas totalled €6,982 million (€4,619 million in 2016).

The sold receivables are derecognised when they meet the criteria specified in Note 6.2.

Other financing through the sale of receivables is as follows:

| <i>(in million euros)</i>                                    | 31 December 2017  |   | 31 December 2016  |   |
|--|---|---|---|---|
|  | Total receivables<br>sold to non-Group<br>financial<br>institutions | Portion<br>sold but not<br>derecognised | Total receivables<br>sold to non-Group<br>financial<br>institutions | Portion<br>sold but not<br>derecognised |
| <b>Portion financed by third party financial institution</b> |   |   |   |   |
| <b>Financed portion<sup>(1)</sup></b>                        | <b>3,094</b>  | <b>456</b>                              | <b>2,266</b>  | <b>83</b>                               |
| › of which Faurecia Group                                    | 833   | 68                                      | 864   | 27                                      |

(1) The financed portion of the receivables corresponds to the portion that gives rise to a cash inflow.

Furthermore, Peugeot S.A. sold and derecognised in 2017 its claim on the French State under the tax credit for competitiveness and employment (*crédit d'impôt pour la compétitivité et l'emploi - CICE*), in a total amount of €80 million. The cash proceeds received in the twelve months to 31 December 2017 amounted to €80 million.

Besides, Faurecia sold and derecognised its French research tax credits (*credit d'impôt recherche - CIR*) and tax credit for

competitiveness and employment, for a total of €57 million. The cash proceeds received at 31 December 2017 amounted to €57 million.

The sale of receivables constitutes usual short-term financing.

No transaction was carried out in December 2017 outside of the sale of receivables programme.

## 12.7. MANAGEMENT OF FINANCIAL RISKS

### A. Financial Risk Management Policy

In the course of its business, PSA Group is exposed to liquidity risks, as well as interest rate, counterparty, currency and other market risks arising, in particular, from changes in commodity prices and equity prices. The Group's financial risk management policy will apply in full in 2018 to the operations of the Opel Vauxhall entities.

#### (1) Liquidity risk

In the prevailing economic environment, the Group continued with its diversified, proactive financing strategy and conservative liquidity policy in order to meet its general financing needs, particularly the financing of its business and of its development projects. The financing strategy is defined by the Managing Board, and implemented under the direction of the Chief Financial Officer with the Corporate Finance & Treasury Department and submitted to the Supervisory Board's Finance and Audit Committee. The Group's cash forecasts, financing needs and interest income and expenses, as well as the level of financial security are reviewed at monthly meetings of the Treasury and Foreign Exchange Committee chaired by the Chief Financial Officer. The financing plan is implemented by the Corporate Finance & Treasury Department.

Pursuant to this policy, the Group:

- issues bonds under an EMTN programme;
- has recourse to bank borrowings in France and abroad;
- sells receivables;
- arranges confirmed lines of credit for its financial security;
- and, where necessary, issues convertible bonds.

The Group could also raise funds by a capital increase.

This financing policy allows it to seize market opportunities to pre-finance itself and to thereby optimise its financial security.

At 31 December 2017, the net financial position of the manufacturing and sales companies was €6,194 million compared to a €6,813 million net financial position at 31 December 2016. The breakdown of the net financial position can be found in Note 12.3.A, and changes thereto in Note 12.3.B. The repayment schedule of financial liabilities is set out in the table below. In June 2010, Peugeot S.A. put in place a €5 billion EMTN programme, €2.2 billion of which had been drawn down at end-December 2017.

At 31 December 2017, the manufacturing and sales companies had financial security of €17,522 million (see Note 12.4) compared to €16,974 million at end-December 2016.

It covers all currently anticipated financing needs for the manufacturing and sales companies over the coming 12 months.

#### Contractual repayment schedule of financial liabilities and derivative instruments: manufacturing and sales companies

The following table shows undiscounted cash flows from financial liabilities and derivative instruments. They include principal repayments as well as future contractual interest payments. Foreign currency cash flows and variable or indexed cash flows have been determined on the basis of market data at the year-end.

| 31 December 2017 (in million euros)                 | Undiscounted contractual cash flows |                |                |              |              |              |              |                |
|---|-------------------------------------|----------------|----------------|--------------|--------------|--------------|--------------|----------------|
|   | Assets                              | Liabilities    | 2018           | 2019         | 2020         | 2021         | 2022         | > 5 years      |
| <b>Financial liabilities</b>                        |                                     |                |                |              |              |              |              |                |
| <b>Bonds - principal repayments</b>                 |                                     |                |                |              |              |              |              |                |
| Manufacturing and sales companies - excl. Faurecia  |                                     | (3,006)        | (776)          | (430)        | -            | -            | -            | (1,800)        |
| Faurecia  |                                     | (1,436)        | (36)           | -            | -            | -            | (700)        | (700)          |
| <b>Other long-term debt - principal repayments</b>  |                                     |                |                |              |              |              |              |                |
| Manufacturing and sales companies - excl. Faurecia  |                                     | (1,002)        | (384)          | (72)         | (75)         | (110)        | (42)         | (319)          |
| Faurecia  |                                     | (196)          | (40)           | (7)          | (132)        | (7)          | (5)          | (5)            |
| <b>Total bonds and other borrowings</b>             |                                     |                |                |              |              |              |              |                |
| Manufacturing and sales companies - excl. Faurecia  |                                     | (4,008)        | (1,160)        | (502)        | (75)         | (110)        | (42)         | (2,119)        |
| Faurecia  |                                     | (1,632)        | (76)           | (7)          | (132)        | (7)          | (705)        | (705)          |
| <b>Total interest on bonds and other borrowings</b> |                                     |                |                |              |              |              |              |                |
| Manufacturing and sales companies - excl. Faurecia  |                                     | (91)           | (91)           | -            | -            | -            | -            | -              |
| Faurecia  |                                     | (2)            | (2)            | -            | -            | -            | -            | -              |
| <b>Finance lease liabilities</b>                    |                                     | <b>(147)</b>   | <b>(147)</b>   | -            | -            | -            | -            | -              |
| <b>Employee profit-sharing fund</b>                 |                                     | <b>(1)</b>     | <b>(1)</b>     | -            | -            | -            | -            | -              |
| <b>Derivative instruments</b>                       |                                     |                |                |              |              |              |              |                |
| <b>Total derivative instruments</b>                 | <b>297</b>                          | <b>(210)</b>   | <b>87</b>      | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>       |
| <b>TOTAL</b>  | <b>297</b>                          | <b>(6,091)</b> | <b>(1,390)</b> | <b>(509)</b> | <b>(207)</b> | <b>(117)</b> | <b>(747)</b> | <b>(2,824)</b> |



## Covenants

None of the borrowings of the manufacturing and sales companies excluding Faurecia are subject to specific acceleration clauses based on minimum credit ratings. In some cases, the borrowings of manufacturing and sales companies are subject to clauses whereby the borrower gives the lenders certain guarantees that are commonly required within the automotive industry.

They include:

- negative pledge clauses whereby the borrower undertakes not to grant any collateral to any third parties. These clauses nevertheless carry certain exceptions;
- “material adverse changes” clauses, which apply in the event of a major negative change in economic conditions;
- *pari passu* clauses, which ensure that lenders enjoy at least the same treatment as other creditors;
- “cross-default” clauses, whereby if one loan goes into default other loans become repayable immediately;
- clauses whereby the borrower undertakes to provide regular information to the lenders;
- clauses whereby the borrower undertakes to comply with applicable legislation;
- change of control clauses.

In addition, EIB loans are dependent on the Group carrying out the projects being financed and, in some cases, require the Group to pledge a minimum amount of financial assets.

All of these clauses were complied with in 2017.

Drawing on the €3 billion syndicated credit facility established in April 2014 and amended in November 2015 (see Note 12.4) is subject to compliance with:

- a level of net debt of manufacturing and sales companies of less than of €6 billion;
- a ratio of the net debt of manufacturing and sales companies to consolidated equity of less than 1.

The net debt of manufacturing and sales companies is defined and disclosed in Note 12.3. The Group's equity is that listed under “Total Equity” in liabilities.

The €1,200 million syndicated line of credit arranged on 15 December 2014 by Faurecia and comprising only one €1,200 million tranche expiring in June 2021 (see Note 12.4) contains only one covenant setting limits on debt.

## Adjusted net debt<sup>(1)</sup>/EBITDA<sup>(2)</sup> maximum

2.50

(1) Consolidated net debt.

(2) EBITDA: Faurecia's Earnings Before Interest, Tax, Depreciation and Amortisation for the last 12 months.

The compliance with this ratio is a condition to the availability of this credit facility. As of 31 December 2017, Faurecia complied with this ratio.

## (2) Interest Rate Risks

Trade receivables and payables are due within one year and their value is not affected by the level of interest rates.

Cash reserves and short-term financing needs of manufacturing and sales companies - excluding Automotive Equipment companies - are mainly centralised at the level of GIE PSA Trésorerie, which invests net cash reserves on the financial markets. These short-term instruments are indexed to variable rates or at fixed rates.

The gross borrowings of manufacturing and sales companies - excluding Automotive Equipment companies - consist mainly of fixed-rate long-term loans. The proportion of the manufacturing and sales companies' borrowings - excluding Automotive Equipment companies - at variable rates of interest is now 2%, based on the principal borrowed.

Faurecia independently manages hedging of interest rate risks on a centralised basis. Such management is implemented through Faurecia's Finance and Treasury Department, which reports to its executive management. Hedging decisions are made by a Market Risk Committee that meets on a monthly basis. A significant part of the gross borrowings (syndicated credit facility, sale of receivables, short-term loans, commercial paper as applicable) are at variable or renewable rates. The aim of the Group's interest rate hedging policy is to reduce the impact of changes in short-term rates on earnings. The hedges arranged comprise mainly euro-denominated interest rate swaps. In order to benefit from historically low interest rates, 2- and 3-year maturity hedges have been set up. These hedges cover a part of the interest on variable rate borrowings, due in 2018 and first quarter of 2019, against a rise in interest rates.

Some of Faurecia's derivative instruments have qualified for hedge accounting under IAS 39 since 2008. The other derivative instruments purchased by Faurecia represent economic hedges of interest rate risks on borrowings but do not meet the criteria in IAS 39 for the application of hedge accounting.

Faurecia is the only entity that holds cash flow hedges of interest rate risks.

The net interest rate position of manufacturing and sales companies is as follows:

|                                    | 31 December 2017     |                |                |                |                |
|------------------------------------|----------------------|----------------|----------------|----------------|----------------|
|                                    | Intraday to one year | 2 to 5 years   | Beyond 5 years | Total          |                |
| <i>(in million euros)</i>          |                      |                |                |                |                |
| Total assets                       | Fixed rate           | 1,484          | 90             | 241            | 1,815          |
|                                    | Variable rate        | 11,565         | -              | -              | 11,565         |
| Total liabilities                  | Fixed rate           | (2,405)        | (1,403)        | (3,015)        | (6,823)        |
|                                    | Variable rate        | -              | (213)          | -              | (213)          |
| <b>NET POSITION BEFORE HEDGING</b> | <b>FIXED RATE</b>    | <b>(921)</b>   | <b>(1,313)</b> | <b>(2,774)</b> | <b>(5,008)</b> |
|                                    | <b>VARIABLE RATE</b> | <b>11,565</b>  | <b>(213)</b>   | <b>-</b>       | <b>11,352</b>  |
| Derivative financial instruments   | Fixed rate           | (415)          | 383            | -              | (32)           |
|                                    | Variable rate        | 415            | (383)          | -              | 32             |
| <b>NET POSITION AFTER HEDGING</b>  | <b>FIXED RATE</b>    | <b>(1,336)</b> | <b>(930)</b>   | <b>(2,774)</b> | <b>(5,040)</b> |
|                                    | <b>VARIABLE RATE</b> | <b>11,980</b>  | <b>(596)</b>   | <b>-</b>       | <b>11,384</b>  |

| (in millions euros)                | 31 December 2016     |               |                |                |                |
|------------------------------------|----------------------|---------------|----------------|----------------|----------------|
|                                    | Intraday to one year | 2 to 5 years  | Beyond 5 years | Total          |                |
| Total assets                       | Fixed rate           | 824           | 109            | 386            | 1,319          |
|                                    | Variable rate        | 11,490        | -              | 50             | 11,540         |
| Total liabilities                  | Fixed rate           | (736)         | (1,351)        | (2,806)        | (4,893)        |
|                                    | Variable rate        | (1,077)       | (36)           | -              | (1,113)        |
| <b>NET POSITION BEFORE HEDGING</b> | <b>FIXED RATE</b>    | <b>88</b>     | <b>(1,242)</b> | <b>(2,420)</b> | <b>(3,574)</b> |
|                                    | <b>VARIABLE RATE</b> | <b>10,413</b> | <b>(36)</b>    | <b>50</b>      | <b>10,427</b>  |
| Derivative financial instruments   | Fixed rate           | (79)          | (436)          | -              | (515)          |
|                                    | Variable rate        | 79            | 436            | -              | 515            |
| <b>NET POSITION AFTER HEDGING</b>  | <b>FIXED RATE</b>    | <b>9</b>      | <b>(1,678)</b> | <b>(2,420)</b> | <b>(4,089)</b> |
|                                    | <b>VARIABLE RATE</b> | <b>10,492</b> | <b>400</b>     | <b>50</b>      | <b>10,942</b>  |

### (3) Counterparty and credit risks

The Automotive Division places significant emphasis on guaranteeing the security of payments for the goods and services delivered to customers. Relations with Peugeot and Citroën dealers are managed within the framework of the Banque PSA Finance sales financing system described below. Payments from other customers are secured by arrangements with leading counterparties that are validated by the Group Treasury Committee.

At Faurecia, the main counterparties are leading carmakers whose creditworthiness is tracked customer-by-customer.

Other counterparty risks concern investments of available cash and transactions involving currency, interest rate and commodity derivatives. These two types of transactions are carried out solely with leading financial partners approved by the Group Treasury Committee. The related counterparty risks are managed through a system of exposure limits by amount and by commitment duration. The limits are determined according to a range of criteria including the results of specific financial analyses by counterparty, the counterparty's credit rating and the amount of its equity capital.

Available cash is invested either in money market securities issued by approved counterparties, or in mutual funds or deposit accounts. The bulk of money market securities in the portfolio are issued by leading banks and the remainder by non-financial sector issuers. Mutual funds are selected according to guidelines specifying minimum fund credit ratings and maximum maturities of underlying assets. In addition, the amount invested in each fund is capped based on the fund's total managed assets.

Derivatives transactions are governed by standard ISDA or Fédération Bancaire Française (FBF) agreements and contracts with the most frequently used counterparties provide for weekly margin calls.

### (4) Currency risk

The manufacturing and sales companies manage their foreign exchange positions on transactions denominated in foreign currencies with the objective of hedging the risk of fluctuations in exchange rates. Automotive Division currency risks are managed centrally, for the most part by PSA International S.A. (PSAI) under the supervision of executive management. All products used by PSAI are standard products covered by International Swaps and Derivatives Association (ISDA) Master Agreements.

The goal is to minimise Automotive Division exchange differences by systematically hedging as soon as the foreign currency invoice is booked.

At Group level, currency risks are managed by requiring manufacturing companies to bill sales companies in the latter's local

currency (except in rare cases or where this is not allowed under local regulations). Currency risks on these intragroup billings are also hedged using forward foreign exchange contracts. In most cases, foreign currency intragroup loans of Automotive Division companies are also hedged.

The foreign currency policy includes the hedging of future flows for the Automotive Division. It consists of hedging the main net exposures to G10 currencies. These hedges are underpinned by governance rules and a strict decision-making process. They are classified as **cash flow hedges** under IAS 39. The maximum horizon for these hedges is two years. The hedging ratios depend on the maturity.

At 31 December 2017, the Automotive Division had cash flow hedges on the following currencies: GBP, CHF, PLN, CNY, KRW and JPY.

The Group does not hedge its net investment in foreign operations.

PSAI also carries out proprietary transactions involving currency instruments. These transactions are subject to very strict exposure limits and are closely monitored on a continuous basis. They are the only non-hedging transactions carried out by companies in the PSA Group and have a very limited impact on consolidated profit.

The historical Value at Risk (VaR) method is used to identify and manage market risks. The historical VaR uses volatilities and exchange rates for the various currencies since the beginning of 2011. VaR represents the maximum possible loss on the portfolio, based on the confidence level. The confidence levels measured are 95% and 99%. For both of these confidence levels, applying historical VaR to the portfolio at 31 December 2017 would not have had a material impact on Group earnings. This method assumes that future VaR will follow the same trend as historical VaR. It does not provide an indication of the losses that would be incurred under an extreme stress scenario.

Currency risks relating to the commercial transactions of the Faurecia's subsidiaries are managed independently and centrally by Faurecia using forward purchase and sale contracts and options as well as foreign currency financing. Faurecia manages the hedging of currency risks on a central basis, through its Group Finance and Treasury Department, which reports to the executive management. Hedging decisions are made by a Market Risk Management Committee that meets on a monthly basis. Currency risks on forecasted transactions are hedged on the basis of estimated cash flows determined when budgets are prepared, validated by executive management. The related derivatives are classified as **cash flow hedges** when there is a hedging relationship that satisfies the IAS 39 criteria. Subsidiaries located outside the euro zone receive intragroup loans in their functional currency. These loans are refinanced in euros, and the related currency risk is hedged by swaps.





## CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Notes to the consolidated financial Statements at December 2017

### Net Position of the manufacturing and sales companies in the main currencies (open positions at 31 December)

The net position of the manufacturing and sales companies in the main foreign currencies is as follows:

| <i>(in million euros)</i>                     | 31 December 2017 |              |            |            |            |           |              |             |              |
|---|------------------|--------------|------------|------------|------------|-----------|--------------|-------------|--------------|
|   | GBP              | JPY          | USD        | PLN        | CHF        | RUB       | CZK          | Other       | Total        |
| Total assets                                  | 225              | 81           | 859        | 29         | 260        | 62        | 140          | 469         | 2,125        |
| Total liabilities                             | (84)             | (39)         | (38)       | (7)        | (3)        | (23)      | (215)        | (36)        | (445)        |
| Future transactions                           | 1,775            | (241)        | 30         | 5          | 388        | 13        | (53)         | (448)       | 1,469        |
| Exposure to fixed charge coverage commitments | -                | -            | -          | -          | -          | -         | -            | -           | -            |
| <b>NET POSITION BEFORE HEDGING</b>            | <b>1,916</b>     | <b>(199)</b> | <b>851</b> | <b>27</b>  | <b>645</b> | <b>52</b> | <b>(128)</b> | <b>(15)</b> | <b>3,149</b> |
| Derivative financial instruments              | (1,882)          | 197          | (773)      | (30)       | (645)      | (35)      | 67           | (73)        | (3,174)      |
| <b>NET POSITION AFTER HEDGING</b>             | <b>34</b>        | <b>(2)</b>   | <b>78</b>  | <b>(3)</b> | <b>-</b>   | <b>17</b> | <b>(61)</b>  | <b>(88)</b> | <b>(25)</b>  |

| <i>(in million euros)</i>                     | 31 December 2016 |              |            |             |            |           |              |             |              |
|---|------------------|--------------|------------|-------------|------------|-----------|--------------|-------------|--------------|
|   | GBP              | JPY          | USD        | PLN         | CHF        | RUB       | CZK          | Other       | Total        |
| Total assets                                  | 233              | 50           | 534        | 19          | 284        | 50        | 117          | 218         | 1,505        |
| Total liabilities                             | (70)             | (12)         | (7)        | (19)        | (1)        | (53)      | (193)        | (15)        | (370)        |
| Future transactions                           | (34)             | (105)        | 89         | (60)        | 289        | 13        | (50)         | (104)       | 38           |
| Exposure to fixed charge coverage commitments | -                | (55)         | -          | -           | -          | -         | -            | -           | (55)         |
| <b>NET POSITION BEFORE HEDGING</b>            | <b>129</b>       | <b>(122)</b> | <b>616</b> | <b>(60)</b> | <b>572</b> | <b>10</b> | <b>(126)</b> | <b>99</b>   | <b>1,118</b> |
| Derivative financial instruments              | (148)            | 67           | (588)      | 55          | (572)      | 6         | 43           | (112)       | (1,249)      |
| <b>NET POSITION AFTER HEDGING</b>             | <b>(19)</b>      | <b>(55)</b>  | <b>28</b>  | <b>(5)</b>  | <b>-</b>   | <b>16</b> | <b>(83)</b>  | <b>(13)</b> | <b>(131)</b> |

A 5% increase or decrease in the year-end exchange rate of the main currencies in which the manufacturing and sales companies had open balance sheet positions at 31 December 2017 (see table below) would have the following direct impact on income before tax and equity:

| <i>(in million euros)</i>                 | JPY/EUR | PLN/EUR | CNY/EUR | USD/CAD | CZK/EUR | USD/DZD | CNY/USD | Other |
|---|---------|---------|---------|---------|---------|---------|---------|-------|
| Hypothetical fluctuation against the euro | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 5.0%  |
| Impact on income before tax               | -       | 1       | -       | -       | 3       | 3       | -       | 1     |
| Impact on equity                          | 5       | 3       | -       | -       | 3       | -       | -       | -     |

The following table shows the net position of the manufacturing and sales companies in the main foreign currencies versus the other currencies:

| <i>(in million euros)</i>          | 31 December 2017 |          |            |              |          |          |
|------------------------------------|------------------|----------|------------|--------------|----------|----------|
|                                    | UAH/USD          | USD/CAD  | USD/BRL    | USD/ARS      | USD/DZD  | CNY/USD  |
| Total assets                       | -                | -        | 72         | 18           | -        | 5        |
| Total liabilities                  | (11)             | -        | (58)       | (197)        | -        | -        |
| <b>Net position before hedging</b> | <b>(11)</b>      | <b>-</b> | <b>14</b>  | <b>(179)</b> | <b>-</b> | <b>5</b> |
| Derivative financial instruments   | -                | -        | (19)       | 180          | -        | -        |
| <b>NET POSITION AFTER HEDGING</b>  | <b>(11)</b>      | <b>-</b> | <b>(5)</b> | <b>1</b>     | <b>-</b> | <b>5</b> |

|                                    | 31 December 2016 |          |           |              |             |           |
|------------------------------------|------------------|----------|-----------|--------------|-------------|-----------|
| (in million euros)                 | UAH/USD          | USD/CAD  | USD/BRL   | USD/ARS      | USD/DZD     | CNY/USD   |
| Total assets                       | -                | -        | 91        | 23           | -           | 25        |
| Total liabilities                  | (4)              | -        | (36)      | (174)        | (83)        | -         |
| <b>Net position before hedging</b> | <b>(4)</b>       | <b>-</b> | <b>55</b> | <b>(151)</b> | <b>(83)</b> | <b>25</b> |
| Derivative financial instruments   | -                | -        | (54)      | 153          | -           | -         |
| <b>NET POSITION AFTER HEDGING</b>  | <b>(4)</b>       | <b>-</b> | <b>1</b>  | <b>2</b>     | <b>(83)</b> | <b>25</b> |

## (5) Commodity risk

The Automotive Division's exposure to commodity risks is tracked jointly by the Purchasing Department and PSA International S.A. (PSAI) which is responsible for hedging the Group's currency and commodity risks, while Faurecia's risks are managed independently. The Automotive Division's commodity risks are reviewed at quarterly intervals by a Metals Committee chaired by the Group's Chief Financial Officer. This committee monitors hedging gains and losses, reviews each quoted commodity that may have a material impact on the Group's operating income and sets hedging targets in terms of volumes and prices over periods of up to three years. The hedging ratios depend on the maturity. Cash flow hedges are used only when they qualify for hedge accounting under IAS 39, except in certain cases signed-off by the Managing Board and referred to the Supervisory Board.

The production costs of the Automotive Division and Faurecia are exposed to the risk of changes in certain raw materials prices, either as a result of their direct purchases or indirectly through the impact of these changes on their suppliers' costs. These raw materials are either industrial products such as steel and plastics whose prices and related adjustments are negotiated between buyers and vendors, or commodities traded on organised markets, such as aluminium, copper, lead or precious metals, for which the transaction price is determined by direct reference to the prices quoted on the commodity market.

Part of the Automotive Division's exposure to fluctuations in commodity prices is hedged using derivative instruments traded on regulated markets. The aim of these hedges is to minimize the impact of changes in commodity prices on physical deliveries for the Group's production needs.

In 2017, commodity hedges concerned purchases of aluminium, copper, lead, platinum and palladium.

For the Automotive Division, in the event of a 23% rise (fall) in base metal prices (aluminium, copper and lead) and a 24% rise (fall) in precious metal prices (platinum and palladium), the impact of the commodity hedges held at 31 December 2017 would have been a €59 million increase (decrease) in consolidated equity at 31 December 2017 (versus €75 million at 31 December 2016). As all commodity hedges qualified as cash flow hedges under IAS 39, changes in the fair value of these instruments resulting from changes in the prices of the hedged commodities would not have had any impact on 2017 profit.

The commodity price trend assumptions were determined based on the average historical and implicit volatilities observed on the relevant commodity markets in the reporting year.

Faurecia's sales contracts with customers do not include any indexation clause based on commodity prices. The risk of an unfavourable change in commodity prices is attenuated through a policy of regular price negotiations with customers and tight inventory management. Faurecia does not use derivative instruments to hedge its commodity and energy purchases.

## B. Hedging instruments

Derivative instruments are stated at fair value. They may be classified as hedging instruments if:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- the effectiveness of the hedge is demonstrated at inception and in each financial reporting period for which the hedge is designated.
- The Group uses two hedging relationships:

### ■ fair value hedges:

The hedged portion of the asset or liability is recognised in the balance sheet and measured at fair value. Gains and losses arising from remeasurement at fair value are recognised in profit or loss, and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument;

### ■ cash flow hedges:

The effective portion of the gain or loss arising from remeasurement at fair value of the hedging instrument is recognised directly in equity, since the gain or loss arising from remeasurement at fair value of the hedged portion of the underlying future transaction is not recognised in the balance sheet. The ineffective portion is recognised in profit or loss. Cumulative gains and losses recognised in equity are reclassified to profit or loss when the hedged item affects profit or loss. The effective portion of the gain or loss arising from remeasurement at fair value of hedges of raw materials purchases does not affect the value at which the raw materials are recognised in inventory.

Besides, the Group implements currency hedges to protect against changes in the value of receivables and payables denominated in foreign currencies. Change in the fair value of these derivatives is recorded in the income statement, offsetting the change in receivables and payables denominated in foreign currencies, recognised in profit or loss. In cases where the Group has documented a hedging relationship, the ineffective portion is recognised in financial income.

Derivative interest rate and currency hedging instruments are measured by using a valuation technique that benchmarks interbank rates (such as Euribor, etc.) and daily foreign exchange rates set by the European Central Bank. Derivative commodity hedging instruments are valued by external experts.



**(1) Details of values of hedging instruments and notional amounts hedged**

|   | 31 December 2017 |              |                 |              |              |           |
|---|------------------|--------------|-----------------|--------------|--------------|-----------|
|   | Carrying amount  |              | Notional amount | Maturity     |              |           |
|   | Assets           | Liabilities  |                 | < 1 year     | 2 to 5 years | > 5 years |
| <i>(in million euros)</i>   |                  |              |                 |              |              |           |
| <b>Currency risk</b>  |                  |              |                 |              |              |           |
| Fair value hedges:  |                  |              |                 |              |              |           |
| › Currency swaps, currency options and forward foreign exchange contracts | 53               | (26)         | 278             | 278          | -            | -         |
| › Cross-currency swaps  | 9                | -            | -               | -            | -            | -         |
| Cash flow hedges:   |                  |              |                 |              |              |           |
| › Currency options and forward foreign exchange contracts                 | 194              | -            | 601             | 495          | 106          | -         |
| › Cross-currency swaps  | -                | -            | 13              | -            | 13           | -         |
| Trading instruments <sup>(1)</sup>  | -                | -            | 6,184           | 5,530        | 654          | -         |
| <b>Total currency risks</b>   | <b>256</b>       | <b>(26)</b>  | <b>7,076</b>    | <b>6,303</b> | <b>773</b>   | <b>-</b>  |
| <b>Interest rate risk</b>   |                  |              |                 |              |              |           |
| Cash flow hedges:   |                  |              |                 |              |              |           |
| › Interest rate swaps and interest rate options                           | -                | (176)        | 2               | -            | 2            | -         |
| <b>Total interest rate risks</b>  | <b>-</b>         | <b>(176)</b> | <b>2</b>        | <b>-</b>     | <b>2</b>     | <b>-</b>  |
| <b>Commodity risk</b>   |                  |              |                 |              |              |           |
| Cash flow hedges:   |                  |              |                 |              |              |           |
| › Swaps   | 41               | (8)          | 254             | 173          | 81           | -         |
| <b>Total commodity risks</b>  | <b>41</b>        | <b>(8)</b>   | <b>254</b>      | <b>173</b>   | <b>81</b>    | <b>-</b>  |
| <b>TOTAL</b>  | <b>297</b>       | <b>(210)</b> | <b>7,332</b>    | <b>6,476</b> | <b>856</b>   | <b>-</b>  |
| <i>Of which:</i>  |                  |              |                 |              |              |           |
| <b>TOTAL FAIR VALUE HEDGES</b>  | <b>62</b>        | <b>(26)</b>  | <b>278</b>      | <b>278</b>   | <b>-</b>     | <b>-</b>  |
| <b>TOTAL CASH FLOW HEDGES</b>   | <b>235</b>       | <b>(184)</b> | <b>870</b>      | <b>668</b>   | <b>202</b>   | <b>-</b>  |

<sup>(1)</sup> Currency trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. As IAS 21 requires receivables and payables denominated in foreign currencies to be systematically remeasured at the closing exchange rate with any gains or losses taken to income, the Group has elected not to designate these receivables and payables as part of a documented hedging relationship, although their impact on income is the same.

Hedging instruments that are not subject to compensation clauses in case of default by either party do not represent a significant amount for the Automotive Division.

| (in million euros)  | 31 December 2016 |             |                 |              |              |           |
|---|------------------|-------------|-----------------|--------------|--------------|-----------|
|   | Carrying amount  |             | Notional amount | Maturity     |              |           |
|   | Assets           | Liabilities |                 | < 1 year     | 2 to 5 years | > 5 years |
| <b>Currency risk</b>  |                  |             |                 |              |              |           |
| Fair value hedges:  |                  |             |                 |              |              |           |
| › Currency swaps, currency options and forward foreign exchange contracts | 65               | (41)        | 820             | 820          | -            | -         |
| Cash flow hedges:   |                  |             |                 |              |              |           |
| › Currency options and forward foreign exchange contracts                 | 3                | (7)         | 561             | 445          | 116          | -         |
| › Cross-currency swaps  | -                | -           | 22              | -            | 22           | -         |
| Trading instruments <sup>(1)</sup>  | -                | -           | 2,048           | 2,040        | 8            | -         |
| <b>Total currency risks</b>   | <b>68</b>        | <b>(48)</b> | <b>3,451</b>    | <b>3,305</b> | <b>146</b>   | <b>-</b>  |
| <b>Interest rate risk</b>   |                  |             |                 |              |              |           |
| Cash flow hedges:   |                  |             |                 |              |              |           |
| › Interest rate options   | 1                | (2)         | 7               | -            | 7            | -         |
| <b>Total interest rate risks</b>  | <b>1</b>         | <b>(2)</b>  | <b>7</b>        | <b>-</b>     | <b>7</b>     | <b>-</b>  |
| <b>Commodity risk</b>   |                  |             |                 |              |              |           |
| Cash flow hedges:   |                  |             |                 |              |              |           |
| › Swaps   | 22               | (3)         | 324             | 210          | 114          | -         |
| <b>Total commodity risks</b>  | <b>22</b>        | <b>(3)</b>  | <b>324</b>      | <b>210</b>   | <b>114</b>   | <b>-</b>  |
| <b>TOTAL</b>  | <b>91</b>        | <b>(53)</b> | <b>3,782</b>    | <b>3,515</b> | <b>267</b>   | <b>-</b>  |
| Of which:   |                  |             |                 |              |              |           |
| <b>TOTAL FAIR VALUE HEDGES</b>  | <b>65</b>        | <b>(41)</b> | <b>820</b>      | <b>820</b>   | <b>-</b>     | <b>-</b>  |
| <b>TOTAL CASH FLOW HEDGES</b>   | <b>26</b>        | <b>(12)</b> | <b>914</b>      | <b>655</b>   | <b>259</b>   | <b>-</b>  |

(1) Currency trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. As IAS 21 requires receivables and payables denominated in foreign currencies to be systematically remeasured at the closing exchange rate with any gains or losses taken to income, the Group has elected not to designate these receivables and payables as part of a documented hedging relationship, although their impact on income is the same.

## (2) Impact of hedging Instruments on income and equity

### (a) Impact of cash flow hedges

| (in million euros)   | 2017 | 2016 |
|--|------|------|
| Change in effective portion recognised in equity   | 39   | (10) |
| Change in ineffective portion recognised in profit or loss                                     | (5)  | (8)  |
| Effective portion reclassified to the income statement under "Cost of goods and services sold" | (13) | (27) |
| Effective portion reclassified to the income statement under "Finance costs"                   | (9)  | (36) |

### (b) Impact of fair value hedges

| (in million euros)   | 2017        | 2016        |
|--|-------------|-------------|
| Change in ineffective portion recognised in profit or loss | (23)        | (37)        |
| <b>NET IMPACT ON INCOME (LOSS)</b>                         | <b>(23)</b> | <b>(37)</b> |

The "Net gain (loss) on hedges of borrowings" presented in Note 12.2.A also includes gains and losses on economic hedges that do not qualify for hedge accounting under IAS 39.





## 12.8. FINANCIAL INSTRUMENTS

### A. Financial assets and liabilities - definitions

Financial assets and liabilities within the meaning of IAS 39 include the items listed in the table in Note 12.8.E.

The event generating the balance sheet recognition is the transaction (i.e. commitment) date, and not the settlement date.

### B. Translation of transactions in foreign currencies

In compliance with IAS 21, transactions in foreign currencies are translated into the subsidiary's functional currency at the exchange rate on the transaction date. At each balance sheet date, monetary items are translated at the closing rate and the resulting exchange difference is recognised in profit or loss, as follows:

- in recurring operating income, for commercial transactions carried out by all Group companies and for financing transactions carried out by the Banque PSA Finance Group;
- in interest income or finance costs for financial transactions carried out by the manufacturing and sales companies.

### C. Recognition and measurement of financial assets

IAS 39 provides for different methods of measurement depending on the nature of the financial assets.

#### (1) Financial Assets at fair Value through Profit or Loss

These assets are recognised in the balance sheet at fair value. Any change in their fair value is recognised in profit or loss for the period.

#### (2) Loans and Receivables

"Loans and receivables" are carried at amortised cost measured using the effective interest method. When their maturities are very

short, their fair value corresponds to their carrying amount, including any impairment.

#### (3) Available-for-sale financial assets

"Available-for-sale financial assets" are securities that may be held on a lasting basis or sold in the short term. They are recognised in the balance sheet at fair value. Gains and losses arising from remeasurement at fair value are recognised directly in comprehensive income. Only impairment losses reflecting a prolonged or significant decline in fair value are recognised in the income statement of the period. An impairment loss is systematically recognised in profit or loss where the value falls by over 50% compared to the acquisition cost or over a minimum of three years. Furthermore, a special line-by-line analysis is carried out where the value falls over 30% compared to the acquisition cost or within a minimum of 1 year.

"Investments in non-consolidated companies" are carried on the balance sheet at their acquisition cost, which the Group considers to be representative of fair value, except in cases of impairment.

"Other non-current assets" classified as "available-for-sale" correspond to units in *Fonds d'Avenir Automobile* (FAA). FAA is a fund to support automotive equipment manufacturers set up at the French government's initiative under France's Automotive Industry Pact signed on 9 February 2009. The units are measured at fair value. This corresponds to their net asset value at the balance sheet date.

#### D. Recognition and measurement of financial liabilities

Borrowings and other financial liabilities are generally stated at amortised cost measured using the effective interest method.

When the Group obtains government loans at below-market interest rates, the loans' amortised cost is calculated through an effective interest rate based on market rates. The subsidy is recognised in accordance with IAS 20 as related either to assets or to income, depending on the purpose for which the funds are used.

## E. Financial Instruments reported in the balance sheet

|  | 31 December 2017 |               | Analysis by class of instrument                  |                                     |  |                              |                        |
|--|------------------|---------------|--|-------------------------------------|--|------------------------------|------------------------|
|  | Carrying amount  | Fair value    | Instruments at fair value through profit or loss | Available-for-sale financial assets | Loans, receivables and other liabilities | Borrowings at amortised cost | Derivative instruments |
| <i>(in million euros)</i>                    |                  |               |  |                                     |  |                              |                        |
| Other non-current financial assets           | 487              | 487           | 223  | -                                   | 255                                      | -                            | 9                      |
| Other non-current assets <sup>(1)</sup>      | 972              | 972           | -  | 460                                 | 506                                      | -                            | 6                      |
| Trade receivables                            | 2,367            | 2,367         | -  | -                                   | 2,367                                    | -                            | -                      |
| Other receivables                            | 2,636            | 2,636         | -  | -                                   | 2,362                                    | -                            | 274                    |
| Current financial assets                     | 1,269            | 1,269         | -  | -                                   | 1,261                                    | -                            | 8                      |
| Financial investments                        | 165              | 165           | 165  | -                                   | -  | -                            | -                      |
| Cash and cash equivalents                    | 11,582           | 11,582        | 11,582   | -                                   | -  | -                            | -                      |
| <b>ASSETS</b>                                | <b>19,478</b>    | <b>19,478</b> | <b>11,970</b>                                    | <b>460</b>                          | <b>6,751</b>                             | <b>-</b>                     | <b>297</b>             |
| Non-current financial liabilities            | 4,778            | 4,906         | -  | -                                   | -  | 4,778                        | -                      |
| Other non-current liabilities <sup>(2)</sup> | 100              | 100           | -  | -                                   | 95                                       | -                            | 5                      |
| Trade payables                               | 13,362           | 13,362        | -  | -                                   | 13,362                                   | -                            | -                      |
| Other payables                               | 7,878            | 7,878         | -  | -                                   | 7,675                                    | -                            | 203                    |
| Current financial liabilities                | 2,531            | 2,505         | -  | -                                   | -  | 2,529                        | 2                      |
| <b>LIABILITIES</b>                           | <b>28,649</b>    | <b>28,751</b> | <b>-</b>   | <b>-</b>                            | <b>21,132</b>                            | <b>7,307</b>                 | <b>210</b>             |

(1) Other non-current assets exclude the amount of pension plan surpluses (see Note 9.1), which are not financial assets as defined by IAS 39.

(2) Excluding liabilities related to vehicles sold with a buyback commitment.



|  | 31 December 2016 |               | Analysis by class of instrument                  |                                     |  |                              |                        |
|--|------------------|---------------|--|-------------------------------------|--|------------------------------|------------------------|
|  | Carrying amount  | Fair value    | Instruments at fair value through profit or loss | Available-for-sale financial assets | Loans, receivables and other liabilities | Borrowings at amortised cost | Derivative instruments |
| <i>(in million euros)</i>                    |                  |               |  |                                     |  |                              |                        |
| Other non-current financial assets           | 685              | 685           | 380  | -                                   | 285                                      | -                            | 20                     |
| Other non-current assets <sup>(1)</sup>      | 639              | 639           | -  | 249                                 | 362                                      | -                            | 28                     |
| Trade receivables                            | 1,560            | 1,560         | -  | -                                   | 1,560                                    | -                            | -                      |
| Other receivables                            | 1,763            | 1,763         | -  | -                                   | 1,722                                    | -                            | 41                     |
| Current financial assets                     | 629              | 629           | -  | -                                   | 627                                      | -                            | 2                      |
| Financial investments                        | 110              | 110           | 110  | -                                   | -  | -                            | -                      |
| Cash and cash equivalents                    | 11,576           | 11,576        | 11,576   | -                                   | -  | -                            | -                      |
| <b>ASSETS</b>                                | <b>16,962</b>    | <b>16,962</b> | <b>12,066</b>                                    | <b>249</b>                          | <b>4,556</b>                             | <b>-</b>                     | <b>91</b>              |
| Non-current financial liabilities            | 4,526            | 4,528         | -  | -                                   | -  | 4,524                        | 2                      |
| Other non-current liabilities <sup>(2)</sup> | 162              | 162           | -  | -                                   | 140                                      | -                            | 22                     |
| Trade payables                               | 9,352            | 9,352         | -  | -                                   | 9,352                                    | -                            | -                      |
| Other payables                               | 5,366            | 5,366         | -  | -                                   | 5,349                                    | -                            | 17                     |
| Current financial liabilities                | 1,661            | 1,667         | -  | -                                   | -  | 1,649                        | 12                     |
| <b>LIABILITIES</b>                           | <b>21,067</b>    | <b>21,075</b> | <b>-</b>   | <b>-</b>                            | <b>14,841</b>                            | <b>6,173</b>                 | <b>53</b>              |

(1) Other non-current assets exclude the amount of pension plan surpluses (see Note 9.1), which are not financial assets as defined by IAS 39.

(2) Excluding liabilities related to vehicles sold with a buyback commitment.

The fair value of financial instruments held by the Group is calculated whenever it can be estimated reliably on the basis of market data for assets considering that they are not intended to be sold. The fair value of financial instruments traded on an active

market is based on the market price at the balance sheet date. The market price used for financial assets held by the Group is the bid price on the market at the measurement date.

## F. Information about financial assets and liabilities measured at fair value

|   | 31 December 2017       |  |                                     | 31 December 2016       |  |                                     |
|---|------------------------|--|-------------------------------------|------------------------|--|-------------------------------------|
|   | Derivative instruments | Instruments at fair value through profit or loss | Available-for sale financial assets | Derivative instruments | Instruments at fair value through profit or loss | Available-for sale financial assets |
| <i>(in million euros)</i>   |                        |  |                                     |                        |  |                                     |
| <b>Level 1 fair value inputs: quoted prices in active markets</b>     |                        |  |                                     |                        |  |                                     |
| Other non-current financial assets                                    | -                      | 223  | -                                   | -                      | 380  | -                                   |
| Financial investments   | -                      | 165  | -                                   | -                      | 110  | -                                   |
| Cash and cash equivalents   | -                      | 11,582   | -                                   | -                      | 11,576   | -                                   |
| <b>Level 2 fair value inputs: based on observable market data</b>     |                        |  |                                     |                        |  |                                     |
| Other non-current financial assets                                    | 9                      | -  | -                                   | 20                     | -  | -                                   |
| Other non-current assets  | 6                      | -  | -                                   | 28                     | -  | -                                   |
| Other receivables   | 274                    | -  | -                                   | 41                     | -  | -                                   |
| Current financial assets  | 8                      | -  | -                                   | 2                      | -  | -                                   |
| <b>Level 3 fair value inputs: not based on observable market data</b> |                        |  |                                     |                        |  |                                     |
| Other non-current financial assets                                    | -                      | -  | 391                                 | -                      | -  | 185                                 |
| Other non-current assets  | -                      | -  | 69                                  | -                      | -  | 64                                  |
| <b>TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE</b>                  | <b>297</b>             | <b>11,970</b>                                    | <b>460</b>                          | <b>91</b>              | <b>12,066</b>                                    | <b>249</b>                          |

The change in level 3 fair value does not contain any material items.

|   | 31 December 2017       |  |                   | 31 December 2016       |  |                   |
|---|------------------------|--|-------------------|------------------------|--|-------------------|
|   | Derivative instruments | Instruments at fair value through profit or loss | Other liabilities | Derivative instruments | Instruments at fair value through profit or loss | Other liabilities |
| <i>(in million euros)</i>   |                        |  |                   |                        |  |                   |
| <b>Level 1 fair value inputs: quoted prices in active markets</b>     |                        |  |                   |                        |  |                   |
| <b>Level 2 fair value inputs: based on observable market data</b>     |                        |  |                   |                        |  |                   |
| Non-current financial liabilities                                     | -                      | -  | -                 | (2)                    | -  | -                 |
| Other non-current liabilities   | (5)                    | -  | -                 | (22)                   | -  | -                 |
| Other payables  | (203)                  | -  | -                 | (17)                   | -  | -                 |
| Current financial liabilities   | (2)                    | -  | -                 | (12)                   | -  | -                 |
| <b>Level 3 fair value inputs: not based on observable market data</b> |                        |  |                   |                        |  |                   |
| <b>TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE</b>             | <b>(210)</b>           | <b>-</b>   | <b>-</b>          | <b>(53)</b>            | <b>-</b>   | <b>-</b>          |

### G. Information about financial assets and liabilities not measured at fair value

|                                   | 31 December 2017 |            | Fair value level |         |         |
|-----------------------------------|------------------|------------|------------------|---------|---------|
|                                   | Carrying amount  | Fair value | Level 1          | Level 2 | Level 3 |
| <i>(in million euros)</i>         |                  |            |                  |         |         |
| <b>Liabilities</b>                |                  |            |                  |         |         |
| Non-current financial liabilities | 4,778            | 4,906      | 3,881            | 1,025   | -       |
| Current financial liabilities     | 2,529            | 2,503      | 625              | 1,878   | -       |

|                                   | 31 December 2016 |            | Fair value level |         |         |
|-----------------------------------|------------------|------------|------------------|---------|---------|
|                                   | Carrying amount  | Fair value | Level 1          | Level 2 | Level 3 |
| <i>(in million euros)</i>         |                  |            |                  |         |         |
| <b>Liabilities</b>                |                  |            |                  |         |         |
| Non-current financial liabilities | 4,524            | 4,526      | 3,702            | 824     | -       |
| Current financial liabilities     | 1,649            | 1,655      | 395              | 1,260   | -       |

### H. Effect of financial Instruments on profit or loss

|  | 2017                    |  | Analysis by class of instrument     |  |                              |                        |
|--|-------------------------|--|-------------------------------------|--|------------------------------|------------------------|
|  | Income Statement Impact | Instruments at fair value through profit or loss | Available-for sale financial assets | Loans, receivables and other liabilities | Borrowings at amortised cost | Derivative instruments |
| <i>(in million euros)</i>                        |                         |  |                                     |  |                              |                        |
| <b>Manufacturing and sales companies</b>         |                         |  |                                     |  |                              |                        |
| Total interest income                            | 10                      | -  | -                                   | 10                                       | -                            | -                      |
| Total interest expense                           | (210)                   | -  | -                                   | -  | (210)                        | -                      |
| Remeasurement <sup>(1)</sup>                     | (3)                     | 32   | -                                   | (14)                                     | 18                           | (39)                   |
| Disposal gains and dividends                     | 14                      | -  | 15                                  | (1)                                      | -                            | -                      |
| Net impairment                                   | (123)                   | -  | (6)                                 | (117)                                    | -                            | -                      |
| <b>TOTAL - MANUFACTURING AND SALES COMPANIES</b> | <b>(312)</b>            | <b>32</b>  | <b>9</b>                            | <b>(122)</b>                             | <b>(192)</b>                 | <b>(39)</b>            |

(1) For instruments classified as "at fair value through profit or loss", remeasurement includes interest and dividends received.

|  | 2016                    |  | Analysis by class of instrument     |  |                              |                        |
|--|-------------------------|--|-------------------------------------|--|------------------------------|------------------------|
|  | Income Statement Impact | Instruments at fair value through profit or loss | Available-for sale financial assets | Loans, receivables and other liabilities | Borrowings at amortised cost | Derivative instruments |
| <i>(in million euros)</i>                        |                         |  |                                     |  |                              |                        |
| <b>Manufacturing and sales companies</b>         |                         |  |                                     |  |                              |                        |
| Total interest income                            | 11                      | -  | -                                   | 11                                       | -                            | -                      |
| Total interest expense                           | (320)                   | -  | -                                   | -  | (320)                        | -                      |
| Remeasurement <sup>(1)</sup>                     | 81                      | 84   | -                                   | 1  | 1                            | (5)                    |
| Disposal gains and dividends                     | (138)                   | -  | 35                                  | (173)                                    | -                            | -                      |
| Net impairment                                   | -                       | -  | (4)                                 | 4  | -                            | -                      |
| <b>TOTAL - MANUFACTURING AND SALES COMPANIES</b> | <b>(366)</b>            | <b>84</b>  | <b>31</b>                           | <b>(157)</b>                             | <b>(319)</b>                 | <b>(5)</b>             |

(1) For instruments classified as "at fair value through profit or loss", remeasurement includes interest and dividends received.

### 12.9. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

|  | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| <i>(in million euros)</i>                        |                  |                  |
| Guarantees given                                 | 406              | 325              |
| Pledged or mortgaged assets                      | 478              | 538              |
|  | <b>884</b>       | <b>863</b>       |
| <i>Of which Opel Vauxhall Automotive segment</i> | 128              |                  |



### Pledged or mortgaged assets

This item includes the French government bonds (OATs) given as collateral for loans from the European Investment Bank (EIB). When the maturities of French government bonds do not correspond to those of loans, commitments are covered in cash.

The following table analyses pledged and mortgaged assets by commitment period:

PLEDGES OR MORTGAGES EXPIRING IN THE YEARS INDICATED

| <i>(in million euros)</i>                | <b>31 December 2017</b> | <b>31 December 2016</b> |
|--|-------------------------|-------------------------|
| 2017                                     | -                       | 435                     |
| 2018                                     | 391                     | 16                      |
| 2019                                     | 6                       | 44                      |
| 2020                                     | 38                      | -                       |
| 2021                                     | -                       | -                       |
| Subsequent years                         | 43                      | 43                      |
| <b>TOTAL PLEDGED OR MORTGAGED ASSETS</b> | <b>478</b>              | <b>538</b>              |
| Total assets                             | 57,505                  | 45,153                  |
| Percentage of total assets               | 0.8%                    | 1.2%                    |

## NOTE 13 FINANCING AND FINANCIAL INSTRUMENTS - FINANCE COMPANIES

### 13.1. ACCOUNTING POLICIES

#### A. Financial assets and liabilities - definitions

The assets and liabilities of finance companies mainly include loans and receivables, marketable securities and debts.

#### B. Recognition and measurement of financial assets

##### (1) Financial assets at fair value through profit or loss

Marketable securities are carried at fair value through profit or loss if they benefit from interest rate hedges. Changes in the fair value of the hedged securities are recognised directly in profit or loss, together with the offsetting change fair value of the economic hedges.

##### (2) Loans and receivables

Loans and receivables reported in the balance sheet correspond to Banque PSA Finance's net financial commitment in respect of the loans and receivables. Their carrying amount includes the following items before the effect of hedge accounting:

- outstanding principal;
- accrued interest;
- unamortised commissions paid to referral agents as well as directly attributable administrative expenses incurred with third parties on inception of loans and receivables, which are added to the outstanding principal;
- unamortised contributions received from the brands, which are deducted from the outstanding principal;
- unamortised loan set-up costs, which are deducted from the outstanding principal;
- deposits received at the inception of finance leases, which are deducted from the amount financed.

Interest income is allocated by the effective interest method, with the effective interest rate being the rate that exactly discounts estimated future cash receipts through the expected life of the loan.

Loans and receivables are generally hedged against interest rate risks, with the hedged portion of the loan remeasured at fair value in accordance with hedge accounting policies. Gains and losses arising from remeasurement at fair value are recognised in profit or loss and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument. (see Note 12.7.B).

Loans and receivables are tested for impairment when a loss event occurs, corresponding in practice to default on a single instalment. Impairment is measured by comparing the carrying amount of the loan or receivable to the present value of estimated future cash flows discounted at the effective interest rate.

For retail loans and receivables:

- an impairment loss is recognised on sound loans when the borrower defaults on a single instalment. Impairment is assessed based on the probability of the outstanding loan being classified as non-performing and on the discounted average loss ratio;
- impairment losses on non-performing loans are determined based on the average loss ratio discounted at the loans' effective interest rate, which is used to calculate provisions for credit losses on non-performing and doubtful loans.

For other loans and receivables (consisting mainly of wholesale loans), provisions for known credit risks are determined on a case-by-case basis, when the first instalment is missed or at the latest when the loan is reclassified as non-performing. Reclassification occurs when at least one instalment is over 91 days past due, or within a maximum of 451 days if it can be demonstrated that there is no counterparty risk. In the case of an aggravated risk, the loan may be reclassified as non-performing before the 91-day period has expired.

#### C. Recognition and measurement of financial liabilities

See Note 12.8.D.

## 13.2. CURRENT FINANCIAL ASSETS

### A. Loans and receivables - finance companies

#### (1) Analysis

| <i>(in million euros)</i>                    | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| Total net "Retail, Corporate and Equivalent" | 270              | 286              |
| Total net "Corporate Dealers"                | 61               | 60               |
| <b>TOTAL</b>                                 | <b>331</b>       | <b>346</b>       |

Retail, Corporate and Equivalent finance receivables represent loans provided by the finance companies to Peugeot, Citroën and DS customers to purchase or lease vehicles.

Wholesale finance receivables represent amounts due to Peugeot, Citroën and DS by their dealer networks and certain European importers which have been transferred to Group finance companies, and working capital loans provided by the finance companies to the dealer networks.

#### (2) Maturities of loans and receivables

| <i>(in million euros)</i>                            | 31 December 2017                       |                         |            |
|--|--|-------------------------|------------|
|  | Net "Retail, Corporate and Equivalent" | Net "Corporate Dealers" | Total      |
| Unallocated  | 9                                      | (25)                    | (16)       |
| Less than one year                                   | 181                                    | 62                      | 243        |
| Two to five years                                    | 117                                    | -                       | 117        |
| Beyond five years                                    | -                                      | -                       | -          |
| <b>Total gross loans and receivables outstanding</b> | <b>307</b>                             | <b>37</b>               | <b>344</b> |
| Guarantee deposits on leases                         | (1)                                    | -                       | (1)        |
| Depreciation   | (7)                                    | (5)                     | (12)       |
| <b>TOTAL NET LOANS AND RECEIVABLES OUTSTANDING</b>   | <b>299</b>                             | <b>32</b>               | <b>331</b> |

#### (3) Allowances for credit losses

| <i>(in million euros)</i>  | 31 December 2017                 |                  | 31 December 2016                 |                  |
|--|----------------------------------|------------------|----------------------------------|------------------|
|  | Retail, Corporate and Equivalent | Corporate Dealer | Retail, Corporate and Equivalent | Corporate Dealer |
| Performing loans with no past due balances                                     | 288                              | 64               | 290                              | 63               |
| Performing loans with past due balances and non-performing loans               | 17                               | 2                | 23                               | 8                |
| <b>Total gross loans and receivables outstanding</b>                           | <b>305</b>                       | <b>66</b>        | <b>313</b>                       | <b>71</b>        |
| Items taken into account in amortised cost calculations and guarantee deposits | (28)                             | -                | (20)                             | -                |
| Depreciation   | (7)                              | (5)              | (7)                              | (11)             |
| <b>TOTAL NET LOANS AND RECEIVABLES OUTSTANDING</b>                             | <b>270</b>                       | <b>61</b>        | <b>286</b>                       | <b>60</b>        |

### B. Short-term investments - Finance companies

Short-term investments consist primarily of certificates of deposit held by the securitisation funds.

### C. Cash and cash equivalents

Cash and cash equivalents amounted to €320 million at 31 December 2017 (€530 million at 31 December 2016), including term loans, central bank deposits, French treasury bonds and investments in mutual funds.



## 13.3. FINANCING LIABILITIES - FINANCE COMPANIES

| <i>(in million euros)</i>                                     | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| Other debt securities and bond debt                           | 257              | 301              |
| Bank borrowings   | 150              | 125              |
|   | <b>407</b>       | <b>426</b>       |
| Customer deposits   | 8                | 4                |
|   | <b>415</b>       | <b>430</b>       |
| <i>Amounts due to Group manufacturing and sales companies</i> | (8)              | (9)              |
| <b>TOTAL</b>  | <b>407</b>       | <b>421</b>       |

## A. Analysis by maturity

| <i>(in million euros)</i> | 31 December 2017 | 31 December 2016 |
|---------------------------|------------------|------------------|
| ▸ Less than one year      | 150              | 165              |
| ▸ Two to five years       | 257              | 261              |
| ▸ Beyond five years       | -                | -                |
| <b>TOTAL</b>              | <b>407</b>       | <b>426</b>       |

## B. Analysis by repayment currency

All bonds are mainly repayable in euros. Other financial liabilities can be analysed as follows by repayment currency:

| <i>(in million euros)</i> | 31 December 2017 | 31 December 2016 |
|---------------------------|------------------|------------------|
| EUR                       | 2                | 21               |
| USD                       | 209              | 237              |
| ARS                       | 142              | 108              |
| Other currencies          | 54               | 60               |
| <b>TOTAL</b>              | <b>407</b>       | <b>426</b>       |

## C. Credit lines

| <i>(in million euros)</i>                | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| <b>UNDRAWN CONFIRMED LINES OF CREDIT</b> | <b>301</b>       | <b>365</b>       |

At 31 December 2017, the credit lines totalling €301 million are detailed as follows:

- €280 million in undrawn revolving bilateral lines;
- €21 million in undrawn various bank lines of credit.

## 13.4. MANAGEMENT OF FINANCIAL RISKS

### A. Financial risk management policy

Most of the financing activities for the networks and customers of PSA Group brands are now managed by the joint ventures with Santander and with BNP Paribas, which provide the financing and apply their risk management policies to them.

The risk management discussed below relates to the activities of Banque PSA Finance itself.

#### (1) Liquidity risk

The financing strategy of Banque PSA Finance is defined under the direction of the governing bodies of Banque PSA Finance.

Banque PSA Finance's capital structure and equity ratio comply with the latest regulatory requirements, reflecting the quality of the bank's assets.

Its financing is ensured by the broadest possible range of liquidity sources, matching of maturities of assets and liabilities. The implementation of this policy is monitored by the ALM Committee and the Risk Management Committee of Banque PSA Finance with in particular monitoring and forecasting of regulatory liquidity ratios and monitoring of financing plans drawn up by coherent region.

Since the establishment of local partnerships with Santander, Banque PSA Finance is no longer responsible for financing these entities.

#### Financing strategy implemented in 2017

At 31 December 2017, the only financing of Banque PSA Finance is derived from the bond issues.

The bank also has cash reserves of €572 million.

#### Renewal of bank facilities

Details of bank facilities are provided in Note 13.3.C.

#### Covenants

The revolving bilateral lines of credit (for a total outstanding amount of €301 million) signed by Banque PSA Finance in the first half of 2016, have the customary acceleration clauses for such arrangements.

In addition to these covenants representing market practices, the syndicated credit facilities continue to require retention of bank status, and the compliance with a "Common Equity Tier One" capital ratio of at least 11%.

#### (2) Interest rate risks

Banque PSA Finance's policy aims to measure, ring fence in the context of stress scenarios and if necessary reduce the impact of changes in interest rates using appropriate financial instruments to match interest rates on the loans and the related refinancing.

The implementation of this policy is monitored by the ALM Committee and the Risk Management Committee of Banque PSA Finance.

#### (3) Counterparty and credit risks

Banque PSA Finance's exposure to credit risk corresponds to the risk of losses due to borrower default or borrower failure to fulfill their contractual obligations. The counterparties concerned are Peugeot, Citroën and DS dealers and the dealers' retail customers. In the event of default, Banque PSA Finance generally has the right to repossess the vehicle and sell it on the used vehicle market. The risk that the vehicle's selling price on the used vehicle market will be less than the outstanding debt is taken into account in determining the amount of the related impairment (see Note 13.1.B).

Wholesale lending decisions for fleet customers and dealers are made based on a detailed risk assessment in accordance with strict rules on lending limits, either by the local Banque PSA Finance Credit Committees, or by the Group Credit Committee. The level of credit lines is dependent on the item to be financed, the client's risk rating and lastly the general level of risk borne by the approving Credit Committee. For its companies operated jointly with a partner, Banque PSA Finance has contractual mechanisms to ensure that it is properly involved in the decision-making and risk-monitoring process.

Retail loan acceptance processes are based on a local credit scoring system. To enhance its effectiveness, the scoring system is adapted according to the specific characteristics of each local market. For partnership subsidiaries, customer selection is the responsibility of the partner which uses the decision-making tools that it has developed. In both cases, the teams at Banque PSA Finance's headquarters monitor the level of risk of requests and acceptance closely on an on-going basis, as well as the characteristics of files with past due instalments.

Defaults with no impairment concern only corporate loans.

Corporate loans with one or more installments that are over 90 days past due and loans to local administrations with one or more installments that are over 270 days past due are not classified as non-performing when the delays are due to payment incidents or claims, and do not reflect a default risk.

Concerning concentration of credit risks, Banque PSA Finance continually monitors its largest exposures to ensure that they remain at reasonable levels and do not exceed the limits set in banking regulations.

Banque PSA Finance's exposure to financial counterparties is limited to (i) the investment of funds corresponding to the liquidity reserve and of any excess cash, and (ii) the use of derivatives (swaps and options) to hedge currency and interest rate risks.

Available cash is invested in money market securities issued by leading banks, in deposit accounts with leading banks or in monetary mutual funds.

#### (4) Currency risk

Group policy consists of not entering into any operational currency positions. Liabilities are matched with assets in the same currency, entity-by-entity, using appropriate financial instruments if necessary. The hedging is achieved using cross currency swaps, currency swaps and forward foreign exchange contracts.





The Group does not hedge its net investment in foreign operations.

In view of the Group's hedging policy of the operational currency positions, a change in exchange rates at the level of the finance companies would not have any material impact on consolidated profit or equity.

### B. Hedging Instruments: Finance Companies

The different types of hedges and their accounting treatment are described in Note 12.7.B.

### Impact of hedging instruments on income and equity

#### IMPACT OF FAIR VALUE HEDGES

| <i>(in million euros)</i>   | 2017       | 2016       |
|---|------------|------------|
| Gains and losses on remeasurement of hedged customer loans recognised in profit or loss           | -          | 1          |
| Gains and losses on remeasurement of hedges of customer loans recognised in profit or loss        | -          | (2)        |
| <b>NET IMPACT ON INCOME (LOSS)</b>  | <b>-</b>   | <b>(1)</b> |
| Gains and losses on remeasurement of financial liabilities recognised in profit or loss           | 6          | 10         |
| Gains and losses on remeasurement of hedges of financial liabilities recognised in profit or loss | (12)       | (10)       |
| <b>NET IMPACT ON INCOME (LOSS)</b>  | <b>(6)</b> | <b>-</b>   |

The hedging has no effect on equity (other components of comprehensive income).

## 13.5. FINANCIAL INSTRUMENTS

### A. Financial instruments reported in the balance sheet

| <i>(in million euros)</i>                  | 31 December 2017 |            | Analysis by class of instrument                  |                                     |  |                              |                        |
|--|------------------|------------|--|-------------------------------------|--|------------------------------|------------------------|
|  | Carrying amount  | Fair value | Instruments at fair value through profit or loss | Available-for-sale financial assets | Loans, receivables and other liabilities | Borrowings at amortised cost | Derivative instruments |
| Other non-current financial assets         | 23               | 23         | 23   | -                                   | -  | -                            | -                      |
| Other non-current assets                   | 103              | 103        | 101  | 2                                   | -  | -                            | -                      |
| Loans and receivables - finance companies  | 331              | 331        | -  | -                                   | 331                                      | -                            | -                      |
| Short-term investments - finance companies | 114              | 114        | 114  | -                                   | -  | -                            | -                      |
| Other receivables                          | 85               | 85         | -  | -                                   | 83                                       | -                            | 2                      |
| Cash and cash equivalents                  | 320              | 320        | 320  | -                                   | -  | -                            | -                      |
| <b>ASSETS</b>                              | <b>976</b>       | <b>976</b> | <b>558</b>                                       | <b>2</b>                            | <b>414</b>                               | <b>-</b>                     | <b>2</b>               |
| Financing liabilities - finance companies  | 415              | 415        | -  | -                                   | -  | 415                          | -                      |
| Other payables                             | 81               | 81         | -  | -                                   | 80                                       | -                            | 1                      |
| <b>LIABILITIES</b>                         | <b>496</b>       | <b>496</b> | <b>-</b>   | <b>-</b>                            | <b>80</b>                                | <b>415</b>                   | <b>1</b>               |

### B. Information about financial assets and liabilities measured at fair value

The fair values of the marketable securities held by finance companies are at level 2.

### C. Information about financial assets and liabilities not measured at fair value

| <i>(in million euros)</i>                 | 31 December 2017 |            | Fair value level |         |         |
|---|------------------|------------|------------------|---------|---------|
|   | Carrying amount  | Fair value | Level 1          | Level 2 | Level 3 |
| <b>Assets</b>                             |                  |            |                  |         |         |
| Loans and receivables - finance companies | 331              | 331        | -                | -       | 331     |
| <b>Liabilities</b>                        |                  |            |                  |         |         |
| Financing liabilities - finance companies | 406              | 406        | 256              | -       | 150     |

### D. Effect of financial instruments on profit or loss

|                                  | 2017                    |  |                                     |  |                              |                        |
|----------------------------------|-------------------------|--|-------------------------------------|--|------------------------------|------------------------|
|                                  | Income Statement Impact | Instruments at fair value through profit or loss | Available-for sale financial assets | Loans, receivables and other liabilities | Borrowings at amortised cost | Derivative instruments |
| <i>(in million euros)</i>        |                         |  |                                     |  |                              |                        |
| <b>Finance companies</b>         |                         |  |                                     |  |                              |                        |
| Total interest income            | 72                      | -  | -                                   | 72                                       | -                            | -                      |
| Total interest expense           | (47)                    | -  | -                                   | -  | (47)                         | -                      |
| Remeasurement <sup>(1)</sup>     | 3                       | 9  | -                                   | 6  | -                            | (12)                   |
| Net impairment                   | (5)                     | -  | -                                   | (5)                                      | -                            | -                      |
| <b>TOTAL - FINANCE COMPANIES</b> | <b>23</b>               | <b>9</b>   | <b>-</b>                            | <b>73</b>                                | <b>(47)</b>                  | <b>(12)</b>            |

(1) For instruments classified as "at fair value through profit or loss", remeasurement includes interest and dividends received.

Concerning the Finance companies, the impact on the income statement of assets and liabilities pursuant to IAS 39 is recognised in "recurring operating income".

### 13.6. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

*(in million euros)*

|                                    | 31 December 2017 | 31 December 2016 |
|------------------------------------|------------------|------------------|
| Financing commitments to customers | 12               | 10               |



## NOTE 14 INCOME TAXES

In accordance with **IAS 12 "Income Taxes"**, deferred taxes are calculated for all temporary differences between the tax base of assets and liabilities and their carrying amount. Deferred tax liabilities are systematically recognised, while deferred tax assets are recognised only when there is a reasonable expectation that they will be recovered.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and equity-accounted companies, except to the extent that both of the following conditions are satisfied:

- the Group is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

In practice:

- for subsidiaries fully consolidated, a deferred tax liability is recognised only in respect of distribution taxes on dividends that will be paid by the subsidiary in the following year by decision of the Group;
- for equity-accounted companies, a deferred tax liability on dividend distributions is recognised for all differences between the tax base of the shares and their carrying amount;
- current tax benefits generated by intragroup provisions and sales are not cancelled by recognising deferred tax liabilities, except when the difference is considered to be temporary, for example, when the Group plans to divest the subsidiary.

### 14.1. INCOME TAXES OF FULLY-CONSOLIDATED COMPANIES

*(in million euros)*

|                                    | 2017         | 2016         |
|------------------------------------|--------------|--------------|
| <b>Current taxes</b>               |              |              |
| Corporate income taxes             | (565)        | (596)        |
| <b>Deferred taxes</b>              |              |              |
| Deferred taxes arising in the year | (136)        | 79           |
| <b>TOTAL</b>                       | <b>(701)</b> | <b>(517)</b> |

### A. Current taxes

Current taxes represent the amounts paid or currently due to the tax authorities for the year, calculated in accordance with the tax regulations and rates in effect in the various countries.

In France, Peugeot S.A. and its French subsidiaries that are at least 95%-owned maintained their election to determine French income taxes on a consolidated basis in accordance with Article 223 A of the French Tax Code.

The Group has also elected to file a consolidated tax return in other countries that have Group relief schemes.

When withholding taxes on management fees are used by the recipients to pay tax, income is recognised appropriately in current taxes.

### B. Tax rate in France

The French statutory income tax rate is 34.43%, including supplementary contributions.

The Amending Finance Act of 29 December 2013 raising this tax rate to 38% applies up to December 2015. The cap on offsetting tax loss carryforwards against taxable profit for the year is maintained at 50% in 2017.

The 2017 Finance Act changed the income tax rate in France to 28.92% from 2020, including the additional contribution. From 2022, this rate will be reduced to 25.83%.

The deferred tax assets and liabilities have been remeasured to reflect the new rates.

### C. Impairment losses on deferred taxes

Deferred taxes are determined as described above. Deferred taxes were tested for impairment on the basis of four-year tax estimates, consistent with the impairment testing of the Automotive Division CGU.

Tax loss carryforwards relating to the French tax group available for offsetting against net deferred tax liabilities (subject to the 50% cap) are recognised in the balance sheet.

## 14.2. RECONCILIATION BETWEEN THEORETICAL INCOME TAX IN FRANCE AND INCOME TAX IN THE CONSOLIDATED STATEMENT OF INCOME

This reconciliation covers the full results of consolidated companies regardless of their classification in the statement of income.

| <i>(in million euros)</i>  | <b>2017</b>  | <b>2016</b>  |
|--|--------------|--------------|
| Pre-tax profit (loss) from continuing operations   | 2,849        | 2,343        |
| Pre-tax profit (loss) before tax on expenses related to operations to be continued in partnership                    | -            | (16)         |
| Pre-tax profit (loss) from operations to be continued in partnership   | -            | 248          |
| <b>Income (loss) before tax of fully-consolidated companies</b>  | <b>2,849</b> | <b>2,575</b> |
| <i>French statutory income tax rate for the period</i>   | <i>34.4%</i> | <i>34.4%</i> |
| <b>Theoretical tax expense for the period based on the French statutory income tax rate</b>                          | <b>(981)</b> | <b>(887)</b> |
| <b>Tax effect of the following items:</b>  |              |              |
| › Permanent differences and unrecognised loss carryforwards of the period <sup>(1)</sup>                             | (102)        | 114          |
| › Income taxable at reduced rates  | 80           | 70           |
| › Tax credits  | 27           | 27           |
| › Effect of differences in foreign tax rates and other   | 133          | 83           |
| <b>Income tax before impairment losses on the French tax group</b>   | <b>(843)</b> | <b>(593)</b> |
| › Assets on French tax consolidation deficits of Peugeot S.A. generated during the year and unrecognised or impaired | 134          | 76           |
| › Other impairment losses  | 8            | (37)         |
| <b>INCOME TAX EXPENSE</b>  | <b>(701)</b> | <b>(554)</b> |
| › of which tax expense on continuing operations  | (701)        | (517)        |
| › of which tax expense on expenses related to operations to be continued in partnership                              | -            | 6            |
| › of which tax expense on operations to be continued in partnership  | -            | (43)         |

(1) Of which €(219) million in 2017 in respect of the tax loss carryforwards of Opel Vauxhall.

Tax credits include research tax credits that do not meet the definition of government grants.

### 14.3. CHANGE IN TAX ITEMS ON THE BALANCE SHEET

#### A. Analysis by nature

| <i>(in million euros)</i>                         | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| <b>Current Taxes</b>                              |                  |                  |
| Assets  | 353              | 164              |
| Liabilities                                       | (234)            | (172)            |
|   | <b>119</b>       | <b>(8)</b>       |
| <b>Deferred Taxes</b>                             |                  |                  |
| Assets before offsetting of French tax group loss | 1,421            | 1,170            |
| Offsetting of French tax group loss               | (617)            | (577)            |
| Net assets  | 804              | 593              |
| Liabilities                                       | (897)            | (895)            |
|   | <b>(93)</b>      | <b>(302)</b>     |

#### B. Movements for the year

| <i>(in million euros)</i>                 | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| <b>Current taxes</b>                      |                  |                  |
| <b>At beginning of period</b>             | <b>(8)</b>       | <b>(45)</b>      |
| Expense                                   | (565)            | (596)            |
| Payments                                  | 687              | 599              |
| Translation adjustments and other charges | 5                | 34               |
| <b>AT END OF PERIOD</b>                   | <b>119</b>       | <b>(8)</b>       |
| <b>Deferred Taxes</b>                     |                  |                  |
| <b>At beginning of period</b>             | <b>(302)</b>     | <b>(388)</b>     |
| Expense                                   | (136)            | 79               |
| Equity                                    | 21               | (20)             |
| Translation adjustments and other charges | 324              | 27               |
| <b>AT END OF PERIOD</b>                   | <b>(93)</b>      | <b>(302)</b>     |



## 14.4. DEFERRED TAX ASSETS AND LIABILITIES

(in million euros)

|   | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| <b>Tax credits</b>  | <b>13</b>        | <b>-</b>         |
| <b>Deferred tax assets on tax loss carryforwards</b>                              |                  |                  |
| <b>Gross<sup>(1)</sup></b>  | <b>5,007</b>     | <b>5,190</b>     |
| Valuation allowances  | (2,649)          | (1,719)          |
| Previously unrecognised deferred tax assets <sup>(2)</sup>                        | (1,741)          | (2,894)          |
| Deferred tax asset offset (French tax group) <sup>(3)</sup>                       | (534)            | (453)            |
| Other deferred tax assets offset  | (31)             | (9)              |
| <b>Total deferred tax assets on tax loss carryforwards</b>                        | <b>52</b>        | <b>115</b>       |
| Other deferred tax assets   | 739              | 478              |
| <b>DEFERRED TAX ASSETS</b>  | <b>804</b>       | <b>593</b>       |
| Deferred tax liabilities before offsetting of the French tax group <sup>(4)</sup> | (1,431)          | (1,348)          |
| Deferred tax liabilities offset (French tax group) <sup>(3)</sup>                 | 534              | 453              |
| <b>DEFERRED TAX LIABILITIES</b>   | <b>(897)</b>     | <b>(895)</b>     |

(1) The gross amount of deferred tax assets corresponding to tax loss carryforwards represents all deferred tax assets corresponding to tax losses that can be carried forward, regardless of whether they were recognised on the balance sheet at 31 December 2017.

(2) Of the impaired unrecognised deferred tax assets, €671 million (€722 million at 31 December 2016) are related to Faurecia, and €781 million are related to the French tax group (€1,883 million at 31 December 2016).

(3) Offsetting consists of presenting on the face of the balance sheet the net deferred tax position of the French tax group, with deferred tax assets covered by deferred tax liabilities, taking into account the legal restrictions on the use of tax loss carryforwards (see Note 14.1).

(4) The main temporary differences that generate deferred tax liabilities arise from the capitalisation of research and development costs and differences in amortisation or depreciation methods or periods.

Tax loss carryforwards relating to the French tax group totalled €11,788 million at 31 December 2017.

The IAS 12 test led to the impairment of Opel and its subsidiaries' deferred tax assets on loss carryforwards for €1,031 million and the deferred tax assets on temporary differences for €1,062 million, as well as the tax credits for €48 million.

## NOTE 15 EQUITY AND EARNINGS PER SHARE

## 15.1. EQUITY

## A. Capital management policy

The capital management policy relates to equity as defined under IFRS. It is designed to optimise the Group's cost of capital and ensure that it has secure long-term capital resources. Managing capital essentially involves deciding the level of capital to be held currently or in the future and setting dividend policies.

Equity breaks down into portions attributable to minority interests and to equity holders of the parent company.

Equity attributable to equity holders of the parent is equal to the share capital of Peugeot S.A. less any treasury shares, plus reserves and retained earnings of the Group's various business segments.

Minority interests mainly represent non-Group shareholders of Faurecia. Equity attributable to minority interests varies in line with changes in the Faurecia Group's consolidated equity (in particular net earnings and change in translation reserves) and - exceptionally - in the event of a sale, purchase or any other equity transaction carried out by Peugeot S.A. in respect of Faurecia.

There are no financial covenants based on consolidated equity. The drawdown on the confirmed credit facilities of Peugeot S.A. and GIE PSA Trésorerie is subject to compliance with an equity-based financial ratio (see Note 12.4).

Banque PSA Finance complies with the capital adequacy ratio and other capital requirements imposed under banking regulations.

Peugeot S.A. shares are held in treasury for the following purposes:

- to award shares to employees, directors and officers of the Company or of companies or groupings that are affiliated with it when the stock options are exercised or when performance plans' shares are allocated;
- to reduce the Company's share capital.

## B. Analysis of share capital and changes in the year

## Rights issues

## Capital increase consecutive to the exercise of equity warrants

As part of the capital increases carried out in the first half of 2014, equity warrants were issued to former shareholders, exercisable from the second year. During the year 2017, 128,295,194 warrants had been exercised, out of a total of 342,060,365 warrants issued. Their exercise resulted in the delivery of 44,903,318 new shares and a cash inflow of €288 million. The equity warrants (BSA) were exercisable until 29 April 2017.

## Employees shareholding plan

In Q4 2017, the Group undertook a capital increase reserved for employees. Over 11,000 employees took up this "Accelerate" offer. It resulted in the delivery of 1,508,515 treasury shares.

### Grants of Performance Shares by Peugeot S.A.

The performance shares plans established in 2015, 2016 and 2017 are described in Note 7.2.B.

### Analysis of share capital

| <i>(in euros)</i>                     | <b>2017</b>        | <b>2016</b>        |
|---------------------------------------|--------------------|--------------------|
| Share capital at beginning of period  | 859,924,895        | 808,597,336        |
| Equity warrants converted into shares | 44,903,318         | 51,327,559         |
| <b>SHARE CAPITAL AT END OF PERIOD</b> | <b>904,828,213</b> | <b>859,924,895</b> |

### Issuance of equity warrants

As part of the purchase of a majority interest in the Opel Vauxhall automotive business, 39,727,324 equity warrants were issued to Adam Opel GmbH, a subsidiary of the General Motors Group, for a total fair value of €541 million.

The equity warrants entitle the holder to subscribe for up to 39,727,324 shares in Peugeot S.A. with a par value of €1 each, with one share per warrant.

The exercise price of each warrant will be €1, and they will only be exercisable between the 5th and 9th years following the date of their issue. The issue of these warrants does not immediately impact consolidated equity.

The maximum amount of the capital increase liable to arise from this issue is €39,727,324 for 39,727,324 new shares. In addition, General Motors and its affiliated companies do not have any governance or voting rights in respect of these warrants, and are obliged to sell the PSA shares received within a period of 35 days from the date of exercise of the warrants.

### Situation at 31 December 2017

Share capital amounted to €904,828,213 at 31 December 2017, divided into shares with a par value of €1 each. It is fully paid-up. Shares may be held in registered or bearer form, at the shareholder's discretion. Following the capital increases carried out in the first-half of 2017, the stakes of Lions Participation (BPI France) which entered the capital on 19 June 2017, Dongfeng Motor Group and the Peugeot family (FFP and Établissements Peugeot Frères) each stood at 12.23% (12.86% at 31 December 2016) i.e. 110,622,220 shares each. For Dongfeng Motor Group, this stake accounted for 19.94% of the voting right, including treasury shares, and for 19.74% of the voting rights, excluding treasury shares. For the Peugeot family, this stake accounted for 17.63% of the voting right, including treasury shares, and for 17.45% of the voting rights, excluding treasury shares. For Lion Participation, this stake accounted for 9.97% of the voting right, including treasury shares, and for 9.87% of the voting rights, excluding treasury shares.

The share price on 31 December 2017 was €16.96.



### C. Treasury shares

All Peugeot S.A. shares held by the Group are recorded at cost as a deduction from equity. Proceeds from sales of treasury shares are taken to equity, so that any disposal gains or losses have no impact on profit (loss) for the period.

The Group may use the buyback authorisations given at Shareholders' Meetings to buy back Peugeot S.A. shares.

Changes in treasury shares are presented in the following table:

### (1) Number of shares held

| <i>(number of shares)</i>   | <b>Notes</b> | <b>2017 Transactions</b> | <b>2016 Transactions</b> |
|---|--------------|--------------------------|--------------------------|
| <b>At beginning of period</b>   |              | <b>9,113,263</b>         | <b>9,113,263</b>         |
| Purchases of treasury shares  |              | 5,729,987                |                          |
| Shares delivered under the 2015 performance shares plan                                     |              | (2,019,000)              | -                        |
| Shares delivered as part of the employees' shareholding plan                                |              | (1,508,515)              | -                        |
| <b>AT PERIOD-END</b>  |              | <b>11,315,735</b>        | <b>9,113,263</b>         |
| <b>Allocation</b>   |              |                          |                          |
| › Shares held for allocation on exercise of future performance share plans or stock options |              | 6,033,735                | 4,448,263                |
| › Coverage of the 2015 performance shares plan  | 7.2.B        | 389,000                  | 2,465,000                |
| › Coverage of the 2016 performance shares plan  | 7.2.B        | 2,200,000                | 2,200,000                |
| › Coverage of the 2017 performance shares plan  | 7.2.B        | 2,693,000                | -                        |
|   |              | <b>11,315,735</b>        | <b>9,113,263</b>         |

No cancellation of shares was made neither in 2016 nor in 2017. No purchases were made in 2016.

**(2) Change in value**

| <i>(in million euros)</i>                                    | <b>2017</b>  | <b>2016</b>  |
|--|--------------|--------------|
| <b>At beginning of period</b>                                | <b>(238)</b> | <b>(238)</b> |
| Purchases during the period                                  | (116)        | -            |
| Shares delivered under the 2015 performance shares plan      | 53           | -            |
| Shares delivered as part of the employees' shareholding plan | 31           | -            |
| <b>AT PERIOD-END</b>   | <b>(270)</b> | <b>(238)</b> |
| Average price per share (in euros)                           | 19,58        |              |

The purchase price of treasury shares is deducted from equity.

The share price on 31 December 2017 was €16.96.

**D. Reserves and retained earnings, excluding minority interests**

Reserves and retained earnings, including profit for the year, can be analysed as follows:

| <i>(in million euros)</i>  | <b>31 December 2017</b> | <b>31 December 2016</b> |
|--|-------------------------|-------------------------|
| Peugeot S.A. legal reserve   | 86                      | 80                      |
| Other Peugeot S.A. statutory reserves and retained earnings                  | 13,631                  | 13,650                  |
| Reserves and retained earnings of subsidiaries, excluding minority interests | 197                     | (1,695)                 |
| <b>TOTAL</b>   | <b>13,914</b>           | <b>12,035</b>           |

Other Peugeot S.A. statutory reserves and retained earnings include:

| <i>(in million euros)</i>                          | <b>31 December 2017</b> | <b>31 December 2016</b> |
|--|-------------------------|-------------------------|
| <b>Reserves available for distribution:</b>        |                         |                         |
| › Without any additional corporate tax being due   | 12,562                  | 12,582                  |
| › After deduction of additional tax <sup>(1)</sup> | 1,069                   | 1,068                   |
| <b>TOTAL</b>                                       | <b>13,631</b>           | <b>13,650</b>           |
| <b>Tax on distributed earnings</b>                 | <b>149</b>              | <b>198</b>              |

(1) Corresponding to the portion of the long-term capital gains reserve that remains subject to additional tax.

**E. Minority interests**

Minority interests correspond mainly to the interests of other shareholders of Faurecia.

**15.2. BASIC EARNINGS PER SHARE**

Basic earnings per share and diluted earnings per share are presented at the foot of the income statements. They are calculated as follows:

**A. Basic earnings per share - Attributable to equity holders of the parent**

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period.

The average number of shares outstanding is calculated by taking into account the number of shares issued and cancelled during the period and changes in the number of shares held in treasury shares.

|  | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|
| Consolidated basic earnings of continuing operations - attributable to equity holders of the parent <i>(in million euros)</i>          | 1,936       | 1,525       |
| Consolidated basic earnings - attributable to equity holders of the parent <i>(in million euros)</i>                                   | 1,929       | 1,730       |
| Average number of €1 par value shares outstanding  | 886,113,459 | 802,566,768 |
| <b>Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent <i>(in euros)</i></b> | <b>2.18</b> | <b>1.90</b> |
| <b>Basic earnings per €1 par value share <i>(in euros)</i> - attributable to equity holders of the parent</b>                          | <b>2.18</b> | <b>2.16</b> |

## B. Diluted earnings per share - Attributable to equity holders of the parent

Diluted earnings per share are calculated by the treasury shares method. This consists of taking into account the exercise of stock options, performance shares grants to employees and equity warrants.

The performance shares grants (see Note 7.2.B) and the equity warrants (see Note 15.1.B) had a potential dilutive effect on 31 December 2017.

The following tables show the effects of the calculation:

### (1) Effect on the average number of shares

|  | Notes  | 2017               | 2016               |
|--|--------|--------------------|--------------------|
| Average number of €1 par value shares outstanding              |        | 886,113,459        | 802,566,768        |
| Dilutive effect, calculated by the treasury shares method, of: |        |                    |                    |
| › Equity warrants (2014 capital increases)                     | 15.1.B | 10,763,952         | 91,404,878         |
| › Equity warrants delivered to General Motors Group            | 15.1.B | 39,727,324         | -                  |
| › Performance shares plans                                     | 7.2.B  | 4,350,427          | 4,115,300          |
| <b>Diluted average number of shares</b>                        |        | <b>940,955,162</b> | <b>898,086,946</b> |

### (2) Effect of Faurecia dilution on consolidated earnings of continuing operations - attributable to equity holders of the parent

| (in million euros)   | 2017         | 2016         |
|--|--------------|--------------|
| Consolidated profit (loss) from continuing operations - attributable to equity holders of the parent                       | 1,936        | 1,525        |
| Dilutive effect of Faurecia (stock options' plans and performance shares grants)   | -            | -            |
| <b>CONSOLIDATED PROFIT (LOSS) FROM CONTINUING OPERATIONS (AFTER FAURECIA DILUTION EFFECT)</b>                              | <b>1,936</b> | <b>1,525</b> |
| Diluted earnings of continuing operations - attributable to equity holders of the parent per €1 par value share (in euros) | 2.06         | 1.70         |

### (3) Effect of Faurecia dilution on consolidated earnings - attributable to equity holders of the parent

| (in million euros)  | 2017         | 2016         |
|---|--------------|--------------|
| Consolidated profit (loss) attributable to equity holders of the parent                         | 1,929        | 1,730        |
| Dilutive effect of Faurecia (stock options' plans and performance shares grants)                | -            | -            |
| <b>CONSOLIDATED PROFIT (LOSS) AFTER FAURECIA DILUTION</b>                                       | <b>1,929</b> | <b>1,730</b> |
| Diluted earnings attributable to equity holders of the parent per €1 par value share (in euros) | 2.05         | 1.93         |

The performance shares grants of Faurecia have a potential impact on the total number of Faurecia shares outstanding without affecting the number of shares held by Groupe PSA. Consequently, they have a potential dilutive effect on consolidated profit attributable to the PSA Group.

Due to their terms, the Faurecia stock options' plans do not have any material dilutive impact in 2016 and 2017.





## NOTE 16 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The statement of cash flows is partitioned into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities depending on the nature of the transactions.

The Group's main choices as regards presentation were as follows:

- interest flows were kept under cash flows from operating activities;
- payments received in connection with grants were allocated by function to cash flows from investing activities or cash flows from operating activities depending on the nature of the grant;
- the conversion options of convertible bonds (involving both optional and mandatory conversion) are presented on a capital increase line under cash flows from financing activities;
- voluntary contributions paid into pension funds are recognised under cash flows from operating activities;
- payments made on the deferred portion of a fixed asset purchase are presented under cash flows from investing activities for the period ("Change in amounts payable on fixed assets");
- tax payments are classified under cash flows from operating activities;
- bonds' redemptions are classified under cash flows from financing activities.

## 16.1. ANALYSIS OF NET CASH AND CASH EQUIVALENT REPORTED IN THE STATEMENTS OF CASH FLOWS

(in million euros)

|  | Notes  | 31 December 2017 | 31 December 2016 |
|--|--------|------------------|------------------|
| Cash and cash equivalents  | 12.5.C | 11,582           | 11,576           |
| Payments issued  | 12.6.C | (93)             | (112)            |
| Other  |        | 2                | -                |
| <b>Net cash and cash equivalents - manufacturing and sales companies</b> |        | <b>11,491</b>    | <b>11,464</b>    |
| <b>Net cash and cash equivalents - finance companies</b>                 | 13.2.C | <b>320</b>       | <b>530</b>       |
| <i>Elimination of intragroup transactions</i>                            |        | (8)              | (8)              |
| <b>TOTAL</b>   |        | <b>11,803</b>    | <b>11,986</b>    |

## 16.2. NET CHARGES TO DEPRECIATION, AMORTISATION AND IMPAIRMENT IN THE STATEMENT OF CASH FLOWS

(in million euros)

|                                       | Notes | 2017           | 2016           |
|---------------------------------------|-------|----------------|----------------|
| Depreciation and amortisation expense | 5.2   | (2,636)        | (2,576)        |
| Impairment of:                        |       |                |                |
| ▶ capitalised development costs       | 8.1.B | (80)           | (47)           |
| ▶ intangible assets                   | 8.1.B | -              | 2              |
| ▶ property, plant and equipment       | 8.2.B | 43             | 120            |
| Other                                 |       | (7)            | 4              |
| <b>TOTAL</b>                          |       | <b>(2,680)</b> | <b>(2,497)</b> |

## 16.3. CAPITAL INCREASE AND ACQUISITIONS OF CONSOLIDATED COMPANIES AND EQUITY INTEREST

The capital increases and acquisitions of consolidated companies and of equity interests during the year for €1,095 million mainly involved the following transactions:

- the acquisition of Opel Automobile GmbH for a net cash impact of €26 million (see Note 2.1);
- the acquisition of 50% of Opel Bank SA by Banque PSA Finance, a finance company in partnership with BNP Paribas for €489 million (see Note 2.2);
- Faurecia's acquisition of Coagent for €192 million;
- the €148 million capital increase by Automobiles Citroën and PSA Automobiles at Saipa Citroën Automobiles Company.

#### 16.4. INTEREST RECEIVED AND PAID BY THE MANUFACTURING AND SALES COMPANIES

Interest received and paid by manufacturing and sales companies is included in funds from operations, and is as follows:

| <i>(in million euros)</i>           | 2017         | 2016         |
|-------------------------------------|--------------|--------------|
| Interest received                   | 32           | 86           |
| Interest paid                       | (287)        | (377)        |
| <b>NET INTEREST RECEIVED (PAID)</b> | <b>(255)</b> | <b>(291)</b> |

#### 16.5. DETAIL OF CASH FLOW FROM OPERATIONS TO BE CONTINUED IN PARTNERSHIP

| <i>(in million euros)</i>  | 2017       | 2016           |
|--|------------|----------------|
| Other expenses related to the non-transferred financing of operations to be continued in partnership     | -          | (11)           |
| Change in liabilities related to the financing of operations to be continued in partnership              | -          | (2,299)        |
| <b>NET CASH RELATED TO THE NON-TRANSFERRED DEBT OF FINANCE COMPANIES TO BE CONTINUED IN PARTNERSHIP</b>  | <b>-</b>   | <b>(2,310)</b> |
| Profit (loss) from operations to be continued in partnership   | (7)        | 204            |
| Change in assets and liabilities of operations to be continued in partnership                            | -          | 759            |
| Net dividends received from operations to be continued in partnership                                    | -          | (120)          |
| <b>NET CASH FROM THE TRANSFERRED ASSETS AND LIABILITIES OF OPERATIONS TO BE CONTINUED IN PARTNERSHIP</b> | <b>(7)</b> | <b>843</b>     |



#### 16.6. DETAIL OF FREE CASH FLOW FROM MANUFACTURING AND SALES OPERATIONS

Operational free cash flow includes cash flows generated by operations net of investing activities excluding non-recurring items. It is determined as follows:

| <i>(in million euros)</i>   | 2017         | 2016         |
|---|--------------|--------------|
| Net cash from (used in) operating activities of continuing operations     | 5,213        | 4,937        |
| Net cash from (used in) investing activities of continuing operations     | (4,713)      | (2,673)      |
| Dividends received from Banque PSA Finance                                | -            | 434          |
| <b>Free cash flow</b>   | <b>500</b>   | <b>2,698</b> |
| Minus, net cash from non-recurring operating operations                   | (1,054)      | 164          |
| <b>OPERATIONAL FREE CASH FLOW FROM MANUFACTURING AND SALES OPERATIONS</b> | <b>1,554</b> | <b>2,534</b> |

Non-recurring operational cash flows mainly include cash flows from restructuring and changes in equity investments.

## NOTE 17 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

Off-balance sheet commitments given in the normal course of business were as follows at 31 December 2017:

| <i>(in million euros)</i>                            | Notes | 31 December 2017 | 31 December 2016 |
|--|-------|------------------|------------------|
| › Financing commitments                              | 12.9  | 884              | 863              |
| › Operating commitments                              | 8.4   | 3,346            | 2,413            |
| <b>Manufacturing and sales companies</b>             | 0     | <b>4,230</b>     | <b>3,276</b>     |
| <b>Finance companies</b>                             | 13.6  | <b>12</b>        | <b>10</b>        |
| <i>(1) Of which Opel Vauxhall Automotive segment</i> |       | 475              |                  |

### 17.1. CONTINGENT LIABILITIES

#### *Automotive equipment*

On 25 March 2014, the European Commission and the Department of Justice of the United States of America and on 27 November 2014, the Competition Commission of South Africa, initiated an enquiry covering certain suppliers of emission control systems on the basis for suspicions of anti-competitive practices in this segment. Faurecia is one of the companies covered by these enquiries. On 28 April 2017 the European Commission decided to terminate the investigation of certain suppliers of emission control systems initiated on 25 March 2014. The other inquiries are ongoing.

On 19 May 2017, the Brazilian Competition Authority (CADE) initiated an inquiry concerning Faurecia Emissions Control Technologies do Brasil and some of its former employees, alleging anti-competitive practices in the Brazilian emission control market.

Faurecia agreed settlements with claimants in the three ongoing class actions, which had been filed in the United States District Court for the Eastern District of Michigan against a number of suppliers of emission control systems, including various Faurecia Group companies, claiming anti-competitive practices involving exhaust systems. These settlements, for non-material amounts, for the amount of the defence legal fees, brought these class actions to an end.

Two class actions involving similar claims were also filed in Canada but are at a very preliminary stage.

In the event that anti-competitive practices are proven, possible sanctions include fines, criminal charges or civil damages. Faurecia is at present unable to predict the consequences of such inquiries and class actions including the level of fines or sanctions that could be imposed: therefore, no accruals were accounted for as of 31 December 2017.

#### *Automotive business*

The customs agreement governing the automotive industry between Brazil and Argentina provides for the payment of penalties by the Argentine automotive industry should the average ratio of imports to exports vis-à-vis Brazil exceed a certain threshold over the 2015-2020 period. Penalties may be payable by the Group should the automotive industry as a whole and the Group not hit the required ratio. No provision has been funded due to the uncertainties surrounding developments in the automotive markets in Argentina and Brazil between now and 2020 and the steps that the Group could take.

### 17.2. COMMITMENTS CONNECTED WITH THE GEFCO GROUP

Representations and warranties were made to JSC Russian Railways (RZD) as part of its acquisition of the GEFCO Group from PSA in December 2012. At 31 December 2017, the Group had not identified any material risks associated with these representations and warranties.

Under the logistics and transportation service agreements entered into by the PSA and GEFCO Groups, the Group gave guarantees regarding the satisfactory performance of the logistics contracts and a five-year exclusivity clause. An amendment signed in November 2016 supplemented these logistics and transportation service agreements. This amendment, which came into effect on 1 January 2017, extends the exclusivity clause until the end of 2021 and confirms the guarantees regarding the satisfactory performance of the logistics contracts given by PSA Group. At 31 December 2017, the Group had not identified any material risks associated with these guarantees.

## NOTE 18 RELATED PARTY TRANSACTIONS

Related parties are companies subject to significant influence consolidated by the equity method, members of the managing bodies and shareholders holding more than 10% of Peugeot S.A. capital.

Transactions with companies accounted for by the equity method are disclosed in Note 11.5. Other than these transactions, there were no significant transactions with other related parties.

## NOTE 19 SUBSEQUENT EVENTS

Between 31 December 2017 and 28 February 2018, the date on which the financial statements were approved by the Supervisory Board, no event likely to significantly impact the economic decisions made on the basis of these consolidated financial statements occurred.

## NOTE 20 FEES PAID TO THE AUDITORS

|  | Mazars     |            | EY         |            | PWC        |            |
|--|------------|------------|------------|------------|------------|------------|
|  | 2017       | 2016       | 2017       | 2016       | 2017       | 2016       |
| <i>(in million euros)</i>  |            |            |            |            |            |            |
| <b>Audit</b>   |            |            |            |            |            |            |
| Consolidated and statutory audit services                                |            |            |            |            |            |            |
| › Peugeot S.A.   | 0.7        | 0.2        | 0.7        | 0.3        | -          | -          |
| › Fully-consolidated subsidiaries  | 2.1        | 2.3        | 7.6        | 7.7        | 4.4        | 4.5        |
| <i>o/w France</i>  | 1.3        | 1.4        | 2.5        | 2.8        | 1.1        | 1.2        |
| <i>o/w International</i>   | 0.8        | 0.9        | 5.1        | 4.9        | 3.3        | 3.3        |
| <b>Sub-total</b>   | <b>2.8</b> | <b>2.5</b> | <b>8.3</b> | <b>8.0</b> | <b>4.4</b> | <b>4.5</b> |
| o/w Faurecia   | -          | -          | 4.1        | 4.1        | 4.4        | 4.5        |
| Excluding Faurecia   | 2.8        | 2.5        | 4.2        | 3.9        | -          | -          |
|  | 97%        | 100%       | 89%        | 94%        | 83%        | 82%        |
| <b>Other services than the consolidated and statutory audit services</b> |            |            |            |            |            |            |
| › Peugeot S.A.   | -          | -          | -          | -          | -          | -          |
| › Fully-consolidated subsidiaries  | 0.1        | -          | 1.0        | 0.5        | 0.9        | 1.0        |
| <i>o/w France</i>  | 0.1        | -          | 0.8        | 0.5        | 0.9        | 1.0        |
| <i>o/w International</i>   | -          | -          | 0.2        | -          | -          | -          |
| <b>Sub-total</b>   | <b>0.1</b> | <b>-</b>   | <b>1.0</b> | <b>0.5</b> | <b>0.9</b> | <b>1.0</b> |
| o/w Faurecia   | -          | -          | 0.5        | 0.5        | 0.9        | 0.8        |
| Excluding Faurecia   | 0.1        | -          | 0.5        | -          | -          | 0.2        |
|  | 3%         |            | 11%        | 6%         | 17%        | 18%        |
| <b>TOTAL</b>   | <b>2.9</b> | <b>2.5</b> | <b>9.3</b> | <b>8.5</b> | <b>5.3</b> | <b>5.5</b> |
| o/w Faurecia   | -          | -          | 4.6        | 4.6        | 5.3        | 5.3        |
| Excluding Faurecia   | 2.9        | 2.5        | 4.7        | 3.9        | -          | 0.2        |

Faurecia's Statutory Auditors are PricewaterhouseCoopers and EY.



## NOTE 21 CONSOLIDATED COMPANIES AT 31 DECEMBER 2017

The Companies listed below are fully consolidated, except those marked with an asterisk (\*), which are consolidated by the equity method, and those marked with two asterisks (\*\*), which are consolidated as joint operations and recognised in proportion to the share of assets, liabilities, revenue and expenses controlled by the Group.

| Company   | Country        | % interest | Company   | Country | % interest |
|---|----------------|------------|---|---------|------------|
| <b>Other businesses</b>   |                |            | Peugeot Citroën Mécanique du Nord-Ouest S.N.C.                        | France  | 100        |
| Peugeot S.A.  | France         | 100        | Peugeot-Citroën Mulhouse SNC  | France  | 100        |
| GIE PSA Trésorerie  | France         | 100        | Peugeot-Citroën Rennes SNC  | France  | 100        |
| Grande Armée Participations   | France         | 100        | Peugeot-Citroën Sochaux SNC   | France  | 100        |
| Financière Pergolèse  | France         | 100        | Automobiles Peugeot   | France  | 100        |
| PSA Ventures  | France         | 100        | Automobiles Citroën   | France  | 100        |
| SARAL   | Luxembourg     | 100        | Car On Way  | France  | 100        |
| PSA International S.A.  | Switzerland    | 100        | Citroën Argenteuil  | France  | 100        |
| Groupe GEFCO  | France         | 25*        | Citroën Dunkerque   | France  | 100        |
| Groupe PMTC - Peugeot Motocycles  | France         | 49*        | Conception d'Équipements Peugeot Citroën                              | France  | 100        |
| <b>Automotive Peugeot Citroën DS</b>                                    |                |            | DJ 56   | France  | 100        |
| PSA Automobiles S.A.  | France         | 100        | Française de Mécanique  | France  | 100        |
| Peugeot Algérie   | Algeria        | 100        | GEIE Sevelind   | France  | 100        |
| PCA Aseores de Seguros S.A.   | Argentina      | 98         | Mécanique et environnement SAS  | France  | 100        |
| Circulo de Inversores S.A.U. de Ahorro parafines de determinados - CISA | Argentina      | 100        | Mister Auto   | France  | 100        |
| Peugeot Citroën Argentine S.A.  | Argentina      | 100        | Peugeot Citroën Pièces de Rechange                                    | France  | 100        |
| Peugeot Austria GmbH  | Austria        | 100        | Peugeot Média Production  | France  | 100        |
| Peugeot Autohaus GmbH   | Austria        | 100        | Peugeot Saint-Denis Automobiles                                       | France  | 100        |
| Citroën Osterreich GmbH   | Austria        | 100        | Prince Garage des Petits Ponts  | France  | 100        |
| Peugeot Belgique Luxembourg   | Belgium        | 100        | PSA ID  | France  | 100        |
| Peugeot Distribution Service  | Belgium        | 100        | Sabrié  | France  | 100        |
| Citroën Bêlux   | Belgium        | 100        | Société Commerciale Distribution Pièces de Rechange et Services       | France  | 100        |
| PCI do Brasil Ltda  | Brazil         | 100        | Société Européenne de Véhicules Légers du Nord - SEVELNORD            | France  | 100        |
| PSA ventures serviços de mobilidade urbana Ltda                         | Brazil         | 100        | Société de Pièces et Services Automobile de l'Ouest                   | France  | 100        |
| Peugeot Citroën do Brasil Automoveis Ltda                               | Brazil         | 100        | Société Lilloise de Services et de Distribution de Pièces de Rechange | France  | 100        |
| Automores Franco Chilena SA   | Chile          | 100        | Société Lyonnaise de Pièces et Services Automobile                    | France  | 100        |
| Peugeot Chile   | Chile          | 100        | Société Nouvelle Armand Escalier                                      | France  | 100        |
| Peugeot Citroën (CHINA) Automotive Trade Co                             | China          | 100        | Pièces et Entretien Automobile Bordelais                              | France  | 100        |
| PSA (Shanghai) Management Co. Limited                                   | China          | 100        | Citroën Deutschland GmbH  | Germany | 100        |
| PSA (Wuhan) Management Co. Limited                                      | China          | 100        | PSA Retail GmbH   | Germany | 100        |
| PCA Logistika cz  | Czech Republic | 100        | Peugeot Deutschland GmbH  | Germany | 100        |
| Technoboost   | France         | 60         | Peugeot Citroën Deutschland GmbH                                      | Germany | 100        |
| Aramis SAS  | France         | 70         | Peugeot Citroën Retail Italia S.p.A.                                  | Italy   | 100        |
| Celor   | France         | 70         | Peugeot Automobili Italia S.P.A.                                      | Italy   | 100        |
| Société Industrielle Automobile de Provence                             | France         | 100        | Citroën Italia S.p.A.   | Italy   | 100        |
| Véhicules d'occasion Citroën et DS France                               | France         | 100        | PSA Services SRL  | Italy   | 100        |
| Peugeot Citroën Poissy S.N.C.   | France         | 100        | Peugeot Citroën Japon Co. Ltd.  | Japan   | 100        |
| PSA Retail France SAS   | France         | 100        | Peugeot Citroën Tokyo, Co Ltd   | Japan   | 100        |
| Société Mécanique Automobile de l'Est                                   | France         | 100        | Peugeot Mexico S.A. de C.V.   | Mexico  | 100        |
| Peugeot Citroën Mécanique de l'Est S.N.C.                               | France         | 100        | Servicios Automotores Franco-Mexicana S de RL de CV                   | Mexico  | 100        |
|   |                |            | Peugeot Citroën Automobiles Maroc                                     | Morocco | 95         |

**CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

Notes to the consolidated financial Statements at December 2017

| Company  | Country         | % interest |
|--|-----------------|------------|
| Peugeot Citroën DS Maroc                               | Morocco         | 100        |
| Peugeot Polska Sp. Zo. O.                              | Poland          | 100        |
| Citroën Polska Sp.ZO.O.                                | Poland          | 100        |
| Peugeot Citroën Automoveis Portugal S.A.               | Portugal        | 99         |
| Automoveis Citroën S.A.                                | Portugal        | 100        |
| Peugeot Portugal Automoveis Distribuição               | Portugal        | 100        |
| Peugeot Portugal Automoveis S.A.                       | Portugal        | 100        |
| Peugeot Citroën Russie                                 | Russia          | 100        |
| PCA Slovakia s.r.o.                                    | Slovakia        | 100        |
| Psa Services Centre Europe s.r.o.                      | Slovakia        | 100        |
| Plataforma Comercial de Retail, S.A.U.                 | Spain           | 97         |
| PSAG Automóviles comercial España, S.A.                | Spain           | 100        |
| Peugeot Citroën Automóviles España, S.A.               | Spain           | 100        |
| Placas de Piezas y Componentes de Recambios, S.A.      | Spain           | 100        |
| Peugeot Suisse S.A.                                    | Switzerland     | 100        |
| Citroën Suisse S.A.                                    | Switzerland     | 100        |
| PCR Retail Suisse SA                                   | Switzerland     | 100        |
| Peugeot Citroën Gestion International SA               | Switzerland     | 100        |
| PCMA Holding B.V.                                      | The Netherlands | 70         |
| Peugeot Nederland N.V.                                 | The Netherlands | 100        |
| Citroën Nederland B.V.                                 | The Netherlands | 100        |
| PSA Retail Nederland BV                                | The Netherlands | 100        |
| Peugeot Otomotiv Pazarlama A.S.                        | Turkey          | 100        |
| Peugeot Citroën Ukraine LLC                            | Ukraine         | 100        |
| Melvin Motors Ltd                                      | United Kindom   | 100        |
| Peugeot Citroën Retail UK Ltd                          | United Kindom   | 100        |
| Robins and Day Ltd                                     | United Kindom   | 100        |
| Warwick Wright Motors Chiswick Ltd                     | United Kindom   | 100        |
| Peugeot Citroën Automobiles UK Ltd                     | United Kindom   | 100        |
| Peugeot Motor Company PLC                              | United Kindom   | 100        |
| Rootes Ltd   | United Kindom   | 100        |
| Citroën UK Ltd   | United Kindom   | 100        |
| Wuhan Shenlong Hongtai Automotive Co. Ltd              | China           | 10*        |
| Changan PSA Automobiles Limited                        | China           | 50*        |
| Dongfeng Peugeot Citroën Automobiles Ltd               | China           | 50*        |
| Dongfeng Peugeot Citroën Automobiles International PTE | China           | 50*        |
| Dongfeng Peugeot Citroën Automobiles Sales Company Ltd | China           | 50*        |

| Company   | Country        | % interest |
|---|----------------|------------|
| Iran Khodro Automobiles Peugeot   | Iran           | 50*        |
| Saipa Citroën Company   | Iran           | 50*        |
| Peugeot Citroën South Africa Ltd  | South Africa   | 49*        |
| STAFIM-GROS   | Tunisia        | 34*        |
| Société Tunisienne Automobile Financière Immobilière et Maritime - STAFIM | Tunisia        | 34*        |
| Toyota Peugeot Citroën Automobiles Czech s.r.o.                           | Czech Republic | 50**       |
| Societa Europea Veicoli Leggeri S.p.a.                                    | Italy          | 50**       |
| PCMA Automotiv Rus  | Russia         | 70**       |

**Automotive Opel-Vauxhall**

|   |                 |     |
|---|-----------------|-----|
| Opel Automobile GmbH                            | Germany         | 100 |
| Opel Austria GmbH                               | Austria         | 100 |
| Opel Wien GmbH                                  | Austria         | 100 |
| Opel Automotive Services Belgium N.V.           | Belgium         | 100 |
| Opel Belgium N.V.                               | Belgium         | 100 |
| Opel Danmark A/S                                | Denmark         | 100 |
| Opel Finland Oy                                 | Finland         | 100 |
| Opel France S.A.S.                              | France          | 100 |
| Opel Group Warehousing GmbH                     | Germany         | 100 |
| Opel Hellas S.A.                                | Greece          | 100 |
| GBS Hungary Kft                                 | Hungary         | 100 |
| Opel Southeast Europe LLC                       | Hungary         | 100 |
| Opel Szentgotthard Automotive Manufacturing Ltd | Hungary         | 100 |
| Opel Automobile Ireland Limited                 | Ireland         | 100 |
| Opel Italia S.r.l.                              | Italy           | 100 |
| Opel Norge AS                                   | Norway          | 100 |
| Opel Manufacturing Poland Sp.z o.o.             | Poland          | 100 |
| Opel Poland Sp.z o.o.                           | Poland          | 100 |
| Opel Portugal, Lda                              | Portugal        | 100 |
| Opel Sibiu SRL                                  | Rumania         | 100 |
| Opel CIS LLC                                    | Russia          | 100 |
| Opel España, SLU                                | Spain           | 100 |
| Opel Europe Holdings, SLU                       | Spain           | 100 |
| Opel Sverige AB                                 | Sweden          | 100 |
| Opel Suisse S.A.                                | Switzerland     | 100 |
| Opel Nederland B.V.                             | The Netherlands | 100 |
| Opel Türkiye Otomotiv Ltd. Sirketi              | Turkey          | 100 |
| Baylis (Gloucester) Ltd                         | United Kingdom  | 93  |
| Go Motor Retailing Ltd                          | United Kingdom  | 95  |
| Automotive UK No. 1                             | United Kingdom  | 100 |
| Holdings UK No. 3 Limited                       | United Kingdom  | 100 |
| IBC Vehicles LTD                                | United Kingdom  | 100 |
| Vauxhall Motors Limited                         | United Kingdom  | 100 |
| VHC Sub-Holdings (UK)                           | United Kindom   | 100 |





## CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Notes to the consolidated financial Statements at December 2017

| Company   | Country   | % interest | Company  | Country        | % interest |
|---|-----------|------------|--|----------------|------------|
| <b>Automotive Equipment</b>                                     |           |            | Faurecia (Tianjin) Clean Mobility Co. Ltd              | China          | 46         |
| Faurecia  | France    | 46         | Faurecia (Wuhan) Automotive Components Systems Co      | China          | 46         |
| Faurecia Argentina SA   | Argentina | 46         | Faurecia (Wuxi) Seating Components Co Ltd              | China          | 46         |
| Faurecia Sistemas de Escape Argentina                           | Argentina | 46         | Faurecia (Yancheng) Automotive Systems Company Limited | China          | 46         |
| Faurecia Automotive Belgium                                     | Belgium   | 46         | Faurecia Changchung Xuyang Interiors Systems Co        | China          | 46         |
| Faurecia Industrie N.V.   | Belgium   | 46         | Faurecia Emiss. Ctrl Tech. Develop. (Shanghai) Cy Ltd  | China          | 46         |
| FMM Pernambuco Componentes Automotivos Ltda                     | Brazil    | 24         | Faurecia Emissions Ctrl Technologies (Chengdu) Co      | China          | 46         |
| Faurecia Automotive do Brasil                                   | Brazil    | 46         | Faurecia Exhaust Systems Changchun Company Ltd         | China          | 46         |
| Faurecia Emissions Control Technologies do Brasil               | Brazil    | 46         | Faurecia Exhaust Systems Qingpu Co. Ltd                | China          | 46         |
| Faurecia Emissions Ctrl Techn. Canada Ltd                       | Canada    | 46         | Faurecia Honghu Exhaust Systems Shangai Company Ltd    | China          | 46         |
| CSM Faurecia Automotive Parts Co. Ltd                           | China     | 23         | Faurecia NHK (Xiangyang) Automotive seating Co Ltd     | China          | 46         |
| Dongfeng Faurecia Emissions Control Technologies Co., Ltd       | China     | 23         | Faurecia Tongda Exhaust System (Wuhan) Company Ltd     | China          | 46         |
| Faurecia Liuzhou Automotive Seating Co., Ltd                    | China     | 23         | Faurecia-GSK Automotive seating co Ltd                 | China          | 46         |
| Faurecia (Tianjin) Automotive Systems Co. Ltd                   | China     | 24         | Foshan Faurecia Xuyang Interior Syst. Cny Limited      | China          | 46         |
| Faurecia Yinlun Emissions Control Technology (Weifang) Co.      | China     | 24         | Nanchang   | China          | 46         |
| Changchun Faurecia Xuyang Automotive Seat CO                    | China     | 46         | Ningbo   | China          | 46         |
| Changsha Faurecia Emissions Control Technologies Co. Ltd        | China     | 46         | PowerGreen Emissions Control Technologies Co. Ltd      | China          | 46         |
| Chengdu Faurecia Limin Automotive Systems Company Limited       | China     | 46         | Shanghai Faurecia Automotive Seating Co Ltd            | China          | 46         |
| Chongqing Faurecia Changpeng Automotive Parts Co. Ltd           | China     | 46         | Tianjin Faurecia Xuyang Automotive Seat Co. Ltd        | China          | 46         |
| Cummings Beijing  | China     | 46         | Emcon Tech. Czech Republic                             | Czech Republic | 46         |
| Dongfeng Faurecia Automotive Interior Systems Co. Ltd           | China     | 46         | Faurecia Automotiv Czech Republic                      | Czech Republic | 46         |
| Emcon Emmi Tech. Chongqing Co Limited                           | China     | 46         | Faurecia Components Pisek s.r.o                        | Czech Republic | 46         |
| Emcon Env Tech. Yantai Co Limited                               | China     | 46         | Faurecia Exhaust Systems Moravia S.r.o                 | Czech Republic | 46         |
| Emissions Control Technologies (Shanghai) Co Limited            | China     | 46         | Faurecia Exhaust Systems S.R.O.                        | Czech Republic | 46         |
| Emissions Control Technologies Foshan Company Limited           | China     | 46         | Faurecia Interior Systems Bohemia S.r.o.               | Czech Republic | 46         |
| Emissions Control Technologies Ningbo Hangzhou Bay New District | China     | 46         | Faurecia Interiors Pardubice S.r.o                     | Czech Republic | 46         |
| Faurecia (Changchun) Automotive Systems                         | China     | 46         | Étud. et Constr. sièges pr l'Automobile                | France         | 46         |
| Faurecia (Changshu) Automotive Systems Co.,Ltd                  | China     | 46         | Faurecia ADP Holding                                   | France         | 46         |
| Faurecia (China) Holding Co. Ltd                                | China     | 46         | Faurecia automotive Holdings Inc                       | France         | 46         |
| Faurecia (Guangzhou) Automotive Systems Co                      | China     | 46         | Faurecia Automotive Industrie                          | France         | 46         |
| Faurecia (Jimo) Emissions Control Technologies Co. Ltd          | China     | 46         | Faurecia Automotives Composites                        | France         | 46         |
| Faurecia (Nanjing) Automotive Systems Co                        | China     | 46         | Faurecia Exhaust International                         | France         | 46         |
| Faurecia (Qingdao) Exhaust Systems Co Ltd                       | China     | 46         | Faurecia Exteriors International                       | France         | 46         |
| Faurecia (Shanghai) Automotive Systems                          | China     | 46         | Faurecia Industrie                                     | France         | 46         |
| Faurecia (Shenyang) Automotive Systems Co Ltd                   | China     | 46         | Faurecia Intérieur Industrie                           | France         | 46         |
|   |           |            | Faurecia Intérieurs Mornac                             | France         | 46         |
|   |           |            | Faurecia Intérieurs Saint Quentin                      | France         | 46         |

**CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

Notes to the consolidated financial Statements at December 2017

| Company   | Country    | % interest | Company  | Country         | % interest |
|---|------------|------------|--|-----------------|------------|
| Faurecia investissement                                   | France     | 46         | Faurecia Grojec R&D Center Sp Z.o.o.                     | Poland          | 46         |
| Faurecia Metalloproduckia Holding                         | France     | 46         | Faurecia Legnica Sp Z.O.O.                               | Poland          | 46         |
| Faurecia Seating Flers                                    | France     | 46         | Faurecia WALBRZYCH Spz.o.o.                              | Poland          | 46         |
| Faurecia Services Groupe                                  | France     | 46         | EDA Estofagem de Assentos                                | Portugal        | 46         |
| Faurecia Sièges d'Automobiles SAS                         | France     | 46         | Faurecia Assentos de Automovel                           | Portugal        | 46         |
| Faurecia Systèmes d'Échappements                          | France     | 46         | Faurecia Sistemas de Escape                              | Portugal        | 46         |
| Faurecia Ventures   | France     | 46         | Faurecia Sistemas de Interior de Portugal                | Portugal        | 46         |
| Hambach Automotive Exteriors SAS                          | France     | 46         | SASAL  | Portugal        | 46         |
| Hennape Six   | France     | 46         | Euro Automotive Plastic Systems                          | Rumania         | 46         |
| SIEBRET   | France     | 46         | Faurecia Seating Talmaciui S.R.L.                        | Rumania         | 46         |
| SIEDOUBS  | France     | 46         | Faurecia Autocomponent Exterior Systems                  | Russia          | 46         |
| SIELEST   | France     | 46         | Faurecia Automotive Development                          | Russia          | 46         |
| SIEMAR  | France     | 46         | Faurecia Metallo Produckia Exhaust Systems               | Russia          | 46         |
| TRECIA SAS  | France     | 46         | OOO Faurecia Automotiv                                   | Russia          | 46         |
| Faurecia Abgastechnik GmbH                                | Germany    | 46         | Faurecia Automotive Slovakia Sro                         | Slovakia        | 46         |
| Faurecia Angell - Demmel GmbH                             | Germany    | 46         | E.C.T. South Africa (Cape Town) (Pty) Ltd                | South Africa    | 46         |
| Faurecia Automotive GmbH                                  | Germany    | 46         | Faurecia Exhaust Systems South Africa Ltd                | South Africa    | 46         |
| Faurecia Autositze GmbH                                   | Germany    | 46         | Faurecia Interior Syst. Pretoria (Proprietary) Ltd       | South Africa    | 46         |
| Faurecia Emissions Control Technologies Germany GmbH      | Germany    | 46         | Faurecia Interior Systems South Africa (PTY) Ltd         | South Africa    | 46         |
| Faurecia Innenraum Systeme GmbH                           | Germany    | 46         | Faurecia Emissions Control Systems Korea                 | South Korea     | 46         |
| Emcon Technologies KFT                                    | Hungary    | 46         | Asientos de Castilla Leon                                | Spain           | 46         |
| Emcon Technologies India PVT Limited                      | India      | 46         | Asientos de Galicia S.L.                                 | Spain           | 46         |
| Faurecia Automotiv Seating India Private                  | India      | 46         | Asientos del Norte                                       | Spain           | 46         |
| Faurecia Emissions Control Tec                            | India      | 46         | Emcon Technologies Spain SL                              | Spain           | 46         |
| Faurecia Technology Center India Pty Ltd                  | India      | 46         | Faurecia Asientos para Automovil Espana                  | Spain           | 46         |
| PPF Acoustic and Soft Trims India Private Limited         | India      | 46         | Faurecia Automotive Espana                               | Spain           | 46         |
| Faurecia Azin Pars Company                                | Iran       | 46         | Faurecia Holding Espana S.L.                             | Spain           | 46         |
| Faurecia Emissions Control Technologies Italy SRL         | Italy      | 46         | Faurecia Interior Systems Espana                         | Spain           | 46         |
| Faurecia Japan K.K.                                       | Japan      | 46         | Faurecia Interior Systems Salc Espana S.L.               | Spain           | 46         |
| Howa Interior's - Japon                                   | Japan      | 46         | Faurecia Sistemas de Escape Espana                       | Spain           | 46         |
| Faurecia AST Luxembourg SA                                | Luxembourg | 46         | Incalplas S.L.   | Spain           | 46         |
| Faurecia Automotive Luxembourg                            | Luxembourg | 46         | Tecoconfort  | Spain           | 46         |
| Faurecia Hicom Emissions Control Technologies (M) Sdn Bhd | Malaya     | 46         | Valencia Modulos de Puerta SL                            | Spain           | 46         |
| Emcon Tech. Hldgs 2 S. de RL                              | Mexico     | 46         | Faurecia Interior Systems Sweden AB                      | Sweden          | 46         |
| Exhaust Services Mexicana sa                              | Mexico     | 46         | E.C.T. Co Limited  | Thailand        | 46         |
| Faurecia Howa Interiors de Mexico SA de CV                | Mexico     | 46         | Faurecia & Summit Interior Systems                       | Thailand        | 46         |
| Faurecia Sistemas Automotrices de Mexico                  | Mexico     | 46         | Faurecia Interior Systems Thailand                       | Thailand        | 46         |
| Servicios Corporativos de Personal Especializado          | Mexico     | 46         | Emcon Technologies Dutch Hldgs BV                        | The Netherlands | 46         |
| Faurecia Automotive Industries Morocco                    | Morocco    | 46         | Faurecia Automotive Seating B.V.                         | The Netherlands | 46         |
| Faurecia Automotive Systems Technologies                  | Morocco    | 46         | Faurecia Emissions Control Technologies Netherlands B.V. | The Netherlands | 46         |
| Faurecia Équipements Automobiles Maroc                    | Morocco    | 46         | Faurecia Informatique Tunisie                            | Tunisia         | 46         |
| Faurecia Automotive Polska Spolka Akcyjna                 | Poland     | 46         | Sté Tunisienne d'Équipements Automobiles                 | Tunisia         | 46         |
| Faurecia Gorzow Sp Zoo                                    | Poland     | 46         |  |                 |            |







## CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Notes to the consolidated financial Statements at December 2017

| Company  | Country        | % interest | Company   | Country        | % interest |
|--|----------------|------------|---|----------------|------------|
| Faurecia Polifleks Otomotiv Sanayi Ve Ticaret Anonim Sirketi     | Turkey         | 46         | Zhejiang Faurecia Limin Interior & Exterior Systems Cny Ltd | China          | 23*        |
| Emcon Technologies UK Limited                                    | United Kingdom | 46         | SAS Autosystemtechnik SRO                                   | Czech Republic | 23*        |
| Faurecia Automotiv Seating UK Ltd                                | United Kingdom | 46         | Parrot Faurecia Automotive                                  | France         | 9*         |
| Faurecia Midlands Ltd  | United Kingdom | 46         | Automotive Performance Materials (APM)                      | France         | 23*        |
| SAI Automotive Fradley   | United Kingdom | 46         | Cockpit Automotive Systems DOUAI                            | France         | 23*        |
| SAI Automotive Washington Limited                                | United Kingdom | 46         | SAS Automotiv France  | France         | 23*        |
| Faurecia Automotiv Seating Inc                                   | United States  | 46         | SAS Autosystemtechnik Gmbh and Co KG                        | Germany        | 23*        |
| Faurecia E.C.T. USA LLC  | United States  | 46         | SAS Autosystemtechnik Verwaltung Gmbh                       | Germany        | 23*        |
| Faurecia Exhaust Systems INC                                     | United States  | 46         | NHK F. Krishna India Automotive Seating Private Limited     | India          | 9*         |
| Faurecia Interior Louisville LLC                                 | United States  | 46         | Basis Mold India Private Limited                            | India          | 18*        |
| Faurecia Interior Systems Holdings LLC                           | United States  | 46         | Azin Faurecia Interior Systems Company                      | Iran           | 23*        |
| Faurecia Interior Systems INC                                    | United States  | 46         | Faurecia LIGNEOS Italy Srl                                  | Italy          | 23*        |
| Faurecia Interior Systems Saline LLC                             | United States  | 46         | Faurecia NHK Co Limited                                     | Japan          | 23*        |
| Faurecia Madison Automotive Seating Inc                          | United States  | 46         | Faurecia SAS Automotive Systems & Services SA de CV         | Mexico         | 23*        |
| Faurecia North America Holdings LLC                              | United States  | 46         | Faurecia SAS Automotive Systems SA de CV                    | Mexico         | 23*        |
| Faurecia USA Holdings, Inc                                       | United States  | 46         | SAS Autosystem de Portugal Unipessoal Itda                  | Portugal       | 23*        |
| Fnk North America  | United States  | 46         | Vanpro Assentos Limitada                                    | Portugal       | 23*        |
| Faurecia Automotiv del Uruguay                                   | Uruguay        | 46         | Faurecia Automotive Sro                                     | Slovakia       | 23*        |
| SAS Automotriz Argentina SA                                      | Argentina      | 23*        | SAS Automotive RSA (Proprietary), Ltd                       | South Africa   | 23*        |
| SAS Automotive Belgium   | Belgium        | 23*        | Componentes de Vehiculos de Galicia                         | Spain          | 23*        |
| SAS Automotive do Brasil   | Brazil         | 23*        | COPO Iberica  | Spain          | 23*        |
| Faurecia Changchun Xuyang Faurecia Acoustics & Soft Trim Co Ltd  | China          | 19*        | Industrias Cousin Frères S.L.                               | Spain          | 23*        |
| Changchun Faurecia Xuyang Automotive Components Technologies R&D | China          | 21*        | SAS Autosystemtechnik SA                                    | Spain          | 23*        |
| Beijing WKW FAD Automotive Parts Co. Ltd                         | China          | 23*        | SAS Otosistem Tecknit Ticaret ve Limited                    | Turkey         | 23*        |
| Chongqing Guangneng Faurecia Interior Syst. Company Ltd          | China          | 23*        | Teknik Malzeme Ticaret ve Sanayi A.S.                       | Turkey         | 23*        |
| Dongfeng Faurecia (Xiangyang) Emissions Systems Co., Ltd         | China          | 23*        | Faurecia DMS Leverage Lender LLC                            | United States  | 21*        |
| Dongfeng Faurecia Automotive Exterior Systems Co. Limited        | China          | 23*        | Faurecia JV in Detroit                                      | United States  | 21*        |
| Dongfeng Faurecia Automotive Parts Sales Co. Ltd                 | China          | 23*        | SAS Automotive USA Inc                                      | United States  | 23*        |
| Faurecia Liuzhou Automotive Seating Sales Co., Ltd               | China          | 23*        | <b>Peugeot Citroën DS Finance</b>                           |                |            |
| Jinan Faurecia Limin Interior & Exterior Systems Company Limited | China          | 23*        | Banque PSA Finance  | France         | 100        |
| Lanzhou Faurecia Limin Interior & Exterior Systems Company       | China          | 23*        | BPF Algérie   | Algeria        | 100        |
| SAS (Wuhu) Automotive Systems Co Ltd                             | China          | 23*        | PSA Finance Argentina Compania Financiera S.A.              | Argentina      | 50         |
| Xiangtan Faurecia Limin Interior & Exterior Systems Cny Ltd      | China          | 23*        | PCA Compañía de Seguros S.A                                 | Argentina      | 70         |
|  |                |            | PSA Factor Italia S.p.A.                                    | Italy          | 100        |
|  |                |            | PSA Renting Italia S.p.a                                    | Italy          | 100        |
|  |                |            | PSA Insurance Ltd   | Malta          | 100        |
|  |                |            | PSA Insurance Manager Ltd                                   | Malta          | 100        |
|  |                |            | PSA Insurance Solutions Ltd                                 | Malta          | 100        |
|  |                |            | PSA Life Insurance Ltd                                      | Malta          | 100        |
|  |                |            | PSA Services Ltd  | Malta          | 100        |
|  |                |            | Banque PSA Finance Mexico SA de CV SOFOM                    | Mexico         | 100        |
|  |                |            | Bank PSA Finance Rus  | Russia         | 100        |

**CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

Notes to the consolidated financial Statements at December 2017

| Company   | Country         | % interest |
|---|-----------------|------------|
| Peugeot Citroën Leasing Russie                    | Russia          | 100        |
| PSA Finance Nederland B.V.                        | The Netherlands | 100        |
| PSA Financial Holding B.V.                        | The Netherlands | 100        |
| BPF Pazarlama A.H.A.S.                            | Turkey          | 100        |
| Economy Drive Cars Limited                        | United Kingdom  | 100        |
| PSA Finance Belux                                 | Belgium         | 50*        |
| Banco PSA Finance Brasil S.A.                     | Brazil          | 50*        |
| PSA Corretora de Seguros e Serviços Ltda          | Brazil          | 50*        |
| Dongfeng Peugeot Citroën Auto Finance Company Ltd | China           | 25*        |
| Auto ABS DFP Master Compartment France 2013       | France          | 50*        |
| Auto ABS FCT2 2013-A                              | France          | 50*        |
| Cie pour la Location de Véhicules - CLV           | France          | 50*        |
| CREDIPAR  | France          | 50*        |
| FCT Auto ABS - Compartiment 2013-2                | France          | 50*        |
| FCT Auto ABS French Leases Master                 | France          | 50*        |
| FCT Auto ABS French Loans Master                  | France          | 50*        |
| FCT Auto ABS LT Leases Master                     | France          | 50*        |
| FCT Auto ABS3 - Compartiment 2014-01              | France          | 50*        |
| PSA Banque France                                 | France          | 50*        |
| PSA Bank Deutschland GmbH                         | Germany         | 50*        |
| Auto ABS German Loans Master                      | Germany         | 50*        |
| ABS Italian Loans Master S.r.l.                   | Italy           | 50*        |
| Banca Italia S.P.A.                               | Italy           | 50*        |
| PSA Insurance Europe Ltd                          | Malta           | 50*        |
| PSA Life Insurance Europe Ltd                     | Malta           | 50*        |
| PSA Consumer Finance Polska Sp. z o.o             | Poland          | 50*        |

| Company                                     | Country         | % interest |
|---|-----------------|------------|
| PSA Finance Polska Sp.z.o.o.                | Poland          | 50*        |
| Auto ABS Spanish Loans 2016, FT             | Spain           | 50*        |
| FTA Auto ABS - Compartiment 2012-3          | Spain           | 50*        |
| PSA Financial Services Spain E.F.C. S.A.    | Spain           | 50*        |
| Auto ABS Swiss Lease 2013 GmbH              | Switzerland     | 50*        |
| PSA Finance Suisse S.A.                     | Switzerland     | 50*        |
| PSA Financial Services Nederland B.V.       | The Netherlands | 50*        |
| Auto ABS UK Loans PLC - Compartiment 2012-5 | United Kingdom  | 50*        |
| FCT Auto ABS UK Loans                       | United Kingdom  | 50*        |
| PSA Finance UK Ltd                          | United Kingdom  | 50*        |
| <b>Opel - Vauxhall Finance</b>              |                 |            |
| Opel Bank S.A                               | France          | 50*        |
| Opel Finance Germany Holdings GmbH          | Germany         | 50*        |
| Opel Bank GmbH                              | Germany         | 50*        |
| Opel Leasing GmbH                           | Germany         | 50*        |
| Opel Finance SpA                            | Italy           | 50*        |
| Opel Finance AB                             | Sweden          | 50*        |
| Opel Finance SA                             | Switzerland     | 50*        |
| Opel Finance International B.V.             | The Netherlands | 50*        |
| Opel Finance N.V.                           | The Netherlands | 50*        |
| OPVF Holdings U.K. Limited                  | United Kingdom  | 50*        |
| Vauxhall Finance plc                        | United Kingdom  | 50*        |
| OPVF Europe Holdco Limited                  | United Kingdom  | 50*        |



## 5.8 STATUTORY AUDITORS' REPORT ON THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Annual General Meeting of Peugeot S.A.,

### I. OPINION

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Peugeot S.A for the year ended December 31, 2017

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Finance and Audit Committee.

#### Basis for opinion

##### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

##### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

### II. JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

#### Purchase price allocation of Opel Vauxhall (*Note 2 to the consolidated financial statements*)

##### Risk identified

On July 31, 2017, PSA group acquired the majority of the subsidiaries of General Motors in Europe, composed of Opel and Vauxhall brands (hereafter "Opel Vauxhall").

This acquisition resulted in the recognition of goodwill of 1,810 million euros after the allocation of the purchase price. This allocation will be finalized within the twelve-month period following the acquisition date. This allocation is based on fair value estimates of assets and liabilities acquired. PSA group engaged an independent expert to assist the group in the identification and valuation of the main tangible and intangible assets of Opel Vauxhall.

We consider that the purchase price allocation is a key audit matter given the significance of the transaction and the level of Management's judgment to identify the acquired assets and liabilities, to assess their fair value and to correctly describe this information in the notes to the consolidated financial statements.



### Our response

As part of our audit of the consolidated financial statements, our work consisted in:

- obtaining an understanding of the scope of the work performed by PSA group and by its independent expert to identify and estimate the fair value of the assets and liabilities acquired ;
- analyzing, with the support of our valuation experts, the methodologies applied for the valuation of the most significant assets and liabilities acquired, and assessing the main assumptions and parameters used to determine their fair value and notably:
  - the consistency of future cash flows used in the valuation with the business plan of a market participant (as determined by IFSR 3);
  - the consistency of tangible assets fair value estimates with market data or similar transactions valuation;
  - the elements supporting the valuation of onerous contracts;
  - for brands valuation, the consistency of the royalty rates applied to revenue projections with the sector's benchmarks.
- analyzing the appropriateness of the information provided in the notes to the consolidated financial statements in respect with the purchase price allocation.

### Valuation of the recoverability of the fixed assets (Notes 8.3 A, 8.3 B et 8.3 C to the consolidated financial statements)

#### Risk identified

As at December 31, 2017, the net book value of the Group's fixed assets amounted to € 3,321 million for goodwill, € 7,916 million for intangible assets, and € 13,278 million for tangible assets. These assets are allocated to cash generating units ("CGU").

The recoverability of the fixed assets is tested each time impairment indicators are identified and at least once a year for assets with infinite useful life (mainly goodwill and brands).

Impairment is recorded when the net booked value of these assets exceeds their net recoverable value. The net recoverable value is the highest amount between the value in use and the market value. The value in use is determined using discounted cash-flow and involves a high level of Management's judgment notably in the determination of cash-flow projections, discount rates and long-term growth rates.

We consider that the valuation of the recoverability of the fixed assets is a key audit matter given the significance of these assets in the Group's consolidated financial statements, the level of Management's judgment and the uncertainties related to the assumptions used.

### Our response

We performed a critical analysis of the methodologies used by the Management to determine the recoverable value of the Group's fixed assets. We obtained the medium-term plans ("MTP") and the impairment tests for each CGU and assets showing impairment indicators.

On the basis of this information, our work consisted in:

- reconciling with the accounts the net book values of the CGUs and individual assets that are subject to impairment testing;
- analyzing the cash flow projections and the consistency of the margin rates and volumes used for the purpose of those tests with external benchmarks and the latest Management's estimates presented to the Group's governing bodies;
- comparing future projections with the estimates used for impairment tests in previous years and with the Group's historical performance;•comparing the discount rates used with the available market data;
- verifying, on a sample basis, the accuracy of the valuation model used by t Management ;
- performing a sensitivity analysis of the CGUs' recoverable value to a variation of the main impairment test assumptions (long-term growth rates, margin rate used for terminal value, discount rates).

### Valuation of the equity accounted affiliates of the automotive activities (Notes 8.3 D et 11 to the consolidated financial statements)

#### Risk identified

As at December 31, 2017, the net book value of the equity accounted affiliates in the automotive activity amounted to € 858 million. These equity accounted companies mostly include the Group's share in the joint ventures with Dong Feng Motor Group and Changan in China.

The results of the equity accounted companies include fixed assets impairments resulting from the impairment tests performed in application of the same principles as those applied to test the fixed assets of PSA Group's automotive activities. When an impairment indicator is identified, the assets allocated to a specific car model are tested for each related Vehicle CGU. The total assets (including those not allocated to a specific car model) are also tested at the level of each joint venture. In addition, PSA Group tests the equity accounted affiliates when an impairment indicator is identified.

At December 31, 2017 the impairment tests performed at the level of the joint-ventures with Dong Feng Motor led to book an impairment of RMB 1,515 million (RMB 758 million for PSA share, representing € 97 million).

As at December 31, 2017 the impairment tests performed at the level of Changan PSA Automobile Co., Ltd, the joint-venture with Changan, did not lead to book additional impairment. At December 31, 2016 an impairment of € 263 million for PSA share was booked for this joint-venture. As a consequence, PSA Group maintains a full impairment of the equity accounted investment of € 51 million and a provision for risk of € 190 million after a loss of € 24 million was recognized for the financial year 2017.

We consider that the valuation of the equity accounted affiliates of the automotive activity is a key audit matter given the joint ventures' significant decrease in sales and profitability in China and Management's estimates in the determination of the assumptions underlying the assets valuation of these joint-ventures.

### **Our response**

As part of our audit of the consolidated financial statements, our work consisted in:

- analyzing whether impairment indicators exist, such as a significant decrease in volumes and profitability;
- considered the audit work performed by the auditors of the joint-ventures' with Dong Feng Motor Group in China, and their conclusions on the implementation of the assets impairment tests performed by the joint-ventures and the reasonableness of the assumptions used by Management;
- assess the consistency and the appropriateness of the major assumptions used in the assets impairment tests performed for the joint-venture with Changan in China, including those in relation with the business plan submitted to the governance bodies of the joint-venture.

## **III. VERIFICATION OF THE INFORMATION PERTAINING TO THE GROUP PRESENTED IN THE MANAGEMENT REPORT**

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.



### **Report on Other Legal and Regulatory Requirements**

#### **Appointment of the Statutory Auditors**

We were appointed as statutory auditors of Peugeot S.A. by your Annual General Meetings held on May 25, 2005 for Mazars and on May 31, 2011 for ERNST & YOUNG et Autres.

As at December 31, 2017, MAZARS was in the 13th year and ERNST & YOUNG et Autres in the 7th year of uninterrupted engagement respectively.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Finance and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.



## Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

### Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

### Report to the Finance and Audit Committee

We submit a report to the Finance and Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Finance and Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report. We also provide the Finance and Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Finance and Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 1, 2018

The Statutory Auditors

*French original signed by*

MAZARS

Thierry Blanchetier

Jérôme de Pastors

ERNST & YOUNG et Autres

Laurent Miannay

Ioulia Vermelle

## 7) Other Subsidiaries

At 31 December 2017, the gross value of the shares in the other subsidiaries amounted to €609.4 million. The net carrying amounts of the shares of said subsidiaries were assessed on the basis of their adjusted equity. An impairment allowance of €0.1 million was recognised for DS Automobiles.

## NOTE 6 LOANS AND ADVANCES TO INVESTED ENTITIES

### GIE PSA TRÉSORERIE

On 1 January 2017, the GIE PSA Trésorerie consortium repaid early to Peugeot S.A. the whole amount of the bond issues subscribed by the latter.

The amount of these early redemptions was €1,361.2 million.

## NOTE 7 OTHER LONG-TERM INVESTMENTS

| <i>(in million euros)</i>           | <b>Balance as of 31/12/2017</b> |
|-------------------------------------|---------------------------------|
| Cost at 1 January 2017              | 151.9                           |
| › additions                         | -                               |
| › disposals                         | (1.0)                           |
| <b>Cost at 31 December 2017</b>     | <b>150.9</b>                    |
| Impairment at 1 January 2017        | (30.5)                          |
| › additions                         | -                               |
| › reversals                         | 6.0                             |
| <b>Cost at 31 December 2017</b>     | <b>(24.5)</b>                   |
| <b>NET COST AT 31 DECEMBER 2017</b> | <b>126.4</b>                    |

### UNITS IN FCPR INVESTMENT FUNDS

Peugeot S.A. holds units in France's Fonds d'Avenir Automobile (FAA), a private equity fund set up by the French government as part of the Automobile Pact signed on 9 February 2009. These units are measured at value in use, which corresponds to their market value at the balance sheet date. This reflects the value in use of the investments made by the fund. On the assumption that they are not publicly traded, their value is estimated at their cost during the first twelve months following acquisition, adjusted if necessary for any unfavourable subsequent event. After the first twelve months, value in use is estimated using earnings multiples.

At 31 December 2017 the monies already called and paid into the Fund were valued at €69.0 million. The total provision for FAA shares amounted to €24.5 million. An impairment reversal of €6.0 million was thus recognised over the period.

FAA units not yet called at 31 December 2017 amounted to €57.4 million. The liability is carried in the balance sheet under "Due to suppliers of fixed assets" (see Note 1.C).

These units are governed by the tax rules relating to FCPR investment funds, with the result that long-term capital gains on the units will be taxed at a reduced rate.

## NOTE 8 LONG-TERM LOANS AND RECEIVABLES

The deposit of €30 million made by Peugeot S.A. on 20 December 2012, pursuant to the programme for securitising the Group's trade receivables, was paid off in full by a repayment of €15.0 million on 31 October 2017.

Repayments of €3.2 million on a deposit with the European Investment Bank (guaranteeing loans issued by that institution to Group subsidiaries) were recorded for the period. The balance recognised in our financial statements at 31 December 2017 totalled €3.2 million.

