PSA PEUGEOT CITROËN

2011 ANNUAL RESULTS

2011 Annual Results

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REPORT OF THE MANAGING BOARD

2011 CONSOLIDATED FINANCIAL STATEMENTS

1 - Automotive Division Business Review

1.1. Significant Events of the Year

In 2011, the Automotive Division experienced:

- A 1.5% decline in sales of new vehicles and CKD units to 3,549,000 units[1]
- A sharp increase in the proportion of sales outside Europe[2], to 42% of the total.
- An increase in the proportion of premium vehicles in the sales mix to 18%, with the success of the Citroën DS line and the Peugeot 3008, 508 and RCZ.
- A further decline in corporate average emissions to 127.9g of CO_2/km vs. 132g in 2010.

In 2011, the world's automotive markets expanded by an aggregate 3%. Growth was led by vibrant emerging markets, with Latin America up 8%, Russia up 39% and China (cars only) up around 3%.

In a European market shaped by a recessionary environment and austerity measures since the summer, overall demand contracted by 0.5%. Performances varied widely by country, with the market up 9.4% in Germany, but down 1.3% in France, 2.4% in the United Kingdom, 16.9% in Spain, 10.5% in Italy and 1.9% in Central and Eastern Europe.

Price pressure has increased sharply since September.

With its strong presence in Europe – particularly Spain, Italy and the United Kingdom – PSA Peugeot Citroën saw a 1.5% decline in global unit sales. Group unit sales contracted by 6.1% in Europe but grew by 10.7% in Latin America, 7.7% in China and 34.8% in Russia. Sales outside Europe accounted for 42% of the 2011 consolidated total, compared with 39% in 2010.

1.2. Markets

Market share data are taken from statistics published by the Association Auxiliaire de l'Automobile for Western European countries and by various local organisations for other countries.

An unfavourable market mix in Europe

In a European car and light commercial vehicle market that declined by 0.5% in 2011 (with car sales down 1.4% but light commercial vehicle sales up 7%), registrations of PSA Peugeot Citroën vehicles contracted by 6.8% to 2,045,000 units. As a result, the Group's market share fell by 0.9 points compared with 2010 to 13.3%. This was entirely due to lower sales in the B segment, as the Peugeot 207 – which is reaching the end of its model life – came under stiff competition. The 207's replacement, the Peugeot 208, will be introduced in 2012. Despite these negative headwinds, the Group showed resilience in the higher priced segments. Its market share remained stable in the C segment, thanks to vibrant demand for the new Citroën C4, and rose in the D and E segments following the successful launch of the Peugeot 508.

Sharp increase in the proportion of sales outside Europe, to 42% of the total

Sales outside Europe accounted for 42% of the 2011 consolidated total, compared with 39% in 2010 and 32% in 2009. Unit sales of assembled vehicles rose by a strong 10.8%, confirming PSA Peugeot Citroën's commitment to its priority growth regions of Latin America, China and Russia, while demonstrating that its ambition of becoming more global is being realized.

Latin America: sales top 300,000 units for the first time

Despite a sharp slowdown in Brazilian demand in the second half, BtoB sales helped to drive an 8% increase in the Latin American market as a whole, with gains of 3% in Brazil and 29% in Argentina. In this environment, Group sales in the region topped 300,000 units for the first time, rising by 10.7% to 326,000 vehicles. Market share widened to 5.5% in 2011 from 5.4% the previous year. The launch of two local-manufactured models – the Peugeot 408 and Citroën C3 Picasso – contributed significantly to this performance and reaffirmed the Group's commitment to expanding its presence in the region.

China: real advances in implementing the growth strategy with more than 400,000 units sold

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[1] Vehicles and CKD units

[2] Europe: European Union + European Free Trade Association + Croatia

After several years of very fast growth, the Chinese car market appeared to settle at cruising speed in 2011 with volumes up 3.3%. The Group kept pace with market growth by launching two new models, the Peugeot 508 and Peugeot 308. Along with the Citroën C5 introduced in 2010, these new models extend the two brands' product offer in the Chinese market, particularly in the C and D segments. Supported by the development of the distribution networks, PSA Peugeot Citroën sold a total of 404,000 vehicles in China in 2011, representing a market share of 3.4%.

By the end of the year, Peugeot had 284 dealers and 220 agents, representing 504 outlets in all, while Citroën had 360 dealers and 500 agents, for a total of 860 outlets.

Russia: continuing ramp-up

In 2011, the Russian market continued to expand rapidly. A total of 2.66 million vehicles were sold, 39% more than in 2010. The increase reflected underlying growth that was maintained despite the withdrawal of scrappage incentives in July. The 75,000 vehicles sold by PSA Peugeot Citroën represented an increase of 35%, in line with the market. The Group's market share stood at 2.7%. Sales were sustained by the launch of the new Citroën C4 and the restyled Peugeot 308, both assembled at the Kaluga plant. The distribution network continued to expand, with the two brands' 141 sales outlets now covering 90% of the country.

1.3. Vehicle Models

Model range mix successfully moved up-market with a higher percentage of Premium vehicles[3]

The Group's strategy aims to increase the value of the Peugeot and Citroën brands by accentuating the move upmarket. In 2011, this led to a further increase in the proportion of premium vehicle sales, to 18% of the total versus 13% in 2010.

Examples of the strategy include the launch of the Peugeot 508, and of the successful latest addition to the Citroën DS line, the DS4.

Carbon emissions reduction strategy

The Group's technological advances ensured that it maintained its environmental leadership in 2011. In the less than 110g of CO_2/km segment in Europe, it remains the unchallenged leader with a market share of 23.8%. The Group also reduced its new vehicles' average emissions to 127.9g of CO_2/km from 132g in 2010.

This 4.1g reduction validates the Group's environmental strategy, which is based on three synergistic paths:

- Optimising petrol and diesel engines.
- Developing micro-hybrid, hybrid and plug-in hybrid technologies, with broader deployment of Stop&Start technology.
- Marketing electric vehicles (the Peugeot i*0*n and the Citroën C-Zero brought to market in December 2010).

The Group's HYbrid4 technology was awarded the Environmental prize at the Goldenes Lenkrad awards organized by Germany's Auto Bild magazine in November 2011.

[3] *Premium vehicles offer a level of driving pleasure, safety, quality of finish, connectivity and comfort that serves as a benchmark in their segment. They include distinctive models from the A, B and C segments (Peugeot 207CC, 308CC, RCZ, 3008 and Citroën DS3 and DS4) and models from the D and E segments (Peugeot 508, 407, 4007 and Citroën C5, C6, DS5 and C-Crosser).*

2- Financial Review

2.1. Financial Position and Results

The consolidated financial statements of the PSA Peugeot Citroën Group are presented for the years ended 31 December 2011 and 2010. The 2009 consolidated financial statements are included in the Registration Document that was filed with the French securities regulator (Autorité des Marchés Financiers) on 22 April 2011 under no. D.11-0353.

This section should be read jointly with the notes to the consolidated financial statements at 31 December 2011.

The accounting policies applied by the Group are presented in the notes to the consolidated financial statements at 31 December 2011 (see *Note 1 – Accounting Policies*).

2.2. Operating Results for the Years Ended 31 December 2011 and 2010

2.2.1. Revenue

The Group's operations are organized around five main business segments:

- The Automotive Division, covering the design, manufacture and sale of cars and light commercial vehicles under the Peugeot and Citroën brands.
- The Automotive Equipment Division, corresponding to the Faurecia group and comprising Interior Systems, Automotive Seating, Automotive Exteriors and Emissions Control Technologies.
- The Transportation & Logistics Division, corresponding to the Gefco group and comprising Logistics and Vehicle & Goods Transportation.
- The Finance Division, corresponding to Banque PSA Finance, which provides retail and wholesale financing to Peugeot and Citroën customers and dealers.
- Other Businesses, corresponding mainly to the operations of Peugeot S.A., the Group's holding company, and Peugeot Motocycles.

The following table shows consolidated revenue by business in 2011 and 2010.

(in million euros)	**2011**	**2010**	**%**
Automotive Division	42,710	41,405	+3.2%
Faurecia	16,190	13,796	+ 17.4%
Gefco	3,782	3,351	+ 12.9%
Banque PSA Finance	1,902	1,852	+ 2.7%
Other Businesses and intersegment eliminations	(4,672)	(4,343)	-
TOTAL	**59,912**	**56,061**	**+6.9%**

Consolidated revenue does not include the contribution of our Chinese company, Dongfeng Peugeot Citroën Automobile (DPCA), as it is jointly controlled on a 50/50 basis with our local partner and is therefore accounted for by the equity method.

In 2011, consolidated revenue rose 6.9% to €59,912 million from €56,061 million in 2010.

Based on a comparable scope of consolidation (i.e. including the contributions of Plastal Germany, Plastal Spain, Madison and Mercurio in 2011), the increase was 6%.

All businesses contributed to the increase. Faurecia reported revenue up €2,394 million, while the Automotive Division and Gefco posted increases of €1,305 million and €431 million respectively. The performances of each business are discussed in section 2.2.3.

The table below shows consolidated revenue by region, based on the location of the customer.

(in million euros)	**2011**	**2010**
Consolidated revenue	59,912	56,061
Net contribution to consolidated revenue by region		
Europe	73.2%	76.4%
Russia	2.7%	1.8%
Asia	4.8%	4.0%
Latin America	9.1%	8.5%
Rest of the world	10.2%	9.3%
TOTAL	**100%**	**100%**

For more detailed information refer to the notes to the consolidated financial statements at 31 December 2011 (*Note 3.2 – Geographical Segments*).

2.2.2. Recurring Operating Income

The following table shows recurring operating income (loss) by business for 2011 and 2010.

(in million euros)	**2011**	**2010**
Automotive Division	(92)	621
Faurecia	651	456
Gefco	223	198
Banque PSA Finance	532	507
Other Businesses and intersegment eliminations	1	14
TOTAL	**1,315**	**1,796**

Consolidated recurring operating income for 2011 amounted to €1,315 million, representing 2.2% of revenue. The decline compared with the €1,796 million reported in 2010 was due to the steep drop in demand experienced by the Automotive Division, which ended the year with a recurring operating loss of €92 million despite reporting €405 million in income in the first half. All the other businesses improved on their prior year performance.

2.2.3. Analysis of Revenue and Recurring Operating Income by Division

2.2.3.1. Automotive Division

(in million euros)	**2011**	**2010**
Revenue	42,710	41,405
Recurring operating (loss) income	(92)	621
As a % of revenue	*-0.2%*	*1.5%*

Revenue

In 2011, the world's automotive markets expanded by an aggregate 3%. Growth was led by vibrant emerging markets, with Latin America up 8%, Russia up 39% and China (cars only) up by around 3%.

In a European market shaped by a recessionary environment and austerity measures since the summer, overall demand contracted by 0.5%. Performances varied widely by country, with the market up 9.4% in Germany, but down 1.3% in France, 2.4% in the United Kingdom, 16.9% in Spain, 10.5% in Italy and 1.9% in Central and Eastern Europe.

With its strong presence in Europe – particularly Spain, Italy and the United Kingdom – PSA Peugeot Citroën experienced a 1.5% decline in global unit sales.

Unit sales contracted by 6.1% in Europe but increased in other regions, lifting total sales outside Europe to 42% of the Group total versus 39% in 2010.

Automotive Division revenue rose 3.2% to €42,710 million in 2011. Revenues from new vehicle sales increased by 2.9% to €31,677 million from €30,790 million in 2010, lifted by the 6.5% favourable impact of changes in the product mix. Unit sales of assembled vehicles were down 2.2% excluding China (operations in China are accounted for by the equity method).

The price effect was a negative 0.4% in a very difficult pricing environment, particularly in the highly competitive B segment. However, despite ever-increasing price pressure in the last four months of the year, the Group decided to focus on maintaining margins rather than volumes.
The currency effect was a negative 0.6%, primarily reflecting the euro's appreciation against the Argentine peso, the British pound, the Turkish lira and the Russian rouble.

Market share in Europe dipped by 0.9 points to 13.3% from 14.2% in 2010. This was primarily due to the stiff competition faced by the Peugeot 207, which is reaching the end of its model life, leading to an erosion of market share in the B segment.

Sales continued to grow outside Europe, helping to limit the overall decline in Automotive volumes.

- In Latin America, despite a sharp slowdown in Brazilian demand in the second half, the region's automotive market expanded by 8% in 2011 (with gains of 3% in Brazil and 29% in Argentina), led by the BtoB segment. Sales by the Group totalled 326,000 units, an increase of 10.9% that lifted its market share to 5.5% from 5.4%. The launch of two local-manufactured models – the Peugeot 408 and Citroën C3 Picasso – contributed significantly to this performance and reaffirmed the Group's commitment to expanding its presence in the region.
- After several years of very fast growth, the Chinese car market rose 3.3%. The Group kept pace with market growth by launching two new models, the Peugeot 508 and Peugeot 308. Along with the Citroën C5 introduced in 2010, these new models complete the two brands' product offer in the Chinese market, particularly in the C and D segments. Supported by expanding distribution networks, the Group sold a total of 404,000 vehicles in China in 2011, representing a market share of 3.4%.
- In 2011, the Russian market continued to expand rapidly. A total of 2.66 million vehicles were sold, 39% more than in 2010. The increase reflected underlying growth that was maintained despite the withdrawal of scrappage incentives in July. The 75,000 vehicles sold by PSA Peugeot Citroën represented an increase of 35%, in line with market growth, giving the Group a 2.7% market share. Sales were sustained by the launch of the new Citroën C4 and the restyled Peugeot 308, both assembled at the Kaluga plant.

In this environment, the Group maintained the steady pace of new model launches and made further advances in the strategy of moving the model range mix up market. In 2011, this strategy led to a further increase in the proportion of premium vehicle sales, to 18% of the total versus 13% in 2010. Examples of the strategy include the launch of the Peugeot 508, and of the successful latest addition to the Citroën DS line, the DS4.

Recurring operating income

The Automotive Division posted a recurring operating loss of €92 million for the year, as opposed to recurring operating income of €621 million in 2010, representing a negative 0.2% of revenue versus a positive 1.5% the year before. The negative swing was mainly due to the unfavourable business environment, which had a €1,044 million adverse effect that was only partly offset by the €331 million in recurring operating income generated by the Division's underlying performance.

The change in the Automotive Division's reported performance compared with 2010 was due to the following factors:

Operating environment

The worsening operating environment had a negative impact of €1,044 million. The €37 million positive impact of market growth was offset by the following factors:

- Diesel-powered vehicle production was disrupted following the Fukushima earthquake and tsunami in Japan on 11 March 2011 which led to serious disruption of supplies of certain electronic components and automatic gearbox shortages. The negative effect for the year is estimated at €250 million.
- Higher external costs had a €743 million negative impact, including €579 million due to increased raw materials costs and €83 million attributable to rises in labour costs.
- The currency effect was a negative €88 million, explained mainly by the euro's appreciation against the Argentian peso (€63 million), the British pound (€21 million) and also against the Turkish pound and the rouble.

Underlying Automotive Division performance

The Automotive Division's underlying performance had a positive impact of €331 million.

- The marketing performance impact was a negative €204 million, with the Group's market share in Europe narrowing by 0.9 points. Helped by the latest new models (Peugeot 508 and Citroën DS4), the sharp improvement in the product mix had a positive impact of €678 million which more than offset the €506 million negative price effect. Prices came under very severe pressure in the second half, particularly in the B segment, and average prices were also adversely affected by customer givebacks.
- The Group stepped up its cost-cutting drive during the year, achieving €557 million worth of savings in production and procurement costs through purchasing efficiencies, lower depreciation charges and reductions in technical costs.

However, the gains made in this area were partly offset by the costs resulting from disrupted deliveries from our screw supplier Agrati based in Japan.

- Selling, general and administrative expenses and warranty costs increased by €50 million, while R&D spend was €165 million higher, reflecting the Group's globalization drive and its strategy to move the brands further up market.
- Other performance factors had a positive impact of €21 million.

2.2.3.2. Faurecia

(in million euros)	**2011**	**2010**
Revenues	16,190	13,796
Recurring operating income	651	456
As a % of revenues	*+4.0%*	*+3.3%*

Revenues

Faurecia's consolidated revenue totalled €16,190 million in 2011 versus €13,796 million the previous year, an increase of 17.4%.

- At €12,391 million, product sales (parts and components delivered to carmakers) were up 15.8% as reported and 12.9% like-for-like, calculated at constant exchange rates by including Plastal Germany in 2010 revenue on a 12-month basis, and excluding from 2011 revenue Plastal Spain from January to September, and Angell Demmel and the Madison plant over the full twelve months.
- Sales of catalytic converter monoliths amounted to €2,687 million, up 23.9% as reported and 25.4% like-for-like.
- Sales of R&D, tooling and prototypes were up 19.3% as reported and 16.0% like-for-like, at €1,112 million.
- Total revenue for the year came in at €16,190 million, an increase of 17.4% including like-for-like growth of 15.0%.

Strong growth across all regions

Product sales by region were as follows:

- In Europe, product sales outperformed the market, rising by 11.0% as reported and 6.2% like-for-like to €7,815 million. In 2011, which saw automobile production in Europe rise by 5%, the region accounted for 63% of Faurecia's total sales versus 66% in 2010.
- In North America, product sales grew 32.6% like-for-like to €2,579 million, representing 20.8% of Faurecia's total sales versus 18% in 2010. Faurecia's medium-term goal is to become the fifth largest automotive equipment supplier in North America. In 2010, it was ranked ninth.
- In Asia, product sales totalled €1,117 million, an increase of 15.4% as reported and 16.1% like-for-like. Product sales in China were up 11.6% as reported and 11.8% like-for-like at €881 million. In South Korea, product sales advanced 35% to €163 million. In all, Asia accounted for 9% of Faurecia's total product sales in 2011.
- In South America, product sales rose 14.8% as reported and 17.2% like-for-like to €639 million, representing 5.2% of the Faurecia total.
- In the Rest of the World segment, product sales stood at €240.7 million, an increase of 30.9% as reported and 34.8% like-for-like, and represented 1.9% of the total.

Sustained growth across all business segments

Product sales can be analysed as follows by business segment:

Automotive Seating product sales totalled €4,770 million, up 8.3% like-for-like over the year including 6.1% growth in the second half.

Interior Systems product sales amounted to €3,075 million, an increase of 14.1% like-for-like over the year led by a second-half gain of 14.5%.

Emissions Control Technologies product sales for the year were up 20.7% like-for-like at €2,935 million, with second-half growth at 18.9%.

Automotive Exteriors product sales came in at €1,611 million, a like-for-like increase of 10.9%. Second-half product sales were up 12.5% like-for-like.

Recurring operating income

Faurecia's recurring operating income rose by 43% in 2011 to €651 million (4.0% of revenue), from €456 million in 2010.

Second-half recurring operating income was up 30% at €311 million, representing 3.9% of revenue versus 3.4% in the same period of 2010.

Based on revenue excluding monoliths, Interior Systems recurring operating margin for 2011 stood at 4.7% (3.3% in 2010), a rate equivalent to that generated by the Other Modules segment (5.0% in 2011 and 2010).

2.2.3.3. Gefco

(in million euros)	**2011**	**2010**
Revenues	3,782	3,351
Recurring operating income	223	198
As a % of revenues	*5.9%*	*5.9%*

Revenues

Gefco's revenue amounted to €3,782 million in 2011, an increase of 12.9% over 2010. Revenue from services performed for other Group companies rose 9.2% to €2,331 million, while revenue from services sold to external customers was 19.2% higher at €1,451 million. The acquisition of 70% of the Mercurio group in May 2011 helped Gefco to speed its growth in downstream logistics and move up a gear in its international development. Mercurio contributed €81 million to 2011 revenue.

Recurring operating income

Confirming the strength of its business model, Gefco reported a 12.6% increase in recurring operating income which represented a solid 5.9% of revenue for the year.

First-half recurring operating income stood at €143 million or 7.1% of revenue. In the second half, profitability was weakened by the usual fall-off in demand in August and December combined with lower production output by carmakers, driving down recurring operating income to €80 million or 4.5% of revenue.

2.2.3.4. Banque PSA Finance

(in million euros)	**2011**	**2010**
Revenues	1,902	1,852
Net banking revenue	1,032	1,000
Recurring operating income	**532**	**507**
As a % of revenues	*28.0%*	*27.4%*

Revenues

In a challenging economic environment, Banque PSA Finance delivered a healthy marketing and financial performance thanks to the quality and robustness of its business model.

In terms of marketing performance, the Bank increased its penetration rate and confirmed its role in actively supporting the carmakers' sales by financing 27.8% of all new Peugeot and Citroën vehicles sold in its markets in 2011. Developing synergies with the brands' marketing organizations is an essential factor in the Bank's sales strategy.

A total of 843,811 new and used vehicles were financed in 2011, a decline of 2.4% compared with 2010 that reflected lower registrations in the Bank's markets.

In Europe, 537,921 new vehicles were financed, representing a decline of 5.1% over 2010. The penetration rate nevertheless improved by 0.6 points, although market share performance was uneven, with significant gains in Spain (up 7.5 points), the Netherlands (up 5.6 points) and Italy (up 4.1 points) contrasting with falls in France (down 1.2 points), Belgium (down 2.3 points) and Germany (down 2.7 points).

A growing proportion of the Bank's revenue is generated outside Europe, with 2011 seeing solid contributions from Brazil, Argentina and Russia. In 2011, markets outside Europe accounted for 18% of new vehicle financing volumes versus 16% in 2010.

New retail financing extended in 2011 totalled €8,790 million, an increase of 1.9% from €8,627 million the previous year that was mainly due to the positive effect of changes in vehicle mix.

As of 31 December 2011, the retail loan book stood at €17,474 million, up 0.4% over the year-earlier figure of €17,400 million. Retail loans outside Europe rose 18.1% over the year to €1,362 million.

The wholesale loan book at end-2011 came to €6,840 million versus €6,011 million a year earlier.

Total outstanding retail and wholesale loans stood at €24,314 million at 31 December 2011 compared with €23,411 million at the previous year-end, an increase of 3.9%.

The penetration rate for services and insurance offerings rose sharply, with 1.61 service/insurance contracts sold for every financing contract in 2011 versus 1.53 in 2010, with credit insurance and auto insurance seeing the strongest growth.

Banque PSA Finance's revenue for the year totalled €1,902 million, up 2.7% compared with €1,852 million in 2010.

(in million euros)	**31 December 2011**	**31 December 2010**
Outstanding loans (including securitised loans) by customer segment		
• Corporate Dealers	6,840	6,011
• Retail and Corporate & Equivalent	17,474	17,400
TOTAL BANQUE PSA FINANCE*	**24,314**	**23,411**

(in million euros)	**31 December 2011**	**31 December 2010**
Outstanding loans (including securitized loans)		
• France	8,868	8,410
• Rest of Europe	13,473	13,379
• Rest of the world	1,973	1,622
TOTAL BANQUE PSA FINANCE	**24,314**	**23,411**

* *Excluding the effect of remeasuring portfolios of interest-rate instruments.*

Recurring operating income

Banque PSA Finance reported recurring operating income of €532 million in 2011 versus €507 million the previous year.

The year-on-year change can be explained as follows:

- Net banking revenue rose 3.2% to a new record high of €1,032 million from €1,000 million in 2010, reflecting the high quality of recent retail loan originations and the resulting solid margins.
- Net provision expense ("cost of risk") was €115 million in 2011, representing 0.49% of average net loans outstanding compared with 0.56% in 2010. Net provision expense on retail loans was stable at €107 million versus €108 million in 2010 when impairment rates on non-performing retail loans were adjusted, particularly in Spain. The 2011 figure demonstrates the effectiveness of measures taken during the recession to improve risk selection and collection processes. Net provision expense on Corporate loans amounted to €8 million in 2011 versus €21 million in 2010.
- General operating expenses stood at €385 million in 2011. The increase compared with 2010 was due to the Bank's international expansion (with new operations in Brazil, Russia and Malta), ongoing investment in information systems and the cost of the new tax payable by banking institutions in France. Increases in other general operating expenses were offset by savings and productivity gains.

More detailed information about Banque PSA Finance is provided in the Bank's Annual Report which can be downloaded from its website at www.banquepsafinance.com

2.3. Other Income Statement Items

2.3.1. Operating Income

Non-recurring operating expenses amounted to €463 million in 2011 versus €436 million in 2010. In late 2011, the Group announced a Competitiveness Plan for the Automotive Division, designed to offset the impact of the second-half slowdown in the automobile market.
The plan's measures, which concern both France and Europe, were presented to the European Works Council in October 2011. The plan provides for the redeployment of 1,900 jobs in France and 600 in Europe, based on internal transfers and supported voluntary departures. The net expense recorded in the accounts at 31 December 2011 in respect of the plan amounted to €192 million.
The Faurecia group's restructuring costs for 2011 amounted to €56 million, including €47 million for employee separations covering 1,338 people mainly in North America and Europe.
Other expenses primarily stemmed from exposure to currency risk from yen-denominated contracts.

Non-recurring operating income was €46 million, consisting mainly of gains on disposals of real estate.
For more information, refer to the notes to the consolidated financial statements at 31 December 2011 (*Note 7 – Non-recurring Income and (Expenses)*).

After taking into account these items, the Group ended the year with operating income of €898 million compared with €1,736 million in 2010.

(in million euros)	**2011**	**2010**
Automotive Division	(439)	563
Faurecia	593	420
Gefco	223	210
Banque PSA Finance	532	534
Other Businesses and holding company	(11)	9
TOTAL PSA PEUGEOT CITROËN	**898**	**1,736**

2.3.2. Net Financial Income (Expense)

Net financial expense came to €334 million in 2011 compared with €429 million the previous year. This amount includes interest income from loans and on cash and cash equivalents, finance costs and other financial income and expense. The decline was mainly due to the reduction in finance costs to €331 million in 2011 from €455 million in 2010, reflecting the saving in interest costs achieved by paying off the €3 billion loan from the French State that was obtained in March 2009. An initial early repayment of €1 billion was made on 10 September 2010 and the balance was repaid in two instalments on 25 February and 26 April 2011. The repayments were only partly financed on the market, at a lower interest rate than that charged by the French State.

Interest income from loans and on cash and cash equivalents rose by €28 million, lifted by higher average interest rates (due to the increase in the Eonia). The increase partly offset the growth in "Other financial expenses" to €333 million from €289 million in 2010.

For more information, refer to the notes to the consolidated financial statements at 31 December 2011 (*Notes 8, 9 and 10*).

2.3.3. Income Taxes

Current taxes for the year came to €410 million. After taking into account a deferred tax benefit of €457 million, a net income tax benefit of €47 million was reported in the 2011 statement of income versus net income tax expense of €255 million in 2010.

For more information, refer to the consolidated financial statements at 31 December 2011 (*Note 11 – Income Taxes).*

2.3.4. Share in Net Earnings of Companies at Equity

In 2011, the combined contribution of companies at equity was a net profit of €173 million versus €204 million the year before. The main entities concerned are Dongfeng Peugeot Citroën Automobile (DPCA) and joint ventures with other carmakers (Fiat, Toyota, BMW and Renault) that are organized as separate entities.

In 2011, DPCA sold over 404,000 vehicles. After taking into account consolidation entries and adjustments, DPCA contributed €150 million to consolidated net profit.

Toyota Peugeot Citroën Automobiles contributed €8 million to consolidated profit in 2011 compared with €37 million the previous year. The joint ventures with Fiat made a negative contribution of €3 million versus a €10 million negative contribution in 2010. The improvement was attributable to the recovery in the European light commercial vehicle market which grew by 7% over the year.

For more information about the Group's share in the net earnings of companies at equity, refer to the notes to the consolidated financial statements at 31 December 2011 (*Note 15 – Investments in Companies at Equity)*.

2.3.5. Consolidated profit

The Group ended the year with consolidated profit of €784 million compared with €1,256 million in 2010.

2.3.6. Consolidated profit attributable to equity holders of the parent

Profit attributable to equity holders of the parent came to €588 million in 2011 versus €1,134 million in 2010.

2.3.7. Earnings per Share

Basic earnings per share amounted to €2.64 compared with €5.00 in 2010.
Diluted earnings per €1 par value share was €2.56 versus €4.97 in 2010.
For more information, refer to the notes to the consolidated financial statements at 31 December 2011 (*Note 12 – Earnings per Share)*.

2.4. Outlook for 2012

In 2012, the automotive market looks set to contract by around 5% in 30-country Europe and by roughly 10% in France. Outside Europe, the Group is anticipating growth of around 7% in China, roughly 6% in Latin America and around 5% in Russia.

The Group has set as its objective to significantly pay down debt by leveraging the contribution of the cash management plan and new model launches.

3- Cash and Capital Resources

3.1. Equity

Consolidated equity amounted to €14,494 million at 31 December 2011. The increase compared with €14,303 million at the previous year-end was primarily due to the inclusion of the €784 million consolidated profit for the year (including minority interests), which more than covered payment of the 2010 dividend of €292 million and €199 million in share buybacks.

Consolidated profit attributable to equity holders of the parent came to €588 million.

At 31 December 2011, the share capital comprised 234,049,344 shares with a par value of one euro each. The slight increase compared with the number of shares outstanding at the end of 2010 resulted from the issuance of shares on conversion of 119 Oceane convertible bonds. At year-end, the Group held 17,187,450 shares in treasury. Most of these shares are being held for allocation (i) to a future liquidity contract, (ii) on conversion of June 2009 Oceane convertible bonds, and (iii) to cover outstanding stock options and performance share rights. A certain number of shares are currently unallocated.

In 2011, 10,000,000 shares were bought back on the market (see *Note 26.5* to the consolidated financial statements at 31 December 2011).

3.2 Net Financial Position of the Manufacturing and Sales Companies and Net Debt-to-Equity Ratio

Consolidated current and non-current financial liabilities of the manufacturing and sales companies amounted to €9,779 million at 31 December 2011 compared with €11,472 million at the previous year-end (see *Note 29* to the consolidated financial statements at 31 December 2011). The decrease was due mainly to the early repayment of the €2 billion outstanding balance on the loan from the French State, in two €1 billion instalments, and the repayment at maturity in September 2011 of the €1,255 million worth of 2001 bonds still outstanding at that date. The repayments were only partly financed on the market, through bond issues carried out in January and September 2011 for a total of €1 billion. Financial assets of the manufacturing and sales companies contracted to €6,490 million at 31 December 2011 from €10,380 million at end-2010, reflecting a decline in cash and cash equivalents to €5,190 million from €9,278 million mainly due to the cash used to help finance the repayments made in 2011.

The net financial position of the manufacturing and sales companies at 31 December 2011 represented net debt of €3,359 million versus €1,236 million at 31 December 2010 (see *Note 36.1* to the consolidated financial statements at 31 December 2011).

The unfavourable change was due to the fact that free cash flow[4] for the year was a negative €1,646 million as opposed to a positive €1,110 million in 2010. Funds from operations, which declined to €2,596 million from €3,257 million in 2010, were not sufficient to cover both the high level of capital spending and capitalized development costs (€3,713 million) and the negative change in working capital (€684 million) that was mainly due to an increase in inventories.

Net debt was also affected by dividend payments of €287 million, including €250 million (€1.1 per share) paid to Peugeot S.A. shareholders, and by share buybacks (10 million shares purchased at an average price of €19.92 between 12 August and 2 September 2011).

The net debt-to-equity ratio stood at 23% at 31 December 2011 versus 9% a year earlier.

If the cash proceeds of some €440 million from sale of the car rental business on 1 February 2012 had been received at 31 December 2011, net debt at that date would have amounted to €2,919 million, representing a pro forma net debt-to-equity ratio of 20%.

3.3. Origin, Amount and Description of Consolidated Cash Flows

3.3.1. Consolidated Cash Flows

For detailed information, refer to the consolidated financial statements – *Consolidated Statements of Cash Flows* for the year ended 31 December 2011.

3.3.2. Manufacturing and Sales Companies

The following table presents the manufacturing and sales companies' cash flows for 2011 and 2010:

	Manufacturing and Sales Companies	
(in million euros)	**2011**	**2010**
Consolidated profit for the period	430	862
Funds from operations	2,596	3,257
Change in working capital	(684)	517
Net cash from operating activities	**1,912**	**3,774**
Net cash used in investing activities	**(3,713)**	**(2,804)**
Net cash (used in) from financing activities	**(2,691)**	**375**
Effect of changes in exchange rates	3	91
Net (decrease) increase in cash and cash equivalents	**(4,489)**	**1,436**
Cash and cash equivalents at beginning of year	9,253	7,817
Cash and cash equivalents at end of year	4,764	9,253

[4] ***Since 2010, the manufacturing and sales companies' free cash flow includes dividends received from Banque PSA Finance. Free cash flow = net cash from operating activities – net cash used in investing activities + net dividends received from Group companies*

Cash Flows From Operating Activities of Manufacturing and Sales Companies

Funds from operations of the manufacturing and sales companies came to €2,596 million in 2011 compared with €3,257 million the previous year, representing 4.5% of their revenue versus 6%. The generation of funds from operations was adversely affected by the Automotive Division's weaker performance in 2011. See section 2.2.3.1 of this report.

The €684 million negative change in working capital – mainly due to a €661 million increase in inventories – also had an unfavourable impact on funds from operations. New model launches drove up inventory levels and the number of used vehicles in stock rose compared with 2010. In addition, the average unit value of the vehicles in inventory was higher than at the previous year-end.

In all, these developments led to a decline in net cash from operating activities of the manufacturing and sales companies to €1,912 million from €3,774 million in 2010.

The table below shows new vehicle inventory levels for the Group and in the independent dealer network.

(in thousands of new vehicles)	**31 December 2011**	**31 December 2010**	**31 December 2009**
Group	234	222	234
Independent dealer network	259	223	206
TOTAL	**493**	**445**	**440**

The 493,000 new vehicles in inventory at 31 December 2011 represented the equivalent of 69 days' sales[5]. Inventories were ramped up in the dealer network to meet demand for the recently introduced models (Citroën D35 and Peugeot 3008 Hyb4) and in Latin America in preparation for the extended closure of the Porto Real plant for capacity extension work. In addition, inventory levels were adversely affected by the halt in deliveries from our screw supplier Agrati and by lower-than-expected sales in the fourth quarter of 2011.

Cash Flows From Investing Activities of Manufacturing and Sales Companies

As shown in the table below, net cash used in investing activities of manufacturing and sales companies rose to €3,713 million in 2011 from an already high €2,804 million in 2010 representing an increase of nearly €900 million of which €300 million by Faurecia. Capitalised development costs amounted to €1,227 million versus €1,097 million in 2010 (see *Note 6* to the consolidated financial statements at 31 December 2011).

(in million euros)	**2011**	**2010**
Automotive Division	2,904	2,378
Faurecia	681	382
Gefco	77	32
Other Businesses	69	12
TOTAL	3,713	**2,804**

The following table provides details of capitalised development costs.

(in million euros)	**2011**	**2010**
Automotive Division	1,058	963
Faurecia	179	154
Eliminations	(10)	(20)
TOTAL	**1,227**	**1,097**

Cash Flows From Financing Activities of Manufacturing and Sales Companies

The financing activities of the manufacturing and sales companies generated a net cash outflow of €2,691 million in 2011 as opposed to a net inflow of €375 million in 2010. Changes in other financial assets and liabilities represented a net cash outflow of €2,361 million, corresponding mainly to (i) the early repayment of the €2 billion outstanding balance on the March 2009 loan from the French State, in two €1 billion instalments on 25 February and 26 April, and (ii) the repayment at maturity in September 2011 of the €1,255 million worth of 2001 bonds still outstanding at that date, partly offset by two bond issues for a total of €1 billion carried out in January and September 2011. Other cash flows from financing activities included a €199 million outflow in respect of share buybacks and €287 million in dividend payments.

[5] *Ratio at 31 December calculated on the basis of sales forecasts for the next three months.*

Net Cash and Cash Equivalents at End of Year – Manufacturing and Sales Companies

After taking into account the €3 million positive effect of changes in exchange rates, the cash flows from operating, investing and financing activities discussed above led to a decline in cash and cash equivalents to €4,764 million at 31 December 2011 from €9,253 million at the previous year-end.

3.3.3. Net Cash and Cash Equivalents at End of Year – Finance Companies

Banque PSA Finance generated net cash from operating activities of €17 million in 2011 versus €157 million in 2010.

At the year-end, the Bank had cash and cash equivalents of €1,154 million (see *Note 33.1* to the consolidated financial statements at 31 December 2011).

3.4. Liquidity and Funding

3.4.1. Manufacturing and Sales Companies

In the prevailing economic environment, the Group kept up its proactive refinancing strategy and conservative liquidity policy in order to meet its general financing needs, particularly the financing of current and future growth projects. This strategy enabled the Group to refinance its 2011 debt maturities on favourable terms. The refinancing transactions strengthened the balance sheet by extending the average life of debt, and also lowered average borrowing costs compared with 2010.

Refinancing transactions carried out during the year were as follows:

- On 20 January 2011, the two €500 million bond issues carried out in October 2010 were increased through two tap issues that added €350 million to the issue due October 2013 and €150 million to the one due October 2016. The yields offered on the tap issues were, respectively, around 40- and 30-basis points below those of the original issues.
- In March 2009, Peugeot S.A. obtained a €3 billion 5-year loan from the French State. In early 2011, the Managing Board decided to repay the €2 billion balance of the loan, carried in the balance sheet under "Other long-term borrowings". The repayment was made in two €1 billion instalments on 25 February and 26 April. This led to the recognition of interest income of €69 million, corresponding to the difference between the loan's carrying amount on the date when the early repayment was decided and the actual amount of the early repayment.
- On 27 September 2011, Peugeot S.A. launched a €500 million 6.875% bond issue due March 2016.
- On the same date, PSA Peugeot Citroën repaid at maturity the €1,255 million worth of 2001 bonds still outstanding. After taking into account the redemption premiums, accrued interest and the effect of swaps, the payment to bond holders amounted to €1,268 million.
- On 27 October 2011, Peugeot Citroën Automobiles S.A. repaid the €125 million loan obtained from the European Investment Bank (EIB) on 17 October 2006.
- On 3 November 2011, Faurecia issued €350 million worth of 9.375% bonds due December 2016.
- On 16 November 2011, Peugeot Citroën Automobiles S.A. obtained a new €125 million loan from the EIB that is repayable in equal annual instalments between December 2013 and December 2017.
- In December 2011, Faurecia obtained a new €1,150 million syndicated credit facility. The facility comprises a €690 million tranche expiring in November 2014 with a two-year extension option and a €460 million tranche expiring in November 2016. It was used to repay the previous syndicated credit facility.

The Group also has undrawn confirmed lines of credit amounting to €2,400 million for Peugeot S.A. and €660 million for Faurecia at 31 December 2011. The expiry date of the €2,400 million line has been pushed back by one year, from July 2013 to July 2014.

3.4.2. Banque PSA Finance

At 31 December 2011, 19% of Banque PSA Finance’s funding was provided by bank facilities, 59% by the capital markets, 18% by loan securitizations placed on the financial markets and 4% by public sources (such as SFEF, an institution set up by the French government to inject cash into the economy, and the European Central Bank). At 31 December 2010, the proportions were 22%, 55%, 16% and 7% respectively.

During the year, most of the drawn down and revolving bilateral lines of credit were rolled over on expiry to consolidate Banque PSA Finance’s bank financing. At 31 December 2011, drawdowns on the Bank's lines of credit amounted to €4,058 million compared with €4,668 million at the previous year-end.

Borrowings under capital markets programmes increased to €12,926 million at 31 December 2011 from €11,619 million at the previous year-end.

Borrowings under short-term programmes (Sofira commercial paper issues and Banque PSA Finance CD issues) declined to €3,754 million from €4,087 million at 31 December 2010.

Responding to market demand for medium-term paper in the euro zone, Banque PSA Finance carried out three EMTN issues in 2011, raising a total of €2,400 million with an average maturity in excess of four years. In April 2011, the Bank carried out its first bond issue on the US market, raising USD 1,250 million. These issues increased borrowings under the EMTN programme by more than €1.6 billion to €9,172 million while also extending the average life of the borrowings and allowing the Bank to obtain more favourable spreads at issue.

Two new securitization programmes were set up during the year, backed by French and German auto loans. Total securitization debt amounted to €3,963 million at 31 December 2011 versus €3,381 million at 31 December 2010.

Liquidity reserves

In 2010, Banque PSA Finance continued to seek the right balance between securing liquidity, which is an ongoing priority, and optimising its refinancing costs.

At 31 December 2011, 80% of refinancing had an initial maturity of twelve months or more (versus 71% at end-2010), representing continued solid coverage of maturity mismatch risk.

Refinancing is arranged with maturities that comfortably cover the maturities of the retail financing portfolio.

At 31 December 2011, the Bank held excess liquidity of €724 million and, in addition to its borrowings, it had €7,955 million worth of undrawn lines of credit, including €5,755 million in syndicated facilities expiring in June 2013 (€1,755 million), June 2014 (€2,000 million) and December 2014 (€2,000 million). These backup facilities were obtained from syndicates of leading banks and were not drawn down at 31 December 2011.

In all, Banque PSA Finance has the necessary resources to cover more than six months of lending activity without raising additional funds.

For more detailed information, refer to the Banque PSA Finance Annual Report available at www.banquepsafinance.com.

Consolidated Financial Statements for the Year Ended 31 December 2011

Contents

The consolidated financial statements of the PSA Peugeot Citroën Group are presented for the years ended 31 December 2011 and 2010. The 2009 consolidated financial statements are included in the Registration Document that was filed with the French securities regulator (Autorité des Marchés Financiers) on 22 April 2010 under no. D.10-0301.

CONSOLIDATED **STATEMENTS OF INCOME**

	2011			
(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	Total
Sales and revenue (note 4)	**58 329**	**1 902**	**(319)**	**59 912**
Cost of goods and services sold	(49 018)	(985)	319	(49 684)
Selling, general and administrative expenses	(6 376)	(385)	-	(6 761)
Research and development expenses (note 6)	(2 152)	-	-	(2 152)
Recurring operating income	**783**	**532**	**-**	**1 315**
Non-recurring operating income (note 7)	46	-	-	46
Non-recurring operating expenses (note 7)	(463)	-	-	(463)
Operating income	**366**	**532**	**-**	**898**
Interest income (note 8)	114	-	-	114
Finance costs (note 9)	(331)	-	-	(331)
Other financial income (note 10)	214	2	-	216
Other financial expenses (note 10)	(330)	(3)	-	(333)
Income before tax of fully consolidated companies	**33**	**531**	**-**	**564**
Current taxes	(192)	(218)	-	(410)
Deferred taxes	419	38	-	457
Income taxes (note 11)	**227**	**(180)**	**-**	**47**
Share in net earnings of companies at equity (note 15)	170	3	-	173
Consolidated profit for the year	**430**	**354**	**-**	**784**
Attributable to equity holders of the parent	238	345	5	588
Attributable to minority interests	192	9	(5)	196

(in euros)	
Basic earnings per €1 par value share (note 12)	2.64
Diluted earnings per €1 par value share (note 12)	2.56

(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	Total
		2010		
Sales and revenue (note 4)	**54 502**	**1 852**	**(293)**	**56 061**
Cost of goods and services sold	(44 900)	(981)	293	(45 588)
Selling, general and administrative expenses	(6 238)	(364)	-	(6 602)
Research and development expenses (note 6)	(2 075)	-	-	(2 075)
Recurring operating income	**1 289**	**507**	**-**	**1 796**
Non-recurring operating income (note 7)	349	27	-	376
Non-recurring operating expenses (note 7)	(436)	-	-	(436)
Operating income	**1 202**	**534**	**-**	**1 736**
Interest income (note 8)	86	-	-	86
Finance costs (note 9)	(455)	-	-	(455)
Other financial income (note 10)	228	1	-	229
Other financial expenses (note 10)	(286)	(3)	-	(289)
Income before tax of fully consolidated companies	**775**	**532**	**-**	**1 307**
Current taxes	(91)	(186)	-	(277)
Deferred taxes	(24)	46	-	22
Income taxes (note 11)	**(115)**	**(140)**	**-**	**(255)**
Share in net earnings of companies at equity (note 15)	202	2	-	204
Consolidated profit for the year	**862**	**394**	**-**	**1 256**
Attributable to equity holders of the parent	744	388	2	1 134
Attributable to minority interests	118	6	(2)	122

(in euros)	
Basic earnings per €1 par value share (note 12)	5.00
Diluted earnings per €1 par value share (note 12)	4.97

CONSOLIDATED **STATEMENTS OF INCOME AND EXPENSES RECOGNISED**

(in million euros)	2011 Before tax	 Income tax benefit (expense)	 After tax
Consolidated profit for the year	**737**	**47**	**784**
Fair value adjustments to cash flow hedges	(128)	42	(86)
- of which, reclassified to the income statement	*(34)*	*12*	*(22)*
- of which, recognised in equity during the period	*(94)*	*30*	*(64)*
Gains and losses from remeasurement at fair value of available-for-sale financial assets	(68)	-	(68)
- of which, reclassified to the income statement	-	-	-
- of which, recognised in equity during the period	*(68)*	-	*(68)*
Exchange differences on translating foreign operations	10	-	10
Income and expenses recognised directly in equity, net	**(186)**	**42**	**(144)**
- of which, companies at equity	*98*	-	*98*
Total recognised income and expenses, net	**551**	**89**	**640**
- of which, attributable to equity holders of the parent			*444*
- of which, attributable to minority interests			*196*

Income and expenses recognised directly in equity correspond to all changes in equity resulting from transactions with third parties other than shareholders.

DIRECTLY IN EQUITY

	2010		
(in million euros)	Before tax	Income tax benefit (expense)	After tax
Consolidated profit for the year	**1 511**	**(255)**	**1 256**
Fair value adjustments to cash flow hedges	49	(17)	32
- of which, reclassified to the income statement	*(40)*	*14*	*(26)*
- of which, recognised in equity during the period	*89*	*(31)*	*58*
Gains and losses from remeasurement at fair value of available-for-sale financial assets	(35)	1	(34)
- of which, reclassified to the income statement	-	-	-
- of which, recognised in equity during the period	*(35)*	*1*	*(34)*
Exchange differences on translating foreign operations	280	-	280
Income and expenses recognised directly in equity, net	**294**	**(16)**	**278**
- of which, companies at equity	*38*	-	*38*
Total recognised income and expenses, net	**1 805**	**(271)**	**1 534**
- of which, attributable to equity holders of the parent			*1 387*
- of which, attributable to minority interests			*147*

CONSOLIDATED BALANCE SHEETS – ASSETS

(in million euros)	31 December 2011 Manufacturing and Sales companies	Finance companies	Eliminations	Total
Goodwill (note 13)	1 505	77	-	1 582
Intangible assets (note 13)	5 378	91	-	5 469
Property, plant and equipment (note 14)	14 059	15	-	14 074
Investment in companies at equity (note 15)	1 410	62	-	1 472
Investments in non-consolidated companies (note 16)	84	2	-	86
Other non-current financial assets (note 17)	1 035	51	(25)	1 061
Other non-current assets (note 18)	445	7	-	452
Deferred tax assets (note 11)	1 370	62	-	1 432
Total non-current assets	**25 286**	**367**	**(25)**	**25 628**
Operating assets				
Loans and receivables - finance companies (note 19)	-	24 387	(80)	24 307
Short-term investments - finance companies (note 20)	-	877	-	877
Inventories (note 21)	6 609	-	-	6 609
Trade receivables - manufacturing and sales companies (note 22)	2 387	-	(167)	2 220
Current taxes (note 11)	164	8	(2)	170
Other receivables (note 23)	1 935	1 005	(145)	2 795
	11 095	**26 277**	**(394)**	**36 978**
Current financial assets (note 24)	**265**	**-**	**-**	**265**
Cash and cash equivalents (note 25)	**5 190**	**1 154**	**(224)**	**6 120**
Total current assets	**16 550**	**27 431**	**(618)**	**43 363**
Total assets	**41 836**	**27 798**	**(643)**	**68 991**

CONSOLIDATED BALANCE SHEETS – EQUITY AND LIABILITIES

(in million euros)	31 December 2011 Manufacturing and Sales companies	Finance companies	Eliminations	Total
Equity (note 26)				
Share capital				234
Treasury stock				(502)
Retained earnings and other accumulated equity, excluding minority interests				14 104
Minority interests				658
Total equity				**14 494**
Non-current financial liabilities (note 29)	7 639	-	-	7 639
Other non-current liabilities (note 30)	2 865	-	-	2 865
Non-current provisions (note 27)	696	16	-	712
Deferred tax liabilities (note 11)	984	353	-	1 337
Total non-current liabilities	**12 184**	**369**	**-**	**12 553**
Operating liabilities				
Financing liabilities (note 31)	-	22 543	(257)	22 286
Current provisions (note 27)	2 242	57	-	2 299
Trade payables	9 675	-	(10)	9 665
Current taxes (note 11)	88	34	(2)	120
Other payables (note 32)	4 634	1 104	(304)	5 434
	16 639	**23 738**	**(573)**	**39 804**
Current financial liabilities (note 29)	**2 210**	**-**	**(70)**	**2 140**
Total current liabilities	**18 849**	**23 738**	**(643)**	**41 944**
Total equity and liabilities				**68 991**

(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	Total
	31 December 2010			
Goodwill (note 13)	1 428	77	-	1 505
Intangible assets (note 13)	4 854	92	-	4 946
Property, plant and equipment (note 14)	13 714	14	-	13 728
Investment in companies at equity (note 15)	1 002	54	-	1 056
Investments in non-consolidated companies (note 16)	100	2	-	102
Other non-current financial assets (note 17)	796	59	(25)	830
Other non-current assets (note 18)	333	1	-	334
Deferred tax assets (note 11)	419	63	-	482
Total non-current assets	**22 646**	**362**	**(25)**	**22 983**
Operating assets				
Loans and receivables - finance companies (note 19)	-	23 491	(153)	23 338
Short-term investments - finance companies (note 20)	-	805	-	805
Inventories (note 21)	5 947	-	-	5 947
Trade receivables - manufacturing and sales companies (note 22)	2 051	-	(175)	1 876
Current taxes (note 11)	169	27	(4)	192
Other receivables (note 23)	1 959	748	(130)	2 577
	10 126	**25 071**	**(462)**	**34 735**
Current financial assets (note 24)	**306**	**-**	**-**	**306**
Cash and cash equivalents (note 25)	**9 278**	**1 316**	**(127)**	**10 467**
Total current assets	**19 710**	**26 387**	**(589)**	**45 508**
Total assets	**42 356**	**26 749**	**(614)**	**68 491**

(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	Total
	31 December 2010			
Equity (note 26)				
Share capital				234
Treasury stock				(303)
Retained earnings and other accumulated equity, excluding minority interests				13 897
Minority interests				475
Total equity				**14 303**
Non-current financial liabilities (note 29)	8 259	-	-	8 259
Other non-current liabilities (note 30)	2 772	-	-	2 772
Non-current provisions (note 27)	704	23	-	727
Deferred tax liabilities (note 11)	490	389	-	879
Total non-current liabilities	**12 225**	**412**	**-**	**12 637**
Operating liabilities				
Financing liabilities (note 31)	-	21 704	(152)	21 552
Current provisions (note 27)	2 418	46	-	2 464
Trade payables	9 571	-	(10)	9 561
Current taxes (note 11)	59	61	(3)	117
Other payables (note 32)	3 937	1 012	(305)	4 644
	15 985	**22 823**	**(470)**	**38 338**
Current financial liabilities (note 29)	**3 357**	**-**	**(144)**	**3 213**
Total current liabilities	**19 342**	**22 823**	**(614)**	**41 551**
Total equity and liabilities				**68 491**

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

	2011			
(in million euros)	Manufacturing and Sales companies	Finance companies	Eliminations	**Total**
Consolidated profit for the year	**430**	**354**	**-**	**784**
Adjustments for:				
- Depreciation, amortisation and impairment (note 33.5)	3 020	17	-	3 037
- Provisions	(205)	10	-	(195)
- Changes in deferred tax	(419)	(39)	-	(458)
- (Gains) losses on disposals and other	14	-	-	14
Share in net (earnings) losses of companies at equity, net of dividends received	(67)	(3)	-	(70)
Revaluation adjustments taken to equity and hedges of debt	(136)	-	-	(136)
Change in the carrying amount of leased vehicles	(41)	-	-	(41)
Funds from operations[(1)]	**2 596**	**339**	**-**	**2 935**
Change in working capital (note 33.2)	(684)	(322)	(177)	(1 183)
Net cash from (used in) operating activities	**1 912**	**17**	**(177)**	**1 752**
Proceeds from disposals of shares in consolidated companies	1	-	-	1
Proceeds from disposals of investments in non-consolidated companies	1	-	-	1
Acquisitions of shares in consolidated companies	(97)	-	-	(97)
Investments in non-consolidated companies	(36)	-	-	(36)
Proceeds from disposals of property, plant and equipment	84	7	-	91
Proceeds from disposals of intangible assets	9	-	-	9
Investments in property, plant and equipment	(2 239)	(14)	-	(2 253)
Investments in intangible assets	(1 426)	(12)	-	(1 438)
Change in amounts payable on fixed assets	87	-	-	87
Other	(97)	-	-	(97)
Net cash from (used in) investing activities	**(3 713)**	**(19)**	**-**	**(3 732)**
Dividends paid:				
- To Peugeot S.A. shareholders	(250)	-	-	(250)
- Intragroup	155	(155)	-	-
- To minority shareholders of subsidiaries	(37)	(3)	-	(40)
(Purchases) sales of treasury stock	(199)	-	-	(199)
Changes in other financial assets and liabilities (note 33.4)	(2 361)	-	78	(2 283)
Other	1	-	-	1
Net cash from (used in) financing activities	**(2 691)**	**(158)**	**78**	**(2 771)**
Effect of changes in exchange rates	3	(2)	2	3
Net increase (decrease) in cash and cash equivalents	**(4 489)**	**(162)**	**(97)**	**(4 748)**
Net cash and cash equivalents at beginning of year	9 253	1 316	(127)	10 442
Net cash and cash equivalents at end of year (note 33.1)	**4 764**	**1 154**	**(224)**	**5 694**

[(1)] *Interest received and paid by the manufacturing and sales companies during the year is presented in note 33.6. Income tax paid (net of refunds) during the year is presented in note 11.3.*

(in million euros)	2010 Manufacturing and Sales companies	Finance companies	Eliminations	Total
Consolidated profit for the year	**862**	**394**	**-**	**1 256**
Adjustments for:				
- Depreciation, amortisation and impairment (note 33.5)	2 950	16	-	2 966
- Provisions	(410)	12	-	(398)
- Changes in deferred tax	23	(47)	-	(24)
- (Gains) losses on disposals and other	(12)	(23)	-	(35)
Share in net (earnings) losses of companies at equity, net of dividends received	(172)	(2)	-	(174)
Revaluation adjustments taken to equity and hedges of debt	70	-	-	70
Change in the carrying amount of leased vehicles	(54)	-	-	(54)
Funds from operations[(1)]	**3 257**	**350**	**-**	**3 607**
Change in working capital (note 33.2)	517	(196)	117	438
Net cash from (used in) operating activities	**3 774**	**154**	**117**	**4 045**
Proceeds from disposals of shares in consolidated companies	1	-	-	1
Proceeds from disposals of investments in non-consolidated companies	30	-	-	30
Acquisitions of shares in consolidated companies	(57)	(39)	3	(93)
Investments in non-consolidated companies	(50)	-	-	(50)
Proceeds from disposals of property, plant and equipment	112	57	-	169
Proceeds from disposals of intangible assets	5	-	-	5
Investments in property, plant and equipment	(1 672)	(16)	-	(1 688)
Investments in intangible assets	(1 193)	(8)	-	(1 201)
Change in amounts payable on fixed assets	(4)	-	-	(4)
Other	24	5	-	29
Net cash from (used in) investing activities	**(2 804)**	**(1)**	**3**	**(2 802)**
Dividends paid:				
- To Peugeot S.A. shareholders	-	-	-	-
- Intragroup	140	(140)	-	-
- To minority shareholders of subsidiaries	(6)	-	-	(6)
(Purchases) sales of treasury stock	-	-	-	-
Changes in other financial assets and liabilities (note 33.4)	237	-	(129)	108
Other	4	3	(3)	4
Net cash from (used in) financing activities	**375**	**(137)**	**(132)**	**106**
Effect of changes in exchange rates	91	11	-	102
Net increase (decrease) in cash and cash equivalents	**1 436**	**27**	**(12)**	**1 451**
Net cash and cash equivalents at beginning of year	7 817	1 289	(115)	8 991
Net cash and cash equivalents at end of year (note 33.1)	**9 253**	**1 316**	**(127)**	**10 442**

(1) *Interest received and paid by the manufacturing and sales companies during the year is presented in note 33.6. Income tax paid (net of refunds) during the year is presented in note 11.3.*

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

(in million euros)	Share capital	Treasury stock	Retained earnings	Other accumulated equity - Excluding minority interests: Cash flow hedges	sale financial assets	Translation reserve	**Equity attributable to equity holders of the parent**	Minority interests	**Equity**
At 31 December 2009	**234**	**(303)**	**12 236**	**12**	**134**	**(1)**	**12 312**	**135**	**12 447**
Income and expenses recognised directly in equity	-	-	1 134	32	(34)	255	1 387	147	1 534
Stock options and performance share grants	-	-	9	-	-	-	9	2	11
Changes in scope of consolidation and other [(1)]	-	-	120	-	-	-	120	197	317
Treasury stock	-	-	-	-	-	-	-	-	-
Conversion option embedded in convertible bonds (note 29.1)	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(6)	(6)
At 31 December 2010	**234**	**(303)**	**13 499**	**44**	**100**	**254**	**13 828**	**475**	**14 303**
Income and expenses recognised directly in equity	-	-	588	(84)	(68)	8	444	196	640
Stock options and performance share grants	-	-	11	-	-	-	11	4	15
Minority shareholder puts	-	-	-	-	-	-		9	9
Changes in scope of consolidation and other [(2)]	-	-	(2)	-	-	-	(2)	13	11
Treasury stock	-	(199)	4	-	-	-	(195)	3	(192)
Conversion option embedded in convertible bonds (note 29.1)	-	-	-	-	-	-	-	-	-
Dividends paid by Peugeot S.A. (€1.1 per €1 par value share)	-	-	(250)	-	-	-	(250)	-	(250)
Dividends paid by other Group companies	-	-	-	-	-	-	-	(42)	(42)
At 31 December 2011	**234**	**(502)**	**13 850**	**(40)**	**32**	**262**	**13 836**	**658**	**14 494**

[(1)] *Corresponding mainly to the share issue carried out by Faurecia in connection with the Emcon acquisition (see note 2).*

[(2)] *Corresponding mainly to minority interests in the Gruppo Mercurio S.p.A. share issue and in the acquisition of Gruppo Mercurio by Gefco.*

Notes to the Consolidated Financial Statements
for the year ended 31 December 2011

Preliminary note

The consolidated financial statements for 2011 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on 9 February 2012 with the exception of notes 39 and 40 which take into account events that occurred in the period up to the Supervisory Board meeting on 14 February 2012.

Note 1 - Accounting policies

The Group's consolidated financial statements for 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union[1] on December 31, 2011, the Group's fiscal year-end.
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).
All the standards and interpretations published by IASB and IFRIC whose application is compulsory in financial years beginning on or after January 1, 2011 have been adopted for use and are mandatory in the European Union, except for IAS 39 which has been only partially adopted for use in the European Union. There are no items in the PSA Peugeot Citroën Group's consolidated financial statements that would be affected by the unadopted provisions of this standard.
Consequently, the Group's consolidated financial statements have been prepared in accordance with all the standards and interpretations published by IASB and IFRIC whose application was compulsory in 2011.

<u>New standards and interpretations whose application was compulsory in 2011</u>

The revised and amended standards and interpretations whose application was compulsory in the European Union and that were applied for the first time by the PSA Peugeot Citroën Group in 2011 were as follows:

- *2010 Annual Improvements to IFRSs*: the changes resulting from these improvements did not have a material impact on the Group's consolidated financial statements. The main change concerned an amendment to IFRS 7 dealing with disclosures about the type of risks associated with financial instruments and the maximum exposure.

The Group is not concerned by the other texts adopted for use in the European Union as of 31 December 2011.

<u>Early-adopted standards and interpretations</u>

The Group did not early adopt any standards or interpretations that had been adopted for use in the European Union as of 31 December 2011 but whose application was not compulsory until financial years beginning after 1 January 2011.

<u>New standards and interpretations not early adopted</u>

The following amended standard adopted for use in the European Union will be applicable by the Group from 1 January 2012:

- *Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets* This amendment requires additional disclosures for transfers of financial assets, such as securitizations and sales of receivables.

<u>New standards and interpretations not yet adopted for use in the European Union</u>

The potential impact of the main standards and interpretations published by IASB and IFRIC that had not yet been adopted for use in the European Union at the balance sheet date is currently being assessed. The main new standards that may have an impact on the Group's consolidated financial statements are IFRS 11 and IFRS 9 and the amendment to IAS 19.
There are currently no plans to early adopt these standards.
Subject to their adoption for use in the European Union, the following standards and amendments to existing standards may be applicable as from the financial years indicated.

[1] The International Financial Reporting Standards adopted for use in the european Union can be downloaded from the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)

Standards and amendments that may be applicable by the Group from 1 January 2013:

- *Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* This amendment will not have a material impact on the presentation of the Group's published financial statements.
- *Amendment to IAS 19 Employee Benefits* This amendment eliminates the option of applying the corridor approach that is currently used by the Group. As a result, all actuarial gains and losses and past service costs will be recognized immediately in liabilities (see note 28 "Pensions and other post-employment benefits"). Actuarial gains and losses for each period will be recorded systematically in "Income and expenses recognised directly in equity" and past service costs will be recorded in the income statement. The amendment also specifies the reference bond yields to be used to determine the discount rate applied for the calculation of the net benefit obligation.
- *IFRS 13 Fair Value Measurement,* which specifies how to determine fair value when another IFRS requires or permits fair value measurements. Adoption of this standard will not result in any additional fair value measurements.
- *IFRS 10 Consolidated Financial Statements* and amendment to *IAS 27 Separate Financial Statements,* which together will replace the current *IAS 27 Consolidated and Separate Financial Statements* and *SIC 12 Consolidation – Special Purpose Entities.* These standards define control as being exercised when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
- *IFRS 11 Joint arrangements* and amendment to *IAS 28 Investments in Associates and Joint Ventures,* which will replace *IAS 31 Interests in Joint Ventures,* the current *IAS 28 Investments in Associates* and *SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers.* The new standards mainly prescribe two different accounting treatments:
  Joint arrangements qualifying as joint operations will 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.
- *IFRS 12 Disclosure of Interests in Other Entities.* This standard specifies the required disclosures concerning subsidiaries, joint arrangements, associates and unconsolidated SPEs/structured entities.
- *Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities.*

Standards and amendments that may be applicable by the Group from 1 January 2014:

- *Amendment to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* This amendment clarifies the offsetting rules contained in the current IAS 32.

Standards and amendments that may be applicable by the Group from 1 January 2015:

- *IFRS 9 Financial Instruments,* Phase 1 – Classification and Measurement, which will replace part of *IAS 39 Financial Instruments: Recognition and Measurement.* This standard is the outcome of the first of three phases in the IASB's financial instruments project, which dealt solely with the classification and measurement of financial instruments.
- *Amendment to IFRS 7 Financial Instruments: Transition Disclosures,* setting out the required disclosures upon first-time adoption of IFRS 9 and about the transition from IAS 39 to IFRS 9.

1.1. Consolidation

A. Consolidation methods

The generic name PSA Peugeot Citroën 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 joint control or significant influence over operating and financial policies are included in the consolidated financial statements using the equity method.

Certain companies meeting the above criteria have not been consolidated because they do not meet any of the following minimum requirements:
- Revenue in excess of €50 million;
- Total assets in excess of €20 million;
- Total debt in excess of €5 million.

Investments in these companies are recorded under “Investments in non-consolidated companies” in accordance with the general accounting principles described in note 1.15.B.2(a). Their consolidation would not have a material impact on the consolidated financial statements.

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.

B. 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 in IFRS 3 (Revised). An acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date is measured at fair value less costs to sell. Only the liabilities recognised in the acquiree’s balance sheet at the acquisition date are taken into account. Restructuring provisions are therefore not accounted for as a liability of the acquiree unless it has an obligation to undertake such restructuring at the acquisition date. Acquisition-related costs are recognized as expenses in the period in which the costs are incurred.
For each acquisition, the Group has the option of using the full goodwill method, where goodwill is calculated by taking into account the acquisition-date fair value of minority interests, rather than their share of the fair value of the assets and liabilities of the acquiree.
In the case of a bargain purchase, the resulting gain is recognised as non-recurring income, if the amount is material.
Contingent consideration is measured at its acquisition-date fair value and is subsequently adjusted through goodwill only when additional information is obtained after the acquisition date about facts and circumstances that existed at that date. Such adjustments are made only during the 12-month measurement period that follows the acquisition date. All other subsequent adjustments are recorded as a receivable or payable through profit or loss.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if material, is recognised as non-recurring income or expense.

C. Other changes in scope of consolidation

Following any change in ownership interest that results in the loss of control of an entity, the initial interest is remeasured at fair value and the gain or loss is recognised in non-recurring operating income or expense (if material).
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.

Puttable financial instruments – corresponding to put options granted to minority shareholders – are recognised as debt in accordance with the principles described in note 1.15.E.

1.2. 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

The functional currency of some subsidiaries outside the euro zone is considered to be the euro because the majority of their transactions are denominated in this currency. Non-monetary items in these subsidiaries' accounts are translated at the historical exchange rate and monetary items at the year-end rate. The resulting translation gains and losses are recognised directly in profit or loss.

1.3. Translation of transactions in foreign currencies

Transactions in foreign currencies are measured and recognised in accordance with *IAS 21 – The Effects of Changes in Foreign Exchange Rates.* In compliance with this standard, 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.

Derivative instruments are measured and recognised in accordance with the general principles described in note 1.15.D. Derivative instruments designated as hedges of currency risks on foreign currency transactions are recognised in the balance sheet and remeasured at fair value at each balance sheet date.
The gain or loss from remeasuring derivative instruments at fair value is recognised as follows:
- in recurring operating income, for commercial transactions carried out by 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;
- directly in equity for hedges of future transactions (for the effective portion of the gain or loss on the hedging instrument). The amount recognised in equity is reclassified into profit or loss when the hedged item affects profit or loss. The ineffective portion is recognised in the income statement under “Other financial income” or “Other financial expenses”.

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

To reduce uncertainty, estimates and assumptions are reviewed periodically and the effects of any changes are recognised immediately.

The main items determined on the basis of estimates and assumptions are as follows:
- pension obligations;
- provisions (particularly vehicle warranty provisions, restructuring provisions and provisions for onerous contracts, claims and litigation);
- the recoverable amount and useful life of property, plant and equipment and intangible assets;
- the recoverable amount of finance receivables, inventories and other receivables;
- the fair value of derivative financial instruments;
- deferred tax assets;
- sales incentives.

1.5. Sales and revenue

A. Manufacturing and sales companies

(a) Automotive Division
Sales and revenue of the manufacturing and sales companies include 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 sales and 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.

(b) Automotive Equipment Division

The Automotive Equipment Division 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 being sold. The development costs are recognised in intangible assets (see note 1.12.A) and tooling in property, plant and equipment (see note 1.13.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.

B. Finance companies

The Group's finance companies provide wholesale financing to dealer networks and retail financing to customers. Financing may take the form of conventional loans, finance leases, buyback contracts or long-term leasing. The different forms of financing are treated as lending transactions and are recognised in the balance sheet in the amount of the Banque PSA Finance group's net financial commitment (see note 1.15.A). 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.

1.6. 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.

1.7. Selling, general and administrative expenses

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

General and administrative expenses include the Contribution Economique Territoriale (CET), the business tax in France that replaced the Taxe Professionnelle as of 1 January 2010. The CET comprises a tax on property (Contribution Foncière des Entreprises - CFE) and a tax on value added (Cotisation sur la Valeur Ajoutée des Entreprises - CVAE). The CFE is assessed on the rental value of real estate subject to property tax (Taxe Foncière), while the CVAE is assessed at the rate of 1.5% of value added. The CET is capped at 3% of value added. The Group considers the CET as an operating expense rather than a tax on income. It is therefore classified under general and administrative expenses, in the same way as Taxe Professionnelle until 2009.

Product warranty costs

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.

1.8. Research and development expenditure

Under *IAS 38 – Intangible Assets*, research expenditure is recognised as an expense, while development expenditure is recognised as an intangible asset when certain conditions are met (see note 1.12.A).
In accordance with this standard, all research costs and all development expenditure other than that described in note 1.12.A are recognised as an expense for the period in which they are incurred.

1.9. Operating Income

Operating income corresponds to profit before net financial income or expense, current and deferred taxes and the Group's share in the net earnings of companies at equity.

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 as material items of income and expense that are unusual in nature or infrequent in occurrence whose inclusion in operating income creates a distorted view of the Group's underlying 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 7):

- 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.
- movements on long-term provisions recorded in application of IFRIC 14 for obligations arising under the minimum funding requirements of certain pension plans to cover an existing shortfall in respect of services already received, as estimated in accordance with IAS 19.

1.10. Borrowing costs

Effective from 1 January 2009, 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.

1.11. Goodwill

When the acquisition of shares results in exclusive control being obtained over the acquiree, the Group can choose between two methods of measuring goodwill, for each specific transaction. Under the full goodwill method, goodwill is measured as the excess of the acquisition cost plus the fair value of any minority interests and any previously held equity interest over the acquisition-date fair value of the net assets acquired. Under the partial goodwill method, minority interests are not measured at fair value but as their share of net assets of the acquiree.

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. For the purposes of impairment testing, goodwill is allocated to cash generating units (CGUs), 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. Where goodwill is allocated to a specific geographic area within an operating segment, impairment tests are carried out at this more detailed level. The methods used to measure the recoverable amount of CGUs are described in note 1.14. Any impairment losses are deducted from consolidated profit for the year and, in the case of initial measurement using the full goodwill method, allocated between the parent and minority interests.

Goodwill attributable to acquisitions of associates and joint arrangements 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 associate or joint arrangement concerned.

1.12. Intangible assets

A. Research and development expenditure

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 1.10).

(a) Automotive Division

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. 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 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, unless they relate to a project with milestones and are incurred after the final capitalisation milestone. As from 2007, all development expenditure incurred to develop mechanical sub-assemblies compliant with new emissions standards is monitored on a project-by-project basis and is also capitalised.

(b) 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.

Other research and development expenditure is recognised as an expense for the period in which it is incurred (see note 1.8).

B. Other internally-developed or purchased intangible assets

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. Capitalised development costs for software that takes at least twelve months to get ready for its intended use include related borrowing costs (see note 1.10). 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.

1.13. Property, plant and equipment

A. 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. All specific tooling expenditure billed to the Group by its partners under cooperation agreements is also capitalised.

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 1.10).

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 leasing companies and vehicles sold with a buyback commitment, which are recognised according to the method described in note 1.5.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.

B. 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
Plant and equipment	4 - 16
Computer equipment	3 - 4
Vehicles and handling equipment	4 - 7
Fixtures and fittings	10 - 20

(b) Specific tooling

In the Automotive Division, 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 Division, 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 three 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.

1.14. Impairment of long-lived assets

In accordance with *IAS 36 – Impairment of Assets*, the recoverable amount of property, plant and equipment and intangible assets is tested for impairment at each balance sheet date, whenever events or changes in circumstances indicate that it might be impaired. 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 measured as the net present value of estimated future cash flows. Assets with indefinite useful lives, i.e. mainly goodwill, are tested for impairment at least once a year.

The tests are performed at the level of cash generating unit (CGU) to which the assets belong. 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 Automotive Division comprises 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 1.12.A). The Automotive Division CGU consists of the Vehicle CGUs and all other fixed assets, including goodwill.

In the Automotive Equipment Division, each CGU corresponds to a programme and comprises all customer contract-related intangible assets (corresponding to capitalised development costs) and property, plant and equipment. These CGUs are combined in Business Units (Automotive Seating, Interior Systems, Automotive Exteriors and Emissions Control Technologies) to which support assets and goodwill are allocated. The Automotive Equipment Division CGU comprises the assets of the CGUs in the above four Business Units and the Faurecia goodwill recognised in the PSA Peugeot Citroën Group's consolidated financial statements.

Within the Banque PSA Finance group, fixed assets used in a given country constitute a homogeneous group of assets (CGU).

For Gefco group companies, property, plant and equipment and intangible assets are allocated to either the Automotive CGU or the Integrated Supply Chain Solutions CGU.

1.15. Financial assets and liabilities

A. Definitions

Under IAS 39, financial assets include loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss (including financial assets designated upon initial recognition as being at fair value through profit or loss). On the balance sheet, these categories correspond to investments in non-consolidated companies (note 16), other non-current financial assets (note 17), other non-current assets (note 18), loans and receivables – finance companies (note 19), short-term investments – finance companies (note 20), trade receivables – manufacturing and sales companies (note 22), other receivables (note 23) current financial assets (note 24), and cash and cash equivalents (note 25).
The Group does not have any financial assets classified as “held-to-maturity”, as defined by IAS 39.

Financial liabilities as defined by IAS 39 comprise financial liabilities at amortised cost. On the balance sheet, these categories correspond to current and non-current financial liabilities (note 29), financing liabilities (note 31), other non-current liabilities (note 30) and trade and other payables (note 32).
Since 31 December 2008, no financial liabilities have been accounted for using the fair value option, as defined by IAS 39.

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.

As allowed under IAS 39, the Group has chosen to recognise financial assets and liabilities at the transaction date. Consequently, when the transaction (or commitment) date is different from the settlement date, the securities to be delivered or received are recognised on the transaction date.

IAS 39 – Financial Instruments: Recognition and Measurement was only partially adopted by the European Commission. However, the Group is not affected by the provisions of IAS 39 dealing with fair value hedges of portfolios of interest rate instruments that were rejected by the European Commission.

B. Recognition and measurement of 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.

(a) Cash and cash equivalents

Cash and cash equivalents include cash at bank, units in money market funds and other money market securities that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value in the case of an increase in interest rates. Bank overdrafts are not included in cash and cash equivalents.

(b) Short-term investments – finance companies

Assets reported under this caption comprise:
- fixed-income securities hedged by interest rate swaps;
- unhedged variable-income securities.

Any changes in the fair value of these securities are recognised directly in profit or loss for the period, together with the offsetting change in the fair value of the related swaps.

(c) Other assets at fair value through profit or loss

This caption comprises items recognised under “other non-current financial assets” and “other non-current assets”, primarily money market securities.

(2) Available-for-sale financial assets

Available-for-sale financial assets are securities that are not intended to be held to maturity and that are not classified either as financial assets at fair value through profit or loss or as loans and receivables. They may be held on a lasting basis or sold in the short term,

Available-for-sale financial assets are recognised in the balance sheet at fair value. Gains and losses arising from remeasurement at fair value are generally recognised directly in equity. Only impairment losses reflecting a prolonged or significant decline in fair value are recognised in the income statement.

(a) Investments in non-consolidated companies

These represent shares in companies that are not fully consolidated or accounted for by the equity method. They are shown on the balance sheet at historical cost, which the Group considers is representative of fair value in the absence of an active market for the shares. In practice, an impairment loss is recognised when there is objective evidence of a prolonged decline in value. Fair value is determined by applying the most appropriate financial criteria, considering the specific situation of the company concerned. The most commonly applied criteria are equity in underlying net assets and earnings outlook.

(b) Other non-current financial assets classified as available-for-sale
This caption comprises listed securities that the Group intends to hold on a lasting basis or that can be sold in the short term. They are stated at market value, which the Group considers is representative of fair value.

(c) Other non-current assets classified as available-for-sale
This caption comprises unlisted securities that cannot be sold in the short term and that the Group intends to hold on a lasting basis.

<u>(3) Loans and receivables</u>

(a) Loans and receivables – finance companies
Loans and receivables reported in the balance sheet correspond to Banque PSA Finance's net financial commitment in respect of the loans and receivables. Consequently, their carrying amount includes the outstanding principal and accrued interest plus the following items (before the effect of hedge accounting):
- 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;
- 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 principles. 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 1.15.D- Derivative instruments).

Loans and receivables are tested for impairment when a loss event occurs, corresponding in practice to default on a single installment. 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 installment. 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 installment is missed or at the latest when the loan is reclassified as non-performing. Reclassification occurs when at least one installment 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.

(b) Trade receivables – manufacturing and sales companies and other receivables
This caption comprises trade and other receivables at amortised cost. Provisions for impairment may be recorded if necessary or the receivables may be derecognised, as described in note 1.17.

(c) Other loans and receivables
This caption comprises items classified as loans and receivables that are reported under "Other non-current financial assets", "Other non-current assets" and "Other current assets". They include advances to non-consolidated companies, very-long-term loans under the French government housing scheme, and other loans and receivables. They are stated at amortised cost, measured by the effective interest method. Their carrying value includes the outstanding principal plus unamortised transaction costs, premiums and discounts. Their recoverable amount is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses are recorded in the income statement.

C. Recognition and measurement of financial liabilities

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

Items hedged by interest rate swaps are accounted for using fair value hedge accounting. The hedged portion of the financial liability is remeasured at fair value, with changes in fair value attributable to the hedged risk taken to profit or loss and offset by the loss or gain arising from remeasurement at fair value of the hedging instrument.

Under IAS 39, borrowings for which the interest rate is indexed to Group-specific indicators are considered as fixed rate borrowings at a rate corresponding to the original effective interest rate. If the underlying indicators are subsequently revised, the effective interest rate remains unchanged and the carrying amount of the debt is adjusted through the income statement by adjusting finance costs.

The Oceane convertible bonds issued by the Group are recognised and measured as follows:
- The debt component is recognised in liabilities at amortised cost, determined using the market interest rate for debt securities with similar characteristics but without the conversion feature. The carrying amount is stated net of a proportionate share of the debt issuance costs.
- The conversion option is recognised in equity for an amount equal to the difference between the total issue proceeds and the value of the debt component. The carrying amount is stated net of a proportionate share of the debt issuance costs and corresponding deferred taxes.

The conversion option is recognised in equity because the conversion ratio is fixed (i.e. bond holders will receive a fixed number of shares in exchange for a fixed number of bonds). It is not subsequently remeasured at fair value, unless there is a change in the bonds' estimated life. It will, however, be adjusted, for all conversions of bonds. A deferred tax liability calculated on the gross value of the conversion option is also recognised in equity.

The government loans at below-market interest rates obtained by the Group since 1 January 2009 are adjusted when the effect is material. The adjustment consists of calculating the loans' amortised cost by multiplying future cash flows on the loans by an effective interest rate based on market rates. The subsidy corresponding to the below-market interest rate is recognised in accordance with IAS 20 as related either to assets (see note 1.13.A) or to income, depending on the purpose for which the funds are used.

D. Recognition and measurement of derivative instruments

(a) Standard method

Derivative instruments are stated at fair value. Except as explained below, gains and losses arising from remeasurement at fair value are recognised in profit or loss.

(b) Hedging instruments

Derivative instruments may be designated as hedging instruments in one of two types of hedging relationship:
- fair value hedges, corresponding to hedges of the exposure to changes in fair value of an asset or liability due to movements in interest rates or foreign exchange rates;
- cash flow hedges, corresponding to hedges of the exposure to variability in cash flows from existing or future assets or liabilities.

Derivative instruments qualify for hedge accounting when:
- 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 effects of hedge accounting are as follows:
- For fair value hedges of existing assets and liabilities, 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.
- For 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.

E. Commitments to purchase minority interests

In accordance with IAS 32, put options granted to minority shareholders of subsidiaries are recognised in the balance sheet under "Non-current financial liabilities" with an offsetting adjustment to equity. The adjustment is recorded as a deduction from minority interests to the extent possible, with any excess deducted from equity attributable to equity holders of the parent.
The liability is remeasured at the present value of the redemption amount (which is equal to the exercise price of the put) at each period-end by adjusting equity. If the put was contracted within less than twelve months, the liability's value at the balance sheet date is considered as being equal to the amount paid by the minority shareholder.

1.16. 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 the production facility. As inventories do not take a substantial period of time to get ready for sale, their cost does not include any borrowing costs.
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 Division 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.

1.17. 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.
This rule also applies to Automotive Division receivables sold to Group finance companies, in the analyses by operating segment

1.18. Deferred 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 companies at equity, 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, 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 companies at equity, 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.

1.19. Provisions

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

1.20. 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 benefits (see note 28.1). These benefits are paid under defined contribution and defined benefit plans.

The payments made under defined contribution plans are in full discharge of the Group's liability and are recognised as an expense for the period.

In accordance with *IAS 19 – Employee Benefits*, obligations under defined benefit plans are measured by independent actuaries using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation, which is then discounted to present value. The calculations mainly take into account:
- an assumption concerning the expected retirement date;
- an appropriate discount rate;
- an inflation rate;
- assumptions concerning future salary levels and staff turnover rates.

The projected benefit obligation is measured every year for the main plans 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 gains and losses are recognised in the income statement of the following period using the corridor method, which consists of recognising over the remaining service lives of plan participants a specified portion of net cumulative actuarial gains and losses that exceed the greater of (i) 10% of the present value of the benefit obligation, and (ii) 10% of the fair value of plan assets.

If the benefits provided by a plan change, the new rights acquired for services already received are recognised immediately, while the rights not yet acquired are recognised in profit or loss on a straight-line basis over the remaining acquisition period.

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, the actuarial gains and losses and the unrecognised past service cost.
The purpose of external funds is to cover the total projected benefit obligation, including the portion not recognised due to the deferral of actuarial gains and losses. Because actuarial gains and losses are deferred, in some cases the amount of these external funds exceeds the recognised portion of the projected benefit obligation. This leads to the recognition of a non-current asset in an amount not exceeding the sum of net actuarial losses and unrecognised past service costs.

In the case of plans that are subject to a minimum funding requirement under the law or the plan rules, if the Group does not have an unconditional right to a refund of a surplus within the meaning of IFRIC 14, this affects the asset ceiling. Regardless of whether the plan has a deficit or a surplus, a liability is recognised for the portion of the present value of the minimum funding in respect of services already received that, once paid and after covering the shortfall resulting from applying IAS 19, would generate a surplus in excess of the asset ceiling determined in accordance with IAS 19.

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:
- the service cost (recognised in “Recurring operating income”).
- amortisation of actuarial gains and losses and past service cost (recognised in “Recurring operating income”).
- the finance cost (recognised in “Other financial expense”).
- the expected yield on plan assets (recognised in “Other financial income”).
- any adjustment to the IFRIC 14 minimum funding requirement liability (recognised in “Non-recurring operating income or expense”).

Other employee benefit obligations recognised in the balance sheet concern:
- long-service awards payable by French and foreign subsidiaries (note 28.2).
- healthcare costs paid by certain subsidiaries in the United States (note 28.3).

1.21. Options to purchase existing or newly issued shares at an agreed price and performance share grants

Stock options and performance shares are granted to Group management and certain employees under equity-settled share-based payment plans. These options and shares are measured at the grant date, i.e. at the date on which the grantees are informed, in accordance with *IFRS 2 – Share-based Payment*, using the Black & Scholes option pricing model. The fair value of stock options depends in part on their expected life, which the Group considers as corresponding to the average option life. Performance shares are valued at the share price on the grant date minus a discount for the lock-up feature and for future dividends that will not be received during the vesting period. Changes in the fair value of options or performance shares after the grant date have no impact on the initial valuation.

To calculate the compensation cost to be recognised for each plan, the value of the option or performance share is multiplied by the estimated number of equity instruments that will eventually vest. This number is recalculated at each balance sheet date, based on expectations of performance against non-market criteria, thereby modifying the compensation cost under the plan.

The compensation cost is recognised on a straight-line basis (in the same way as amortisation) over the period from the grant date to the earliest exercise date (vesting period), with the offsetting adjustment recognised directly in equity.

If the non-market performance criteria are not met, the compensation cost under the performance share plan is cancelled in full.

When an option holder leaves the Group during the vesting period and forfeits his or her options, the related compensation cost recognised in prior periods is cancelled by crediting an equivalent amount to the income statement.
If an option holder leaves the Group earlier than expected, recognition of the compensation cost represented by the options or performance shares is accelerated.

In accordance with IFRS 2, only those stock options granted after 7 November 2002 but not yet vested at 1 January 2005 are measured and recognised in compensation costs. No compensation cost has therefore been recognised for stock options granted prior to 7 November 2002.

1.22. Treasury stock

All Peugeot S.A. shares held by the Group are recorded at cost as a deduction from equity. Proceeds from sales of treasury stock are taken to equity, so that any disposal gains or losses have no impact on profit.

NOTE 2 - SCOPE OF CONSOLIDATION

2.1. NUMBER OF CONSOLIDATED COMPANIES

	31 December 2011	31 December 2010
Fully consolidated companies		
Manufacturing and sales companies	358	337
Finance companies	43	42
	401	**379**
Companies at equity		
Manufacturing and sales companies	53	38
Finance companies	1	1
	54	**39**
Consolidated companies at 31 December	**455**	**418**

The Group owns 57.43% of Faurecia's capital and 72.87% of the voting rights due to the existence of shares with double voting rights. If all of the dilutive instruments issued by Faurecia were to be exchanged for shares, this would have no impact on the Group's exclusive control.

2.2. CHANGES DURING THE YEAR

	2011
Consolidated companies at 1 January	**418**
Newly consolidated companies:	44
- Automotive companies	*14*
- Automotive equipment companies	*17*
- Transportation and logistics companies	*10*
- Finance and insurance companies	*2*
- Other companies	*1*
Companies sold or removed from the scope of consolidation	(1)
Merged companies and other	(6)
Consolidated companies at 31 December	**455**

Significant transactions for the year

Transactions with a significant impact on the scope of consolidation that took place during 2011 were as follows:

• Creation of BMW Peugeot Citroën Electrification BV, a 50/50 joint arrangement with the BMW Group for the development and manufacture of hybrid components and hybrid drive technology software. The joint arrangement agreement was signed on 25 October 2011. The Group is committed to providing total capital of €63 million, of which €13 million had been paid as of 31 December 2011. Registered in the Netherlands, BMW Peugeot Citroën Electrification BV has two exclusively controlled subsidiaries, BMW Peugeot Citroën Electrification SAS in France and BMW Peugeot Citroën Electrification GmbH in Germany.

• Creation in China of Changan PSA Automobiles Co. Ltd (CAPSA), a 50/50 joint arrangement with local partner Chang'An Automobile Group (CCAG) for the manufacture and sale in China of light commercial vehicles and passenger cars. The joint arrangement will have an initial production capacity of 200,000 vehicles and engines per year. It will also have its own research and development centre. The Group has subscribed CAPSA shares totalling €215 million, which had not yet been called at 31 December 2011. Additional financing is expected to be raised in the form of external loans. The total initial investment amounts to RMB 8.4 billion (approximately €1,030 million).

• Acquisition by Gefco of 70% of the capital of the Mercurio group, with a call option on the other 30%. Completed on 17 May 2011, the transaction will allow Gefco to speed development of its downstream logistics business, further diversify its customer base and expand its international operations.

• Acquisition by Faurecia of (i) Madison Automotive Seating, a US-based manufacturer of automotive seating for Nissan models, and (ii) the German and Austrian assets of Angell-Demmel, a supplier of decorative aluminium trim to the automotive industry.

NOTE 3 - 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 disclosures below are derived from the internal reporting system and have been prepared in accordance with the IFRSs adopted by the European Union. The Group's main performance indicator is recurring operating income.

3.1. BUSINESS SEGMENTS

The Group's operations are organised around five main segments:

• The Automotive Division, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot and Citroën brands.

• The Automotive Equipment Division, corresponding to the Faurecia group and comprising Interiors Systems, Automotive Seating, Automotive Exteriors and Emissions Control Technologies.

• The Transportation and Logistics Division, corresponding to the Gefco group and comprising Logistics and Vehicle & Goods Transportation.

• The Finance Division, corresponding to the Banque PSA Finance group, which provides retail financing to customers of the Peugeot and Citroën brands and wholesale financing to the two brands' dealer networks.

• Other Businesses, which include the activities of the holding company, Peugeot S.A., and Peugeot Motocycles.

The balances for each segment shown in the table below are on a stand-alone basis. 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. For the other segments, as cash positions and taxes are managed jointly in some countries, only operating income and share in net earnings of companies at equity are presented by segment. 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 reconciliations" together with unallocated amounts.

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.

2011 *(in million euros)*	Automotive	Automotive Equipment	Transportation & logistics	Finance Companies	Other	Eliminations & reconciliations	Total
Sales and revenue							
- third parties	42 662	14 092	1 451	1 583	124	-	59 912
- intragroup, intersegment	48	2 098	2 331	319	86	(4 882)	-
Total	**42 710**	**16 190**	**3 782**	**1 902**	**210**	**(4 882)**	**59 912**
Recurring operating income	**(92)**	**651**	**223**	**532**	**7**	**(6)**	**1 315**
Non-recurring operating income	46	-	-	-	-	-	46
Restructuring costs	(247)	(56)	-	-	(7)	-	(310)
Impairment losses on CGUs	(146)	-	-	-	(5)	-	(151)
Other non-recurring operating expenses	-	(2)	-	-	-	-	(2)
Operating income	**(439)**	**593**	**223**	**532**	**(5)**	**(6)**	**898**
Interest income		10		-		104	114
Finance costs		(104)		-		(227)	(331)
Other financial income		7		2		207	216
Other financial expenses		(31)		(3)		(299)	(333)
Net financial expense	**-**	**(118)**	**-**	**(1)**	**-**	**(215)**	**(334)**
Income taxes		(96)		(180)		323	47
Share in net earnings of companies at equity	141	34	1	3	(6)	-	173
Consolidated profit for the year		**413**		**354**			**784**
Capital expenditure (excl. sales with a buyback commitment)	**2 971**	**629**	**59**	**26**	**6**		**3 691**
Depreciation and amortisation	**(2 413)**	**(460)**	**(55)**	**(17)**	**(1)**		**(2 946)**

In 2011, Banque PSA Finance (Finance segment) reported net banking revenue of €1,032 million and net provision expense (cost of risk) of €115 million.

2010 *(in million euros)*	Automotive	Automotive Equipment	Transportation & logistics	Finance Companies	Other	Eliminations & reconciliations	Total
Sales and revenue							
- third parties	41 386	11 760	1 217	1 559	139	-	56 061
- intragroup, intersegment	19	2 036	2 134	293	79	(4 561)	-
Total	**41 405**	**13 796**	**3 351**	**1 852**	**218**	**(4 561)**	**56 061**
Recurring operating income	**621**	**456**	**198**	**507**	**11**	**3**	**1 796**
Non-recurring operating income	249	87	13	27	-	-	376
Restructuring costs	(77)	(117)	(1)	-	(1)	-	(196)
Impairment losses on CGUs	(230)	-	-	-	(4)	-	(234)
Other non-recurring operating expenses	-	(6)	-	-	-	-	(6)
Operating income	**563**	**420**	**210**	**534**	**6**	**3**	**1 736**
Interest income		8		-		78	86
Finance costs		(99)		-		(356)	(455)
Other financial income		5		1		223	229
Other financial expenses		(31)		(3)		(255)	(289)
Net financial expense	**-**	**(117)**	**-**	**(2)**	**-**	**(310)**	**(429)**
Income taxes		(90)		(140)		(25)	(255)
Share in net earnings of companies at equity	184	19	-	2	(1)	-	204
Consolidated profit for the year		**232**		**394**			**1 256**
Capital expenditure (excl. sales with a buyback commitment)	**2 375**	**460**	**26**	**24**	**4**		**2 889**
Depreciation and amortisation	**(2 482)**	**(496)**	**(49)**	**(16)**	**-**		**(3 043)**

In 2010, Banque PSA Finance (Finance segment) reported net banking revenue of €1,000 million and net provision expense (cost of risk) of €129 million.

3.2. GEOGRAPHICAL SEGMENTS

In the table below, sales and revenue are presented by destination of products sold, and investments and assets by geographic location of the subsidiary concerned.

2011 *(in million euros)*	Europe	Russia	Asia	Latin America	Rest of the world	Total
Sales and revenue	43 836	1 608	2 833	5 495	6 140	59 912
Non-current assets (excl. deferred tax assets and financial instruments)	17 464	387	236	1 459	373	19 919

2010 *(in million euros)*	Europe	Russia	Asia	Latin America	Rest of the world	Total
Sales and revenue	42 842	984	2 255	4 770	5 210	56 061
Non-current assets (excl. deferred tax assets and financial instruments)	17 067	200	158	1 244	337	19 006

NOTE 4 - SALES AND REVENUE

(in million euros)	2011	2010
Sales of vehicles and other goods	55 211	51 641
Service revenues	3 118	2 861
Financial services revenue	1 583	1 559
Total	**59 912**	**56 061**

Sales of goods consist mainly of sales of vehicles and automobile parts, sub-assemblies and components.
Service revenues primarily comprise vehicle and other goods transportation services, auto repairs and servicing by captive dealers, and vehicle leasing services as described in note 14.2.
Financial services revenue corresponds for the most part to interest income, insurance premiums and other gross revenues.

NOTE 5 - RECURRING OPERATING EXPENSES ANALYSED BY NATURE

Details of employee benefits expense and depreciation and amortisation expense are presented below in accordance with IAS 1 (revised). Other recurring operating expenses are analysed by each Division at its own appropriate level with the result that they cannot be presented on a consistent basis at Group level.

Personnel costs

Group personnel costs are as follows:

(in million euros)	2011	2010
Automotive Division	(5 921)	(5 750)
Automotive Equipment Division	(2 633)	(2 303)
Transportation and Logistics Division	(454)	(393)
Finance companies	(142)	(135)
Other businesses	(102)	(103)
Total	**(9 252)**	**(8 684)**

Details of stock option and performance share costs are provided in notes 26.3.D and 26.4. Pension and other post-employment benefit costs are presented in note 28.1.F.

Depreciation and amortisation expense

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

(in million euros)	2011	2010
Capitalised development expenditure	(844)	(832)
Other intangible assets	(82)	(74)
Specific tooling	(658)	(709)
Other property, plant and equipment	(1 362)	(1 428)
Total	**(2 946)**	**(3 043)**

NOTE 6 - RESEARCH AND DEVELOPMENT EXPENSES

(in million euros)	2011	2010
Total expenditure	(2 535)	(2 340)
Capitalised development expenditure [(1)]	1 227	1 097
Non-capitalised expenditure	**(1 308)**	**(1 243)**
Amortisation of capitalised development expenditure (note 13.1)	(844)	(832)
Total	**(2 152)**	**(2 075)**

[(1)] Capitalised development expenditure shown above does not include borrowing costs capitalised in application of IAS 23 (revised) (see note 13.1)

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

NOTE 7 - NON-RECURRING OPERATING INCOME AND EXPENSES

(in million euros)	**2011**	2010
Net gain on disposals of property (note 7.5)	40	58
Reversal of liability in respect of minimum funding requirement for pensions (note 7.6)	-	204
Other non-recurring operating income	6	114
Total non-recurring operating income	**46**	**376**
Impairment loss on Automotive Division CGUs and provisions for Automotive Division onerous contracts (note 7.1)	(146)	(230)
Impairment loss on Other businesses CGUs (note 7.3)	(5)	(4)
Restructuring costs (note 7.4)	(310)	(196)
Other non-recurring operating expenses	(2)	(6)
Total non-recurring operating expenses	**(463)**	**(436)**

In 2010, other non-recurring operating income included the €84 million gain recognised on Faurecia's bargain purchase of Plastal Germany and Plastal Spain.

7.1. IMPAIRMENT LOSS ON AUTOMOTIVE DIVISION CGUs AND PROVISIONS FOR AUTOMOTIVE DIVISION ONEROUS CONTRACTS

In accordance with the principle set out in note 1.14, the carrying amount of each vehicle CGU and the overall Automotive Division CGU was compared with the value in use, defined as the present value of estimated future cash flows expected to be generated by the assets based on the latest projections from the Medium-Term Plan (2012-2016 plan for 2011 impairment tests) or the 10-year strategic plan for vehicles under development.

Future cash flows were discounted based on an average cost of capital of 8.5% after tax (8% in 2010), corresponding to the risk-free interest rate plus a 5.5% risk premium (5% in 2010), in line with recent historical data.

In addition to these impairment tests on the CGUs' assets, onerous contract provisions may be recorded for the vehicle CGUs for which cooperation agreements have been signed and under which manufacturing is carried out by the partner. These provisions cover the total estimated future loss arising from capacity reservation fees under these agreements, in line with the principle set out in note 1.19.

In 2011, due mainly to the unfavourable change in the yen exchange rate, impairment tests led to the recognition of:
• €84 million in impairment losses.
• An €89 million increase and a €27 million decrease in onerous contract provisions.

Sensitivity assessments were performed on the core assumptions used to test the CGUs for impairment, based on a 100-basis point increase in the discount rate, a €200 decrease in margin per vehicle and a 10% decline in unit sales. The reduction in the CGUs' value in use that would result from these changes in assumptions would not affect the amounts at which the assets are carried in the balance sheet.

Specific sensitivity tests were also performed on the CGUs whose value is affected by changes in the yen/euro exchange rate. These tests showed that a 5% increase or decrease in the reference exchange rate (which was estimated based on the consensus of exchange rates at end 2011) would have reduced the charge for the year by €100 million or increased it by €150 million.

7.2. IMPAIRMENT LOSS ON FAURECIA GROUP CGUs AND OTHER ASSETS

Faurecia Group CGUs

In accordance with the principle set out in note 1.14, 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 (2012-2015 plan for 2011 impairment tests, as revised at end-2011 based on the latest 2012 budget assumptions). The volume assumptions used to prepare the 2012-2015 Medium-Term Plan were based on external data.

The main assumption affecting value in use is the level of recurring operating income, particularly for the calculation of terminal value. 2015 margin was projected at 5.6%.

The calculation was performed by extrapolating to perpetuity projected cash flows for the last year of the Medium-Term Plan (2015) using a growth rate of 1.5% based on estimated trends developed by automotive market analysts. This was also the rate applied in the impairment tests carried out in 2010.

An independent expert was consulted to determine the weighted average cost of capital to be used to discount future cash flows. Taking into account a risk premium ranging from 5.5% to 6%, the average cost of capital used to discount future cash flows was set at 9.5% after tax (9% in 2010).

The test performed at end-2011 confirmed that goodwill allocated to the four Faurecia CGUs was fairly stated in the balance sheet. The balance sheet values are presented in note 13.2.

The sensitivity of the impairment test to changes in the assumptions used to determine the value in use of the CGUs accounting for the bulk of goodwill at end-2011 is illustrated in the table below:

(in million euros)	Test margin [1]	Discount rate applied to cash flows + 50 bps	Perpetual growth rate - 50 bps	Terminal recurring operating margin - 50 bps	Previous three factors combined
Automotive Seating	1 583	(193)	(158)	(209)	(513)
Interior Systems	1 480	(140)	(113)	(136)	(357)
Emissions Control Technologies	1 212	(129)	(106)	(206)	(399)
Automotive Exteriors	590	(53)	(43)	(65)	(146)

[1] Test margin = value in use - carrying amount

The declines in values in use that would result from each of the above simulations and the three factors combined would not affect the amount at which the goodwill allocated to the CGUs is carried in the balance sheet.

Faurecia CGU in the accounts of PSA Peugeot Citroën

Faurecia goodwill was tested for impairment at end-2011 based on the PSA Peugeot Citroën Group's share in the sum of the discounted cash flows, net of capital employed including related goodwill, generated by Faurecia's businesses as determined based on the above assumptions. This amount was greater than the carrying amount of the goodwill and therefore no impairment loss was recognised. The balance sheet value is presented in note 13.2.

The sensitivity of the impairment test to changes in the assumptions used to determine the value in use of Faurecia goodwill at end-2011 is illustrated in the table below:

(in million euros)	Test margin [1]	Discount rate applied to cash flows + 50 bps	Perpetual growth rate - 50 bps	Terminal recurring operating margin - 50 bps	Previous three factors combined
	2 607	(298)	(243)	(354)	(813)

[1] Test margin = value in use - carrying amount

The declines in values in use that would result from each of the above simulations and the three factors combined would not affect the amount at which the Faurecia goodwill is carried in the balance sheet.

The stock market value of the Faurecia shares held by Peugeot S.A. at 31 December 2011 was €929 million, 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 was reflected in the consolidated balance sheet for an amount of €719 million at 31 December 2011 (including the goodwill 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 2011.

7.3. IMPAIRMENT LOSS ON "OTHER BUSINESSES" CGUs

Following revised estimates of Peugeot Motocycles' business, an impairment loss of €5 million was recognised on assets of the CGU in 2011 (€4 million in 2010), which was allocated in full to property, plant and equipment. As a result, all of the CGU's assets except for land have now been written down in full.
In addition, the shares in the Chinese joint venture, carried in the consolidated balance sheet under "Investments in companies at equity" for €6 million, were also written down in full during the year.

For impairment testing purposes, value in use was defined as being equal to the sum of discounted future cash flows derived from the entity's latest Medium Term Plan (covering the period 2012-2016) projected to perpetuity using a zero growth rate. The discount rate was calculated using a weighted average cost of capital of 9.7% after tax, unchanged from the rate used in 2010.

7.4. RESTRUCTURING COSTS

A. Analysis by type

(in million euros)	**2011**	2010
Early-termination plan costs	3	(2)
Workforce reductions	(308)	(178)
End of production and other closure costs	(5)	(16)
Total	**(310)**	**(196)**

B. Analysis by business segment

(in million euros)	**2011**	2010
Automotive Division	(247)	(77)
Automotive Equipment Division	(56)	(117)
Transportation and Logistics Division	-	(1)
Finance companies	-	-
Other businesses	(7)	(1)
Total	**(310)**	**(196)**

Automotive Division

Automotive Division restructuring costs amounted to €247 million and are described below:

France

On 26 October 2011, the Group presented to the its European Works Council a competitiveness plan for the Automotive Division in France and Europe.
On 20 December 2011, the Group presented to the Central Works Council the measures to be implemented in France under the plan, pursuant to the Human Resources Planning and Development agreement. They include inplacement measures and support for employees who volunteer to leave the Group, and concern 1,900 employees. The net cost recognised in the 2011 income statement in respect of the plan amounted to €154 million (corresponding to restructuring provisions of €181 million less €27 million released from pension provisions).

The net cost recognised in 2010 in respect of the October 2010 jobs and skills alignment plan amounted to €27 million and concerned the voluntary departure of 605 employees. In 2011, additional costs of €40 million were recorded, following a review of cost estimates, a change in separation terms and the higher-than-expected number of departures (1,306).

Europe

The Automotive Division competitiveness plan presented on 26 October 2011 provides for the inplacement or voluntary separation of 600 employees in Europe. The related provision set aside at 31 December 2011 amounted to €38 million.
In addition, restructuring provisions of €23 million were booked at 31 December 2011 in respect of other plans in progress at the year-end.

Automotive Equipment Division (Faurecia Group)

In 2011, Faurecia group restructuring costs totalled €56 million, including provisions for estimated separation costs of €47 million concerning the departure of 1,338 employees, mainly in North America.

Restructuring costs in 2010 amounted to €117 million.

Transportation and Logistics Division

The Transportation and Logistics Division did not incur any material new restructuring costs in 2011 or 2010.

Other businesses

In 2011, Peugeot Motocycles announced a manufacturing reorganisation plan involving the phased discontinuation of engine production at the Dannemarie plant. As of 31 December 2011, the provisions set aside for the plan amounted to €7 million, including restructuring costs of €4 million, covering an estimated 101 employee departures, as well as site closure costs of €3 million.

C. Employees affected by the restructuring plans

In the following table, the number of employees reported as being affected by the restructuring plans in each period presented corresponds to (i) employees affected by new plans and (ii) additional employees affected by plans launched in prior years, representing the difference between the estimated total number of affected employees and the estimated number taken into account at the previous year-end.

(number of employees)	**2011**	2010
France	2 844	2 264
Rest of Europe	1 499	2 190
Rest of world (excluding Europe)	1 010	96
Total	**5 353**	**4 550**

7.5. NET GAINS ON DISPOSALS OF PROPERTY

In 2011, net gains on disposals of property amounted to €40 million and concerned the Automotive Division. In 2010, net gains on disposals of property mainly concerned the Automotive Division and the Finance companies for €30 million and €24 million respectively.

7.6. LIABILITY IN RESPECT OF A DEFINED BENEFIT PLAN MINIMUM FUNDING REQUIREMENT

In December 2010, the rules of three of the four UK pension funds were adjusted by their trustees to give the Group an unconditional right to a refund of the amounts paid, within the meaning of IFRIC 14. As a result, the minimum funding requirement liability originally recognised in application of IFRIC 14 was released to profit (see note 28.1.D).

NOTE 8 - INTEREST INCOME

Interest income on loans corresponds to interest accrued according to the method set out in note 1.15.B (3) (c).

(in million euros)	**2011**	2010
Interest income on loans	7	6
Interest income on cash equivalents	105	75
Remeasurement of short-term investments classified as financial assets at fair value through profit or loss	2	5
Net gain (loss) on interest rate instruments designated as hedges of short-term investments	-	-
Total	**114**	**86**

NOTE 9 - FINANCE COSTS

Interest on other borrowings corresponds to interest accrued according to the method set out in note 1.15.C.

(in million euros)	**2011**	2010
Interest on borrowings[(1)]	(245)	(395)
Interest on bank overdrafts	(32)	(25)
Interest on finance lease liabilities	(20)	(20)
Foreign exchange gain (loss) on financial transactions	(25)	(8)
Other	(9)	(7)
Total	**(331)**	**(455)**

[(1)] Interest on borrowings does not include €122 million in borrowing costs capitalised in accordance with IAS 23 - Borrowing Costs (€87 million in 2010).

NOTE 10 - OTHER FINANCIAL INCOME AND EXPENSES

(in million euros)	**2011**	2010
Expected return on pension funds	147	149
Other financial income	69	80
Financial income	**216**	**229**
Interest cost on employee benefit obligations	(181)	(190)
Ineffective portion of the change in fair value of financial instruments	-	4
Other financial expenses	(152)	(103)
Financial expenses	**(333)**	**(289)**

NOTE 11 - INCOME TAXES

11.1. INCOME TAXES OF FULLY-CONSOLIDATED COMPANIES

(in million euros)	**2011**	2010
Current taxes		
Corporate income taxes	(410)	(277)
Deferred taxes		
Deferred taxes arising in the year	415	81
Unrecognised deferred tax assets and valuation allowances	42	(59)
Total	**47**	**(255)**

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.

B. Deferred taxes

Deferred taxes are determined as described in note 1.18.

The Social Security Financing Act (no. 99-1140) of 29 December 1999 provided for the introduction of a surtax equal to 3.3% of the corporate income tax liability of French companies. This surtax had the effect of raising the French corporate income tax rate by 1.1%.

The French statutory income tax rate is 33.33%.

France's 4th amended Finance Act dated 21 December 2011 introduced an exceptional 5% surtax for 2011 and 2012, lifting the tax rate for those years to 36.10%, and limited the use of tax loss carryforwards to 60% of taxable profit for the year.

At 31 December 2011, deferred tax liabilities falling due in 2012 and deferred tax assets for tax loss carryforwards available for offsetting against these liabilities (subject to the 60% cap) were remeasured at the new rate.
The net effect was an expense of €5 million.

11.2. RECONCILIATION BETWEEN THEORETICAL INCOME TAX AND INCOME TAX IN THE CONSOLIDATED STATEMENT OF INCOME

(in million euros)	**2011**	2010
Profit before tax of fully consolidated companies	564	1 307
French statutory income tax rate for the year	*36.1%*	*34.4%*
Theoretical tax expense for the year based on the French statutory income tax rate	**(204)**	**(450)**
Tax effect of the following items:		
• Permanent differences	1	76
• Income taxable at reduced rates	61	38
• Tax credits	110	38
• Profit in France not subject to the surtax	(26)	-
• Effect of differences in foreign tax rates and other	63	102
• Unrecognised deferred tax assets and valuation allowances	42	(59)
Income tax benefit (expense)	**47**	**(255)**
Effective tax rate for the Group	***8.3%***	*-19.5%*

Tax credits include research tax credits that do not meet the definition of government grants.

In 2010, permanent differences included the positive tax effect arising from the recognition in the income statement of the gain on the bargain purchase of Plastal, which is not taxable.

Unrecognised deferred tax assets and valuation allowances mainly concern the Faurecia group.

11.3. CHANGES IN BALANCE SHEET ITEMS

2011 *(in million euros)*	At 1 January	Expense	Equity	Payments	Translation adjustments & other changes	At 31 December
Current taxes						
Assets	192					170
Liabilities	(117)					(120)
	75	**(410)**	**-**	**405**	**(20)**	**50**
Deferred taxes						
Assets	482					1 432
Liabilities	(879)					(1 337)
	(397)	**457**	**41**	**-**	**(6)**	**95**

In France, following adoption of the 4th amended Finance Act dated 21 December 2011, deferred tax assets corresponding to tax loss carryforwards have been set off against deferred tax liabilities in the amount of €1,315 million, corresponding to 60% of the liability. The un-offset portion of deferred tax assets corresponding to tax loss carryforwards amounts to €878 million.

2010 *(in million euros)*	At 1 January	Expense	Equity	Payments	Translation adjustments & other changes	At 31 December
Current taxes						
Assets	160					192
Liabilities	(113)					(117)
	47	**(277)**	**-**	**315**	**(10)**	**75**
Deferred taxes						
Assets	560					482
Liabilities	(996)					(879)
	(436)	**22**	**(16)**	**-**	**33**	**(397)**

11.4. DEFERRED TAX ASSETS AND LIABILITIES

(in million euros)		31 December 2011	31 December 2010
Tax credits	Tax credits before offsetting	10	16
	Tax credits offset (French tax group) [(1)]	-	(7)
	Total tax credits	**10**	**9**
Deferred tax assets on tax loss carryforwards	**Value before offsetting** [(2)]	3 260	2 907
	Valuation allowances	(79)	(81)
	Previously unrecognised deferred tax assets [(3)]	(764)	(773)
	Tax loss carryforwards offset (French tax group) [(1)]	(1 315)	(1 878)
	Other deferred tax assets offset	(71)	(95)
	Total deferred tax assets on tax loss carryforwards	**1 031**	**80**
Other deferred tax assets		391	**393**
Deferred tax assets		**1 432**	**482**
Deferred tax liabilities before offsetting [(4)]		(2 652)	(2 764)
Deferred tax assets and tax credits offset within the French tax group [(1)]		1 315	1 885
Deferred tax liabilities		**(1 337)**	**(879)**

[(1)] 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 restriction on the use of tax loss carryforwards introduced in the Finance Act (see note 11.1).

[(2)] The recoverable amount of Peugeot S.A.'s deferred tax assets corresponding to tax loss carryforwards was tested based on the Group's Medium-Term Plan and additional assumptions for subsequent years. The test showed that no valuation allowance was required.

Recovery of these assets is assured in particular through their set off against deferred tax liabilities falling due in the next ten years.

[(3)] Previously unrecognised deferred tax assets concern Faurecia for €794 million.

[(4)] Before offsetting the French tax group's deferred tax assets on tax loss carryforwards and tax credits. The main taxable temporary differences, that generate deferred tax liabilities, arise from the capitalisation of development costs and differences in amortisation or depreciation methods or periods.

NOTE 12 - EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share are presented at the foot of the income statement. They are calculated as follows:

12.1. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding during the year.

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 stock.

	2011	2010
Consolidated profit (loss) attributable to equity holders *(in million euros)*	588	1 134
Average number of €1 par value shares outstanding	222 761 913	226 861 714
Basic earnings per €1 par value share (in euros)	***2.64***	*5.00*

12.2. DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by the treasury stock method which consists of taking into account the shares that could be purchased with the proceeds from the exercise of stock options, performance share grants and the conversion of dilutive Oceane convertible bonds. The effects of the calculation are shown in the table below.

There were no dilutive potential shares in 2010 or 2011 resulting from the Peugeot S.A. Oceane convertible bonds, the 2010 performance share plan or the stock option plans.

A - Effect on the average number of shares

	31 December 2011	31 December 2010
Average number of €1 par value shares outstanding	222 761 913	226 861 714
Dilutive effect, calculated by the treasury stock method, of:		
- Stock option plans (note 26.2)	-	-
- Outstanding Oceane convertible bonds (note 29.1)	-	-
Dilutive effect of Peugeot S.A. performance share grants (note 26.4)	-	-
Diluted average number of shares	**222 761 913**	**226 861 714**

B - Effect of Faurecia Oceane bond conversions and performance share grants on consolidated profit attributable

	2011	2010
Consolidated profit attributable to equity holders of the parent *(in million euros)*	588	1 134
Dilutive effect of Faurecia Oceane bond conversions and performance share grants	(17)	(5)
Consolidated profit after dilutive effect of Faurecia Oceane bond conversions and performance share grants	**571**	**1 129**
Diluted earnings attributable to equity holders of the parent per €1 par value share (in euros)	*2.56*	*4.97*

The Faurecia Oceane bonds and performance share grants have a potential impact on the total number of Faurecia shares outstanding without affecting the number of shares held by the PSA Group. Consequently, they have a dilutive effect on consolidated profit attributable to the PSA Group. The Faurecia stock options are anti-dilutive in 2010 and 2011 due to the plans' terms.

NOTE 13 - GOODWILL AND INTANGIBLE ASSETS

13.1. CHANGES IN CARRYING AMOUNT

2011 *(in million euros)*	Goodwill	Development expenditure	Software and other intangible assets	Intangible assets
At 1 January	**1 505**	**4 519**	**427**	**4 946**
Purchases/additions [(1)]	-	1 326	126	1 452
Amortisation for the year	-	(844)	(82)	(926)
Disposals	-	(2)	(9)	(11)
Impairment losses	-	(27)	-	(27)
Change in scope of consolidation and other [(2)]	75	(1)	49	48
Translation adjustment	2	(13)	-	(13)
At 31 December	**1 582**	**4 958**	**511**	**5 469**

[(1)] Including borrowing costs of €81 million capitalised in accordance with IAS 23 (revised) – Borrowings Costs (see note 1.10).
[(2)] Including €48 million in goodwill and €37 million in intangible assets (contractual customer relationships and brands) recognised on acquisition of the Mercurio group in May 2011 (see note 2).

2010 *(in million euros)*	Goodwill	Development expenditure	Software and other intangible assets	Intangible assets
At 1 January	**1 312**	**4 165**	**370**	**4 535**
Purchases/additions [(1)]	-	1 159	86	1 245
Amortisation for the year	-	(832)	(74)	(906)
Impairment losses	-	-	-	-
Disposals	-	(4)	(2)	(6)
Change in scope of consolidation and other [(2)]	180	11	43	54
Translation adjustment	13	20	4	24
At 31 December	**1 505**	**4 519**	**427**	**4 946**

[(1)] Including borrowing costs of €62 million capitalised in accordance with IAS 23 (Revised) – Borrowings Costs (see note 1.10).
[(2)] Including €172 million in goodwill recognised on the February 2010 acquisition of Emcon by Faurecia.

13.2. BREAKDOWN OF GOODWILL

(in million euros)	**31 December 2011**	31 December 2010
Net value		
Faurecia	187	187
Faurecia businesses:		
- Automotive Seating	793	793
- Emissions Control Technologies [(1)]	340	336
- Automotive Exteriors	96	96
- Interior Systems	32	6
Peugeot Automotiv Pazarlama AS (Popas)	9	10
Crédipar	75	75
Bank PSA Finance Rus	2	2
Gefco Automotive (Mercurio group)	48	-
Total	**1 582**	**1 505**

[(1)] Including €172 million in goodwill recognised on the February 2010 acquisition of Emcon by Faurecia.

Concerning Gefco's acquisition of the Mercurio group, the initial €36 million acquisition cost (excluding transaction costs recognised as an expense) was allocated on a provisional basis to the identifiable assets acquired and liabilities assumed using the full goodwill method. This provisional allocation was adjusted at the end of the year.
The provisional fair values of the main assets are as follows:
- Contractual customer relationships and Mercurio brand: €37 million
- Vehicle fleet: €4 million

The corresponding deferred tax liabilities amount to €13 million.
The cash acquired amounts to €3 million.

Impairment tests on goodwill allocated to the Automotive Equipment CGUs are discussed in Note 7. Tests on goodwill allocated to the other CGUs did not result in any impairments being recorded in 2010 or 2011.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

14.1. BREAKDOWN OF PROPERTY, PLANT AND EQUIPMENT

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

2011 (in million euros)	Land and buildings	Plant and Equipment	Leased vehicles [(2)]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
Carrying amount							
At 1 January	**3 185**	**6 549**	**2 640**	**69**	**266**	**1 019**	**13 728**
Purchases/additions [(1)]	171	443	-	31	29	1 641	2 315
Depreciation for the year	(277)	(1 605)	(64)	(18)	(56)	-	(2 020)
Impairment losses	1	(58)	-	-	-	-	(57)
Disposals	(10)	(14)	-	(11)	(5)	-	(40)
Transfers and reclassifications	11	646	-	7	29	(693)	-
Change in scope of consolidation and other [(2)]	66	161	107	22	13	(171)	198
Translation adjustment	(14)	(21)	10	(1)	(3)	(21)	(50)
At 31 December	**3 133**	**6 101**	**2 693**	**99**	**273**	**1 775**	**14 074**
Gross value	*7 354*	*29 185*	*3 119*	*348*	*917*	*1 775*	*42 698*
Accumulated depreciation and impairment	*(4 221)*	*(23 084)*	*(426)*	*(249)*	*(644)*	*-*	*(28 624)*

[(1)] Including assets acquired under finance leases. Borrowing costs capitalised in accordance with IAS 23 (Revised) – Borrowing Costs amounted to €40 million (see note 1.10).

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

2010 (in million euros)	Land and buildings	Plant and Equipment	Leased vehicles [(2)]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
Carrying amount							
At 1 January	**3 262**	**6 537**	**2 432**	**76**	**263**	**890**	**13 460**
Purchases/additions [(1)]	116	281	-	23	29	1 359	1 808
Depreciation for the year	(287)	(1 713)	(66)	(19)	(52)	-	(2 137)
Impairment losses	(8)	1	-	-	-	-	(7)
Disposals	(55)	(41)	-	(10)	(7)	-	(113)
Transfers and reclassifications	15	1 092	-	-	21	(1 128)	-
Change in scope of consolidation and other [(2)]	102	330	249	-	8	(118)	571
Translation adjustment	40	62	25	(1)	4	16	146
At 31 December	**3 185**	**6 549**	**2 640**	**69**	**266**	**1 019**	**13 728**
Gross value	*7 212*	*28 740*	*3 086*	*316*	*893*	*1 019*	*41 266*
Accumulated depreciation and impairment	*(4 027)*	*(22 191)*	*(446)*	*(247)*	*(627)*	*-*	*(27 538)*

[(1)] Including assets acquired under finance leases. Borrowing costs capitalised in accordance with IAS 23 (Revised) – Borrowing Costs amounted to €25 million (see note 1.10).

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

14.2. LEASED VEHICLES

Leased vehicles include vehicles leased under short-term leases to retail customers by the Group's leasing companies and vehicles sold with a buyback commitment, which are recognised according to the method described in note 1.5.A.

They can be analysed as follows:

(in million euros)	**31 December 2011**	31 December 2010
Vehicles sold with a buyback commitment	2 290	2 234
Vehicles under short-term leases	403	406
Total, net	**2 693**	**2 640**

NOTE 15 - INVESTMENTS IN COMPANIES AT EQUITY

Most companies accounted for by the equity method are manufacturing and sales companies that manufacture automotive parts and components or complete vehicles.

15.1.CHANGES IN THE CARRYING AMOUNT OF INVESTMENTS IN COMPANIES AT EQUITY

(in million euros)	**31 December 2011**	31 December 2010
At 1 January	**1 056**	**799**
Dividends and profit transfers [(1)]	(103)	(30)
Share of net earnings [(2)]	173	204
Newly consolidated companies [(3)]	249	1
Capital increase (reduction)	-	1
Changes in scope of consolidation and other	(1)	43
Translation adjustment	98	38
At 31 December	**1 472**	**1 056**
o/w Dongfeng Peugeot Citroën Automobile goodwill	67	68
o/w Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill	6	6
o/w Mercurio group goodwill	1	-

[(1)] Dividends and profit transfers in 2011 include net dividends paid to the Group by Dongfeng Peugeot Citroën Automobile for €62 million, of which €6 million corresponds to withholding tax.

[(2)] The Group's investment in Jinan Qinqi Peugeot Motorcycles Co. Ltd was written down in full in 2011, for an amount of €6 million.

[(3)] The impact of the first-time consolidation of Changan PSA Automobiles Co., Ltd (CAPSA) was €215 million in respect of uncalled capital for which the corresponding liability is recorded under "Other payables" (see note 32).

15.2. SHARE IN NET ASSETS OF COMPANIES AT EQUITY

(in million euros)	Latest % interest	**31 December 2011**	31 December 2010
Renault cooperation agreement			
Française de Mécanique	50 %	15	18
Société de Transmissions Automatiques	20 %	2	2
Fiat cooperation agreement			
Sevelnord	50 %	97	104
Gisevel	50 %	-	1
Sevelind	50 %	8	12
Sevel SpA	50 %	71	71
BMW cooperation agreement			
BMW Peugeot Citroën Electrification BV [(1)]	50%	13	-
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50 %	132	127
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile [(2)]	50 %	752	610
Dongfeng Peugeot Citroën Automobile Finance Company Ltd [(2)]	75 %	62	54
Changan cooperation agreement			
Changan PSA Automobiles Co., Ltd (CAPSA)	50%	234	-
Other			
Other excluding Faurecia [(2)]		14	13
Faurecia associates		65	35
Total		**1 465**	**1 047**

[(1)] See note 2.2

[(2)] Including goodwill (see note 15.1)

The share in net assets of companies at equity corresponds to €1,472 million (€1,056 million at 31 December 2010) for companies with a positive net worth, reported under "Investments in companies at equity" less €7 million (€9 million at 31 December 2010) for companies with a negative net worth, reported under "Non-current provisions".

15.3. SHARE IN NET EARNINGS OF COMPANIES AT EQUITY

(in million euros)	Latest % interest	**31 December 2011**	31 December 2010
Renault cooperation agreement			
Française de Mécanique	50 %	(3)	(3)
Société de Transmissions Automatiques	20 %	-	(1)
Fiat cooperation agreement			
Sevelnord	50 %	(1)	8
Gisevel	50 %	-	(21)
Sevelind	50 %	(2)	(3)
Sevel SpA	50 %	-	6
BMW cooperation agreement			
BMW Peugeot Citroën Electrification BV [1]	50%	-	-
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50 %	8	37
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile [(1)]	50 %	150	159
Dongfeng Peugeot Citroën Automobile Finance Company Ltd	75 %	3	2
Changan cooperation agreement			
Changan PSA Automobiles Co., Ltd (CAPSA) [(2)]	50%	(11)	-
Other			
Other excluding Faurecia		(5)	1
Faurecia associates		34	19
Total		**173**	**204**

[(1)] *Dongfeng Peugeot Citroën Automobile is entitled to a tax benefit until 31 December 2012. In 2011, this tax benefit had the effect of reducing the effective tax rate paid by the company to 10.5% of pre-tax profit (6% in 2010).*

[(2)] *Details of the investment in Changan PSA Automobiles Co., Ltd are provided in note 2.2.*

15.4. KEY FINANCIAL DATA OF COMPANIES AT EQUITY

A. Aggregate data

(in million euros)	**31 December 2011**	31 December 2010
Property, plant and equipment	1 407	1 358
Working capital [(1)]	(273)	(437)
Other capital employed [(2)]	378	284
Capital employed	**1 512**	**1 205**
Long and medium-term debt	(174)	(220)
Other financial items	127	62
Net financial position	**(47)**	**(158)**
Total equity (note 15.2)	**1 465**	**1 047**
Capital expenditure	**233**	**371**

[(1)] *Changan PSA Automobiles Co., Ltd's capital had not been called or paid up at 31 December 2011. The uncalled amount (€245 million) is included in working capital.*

[(2)] *At 31 December 2011, the main balance sheet items included in "Other capital employed" concern intangible assets for €322 million (€267 million at 31 December 2010) and provisions for €57 million (€70 million at 31 December 2010).*

B. Key financial data by company

(a) Capital employed

(in million euros)	Latest % interest	31 December 2011	31 December 2010
Renault cooperation agreement			
Française de Mécanique	50 %	113	128
Société de Transmissions Automatiques	20 %	2	(2)
Fiat cooperation agreement			
Sevelnord	50 %	97	113
Gisevel	50 %	-	-
Sevelind	50 %	8	12
Sevel SpA	50 %	261	321
BMW cooperation agreement			
BMW Peugeot Citroën Electrification BV	50%	-	-
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50 %	151	171
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile	50 %	497	384
Dongfeng Peugeot Citroën Automobile Finance Company Ltd	75 %	62	54
Changan cooperation agreement			
Changan PSA Automobiles Co., Ltd (CAPSA)	50%	260	-
Other			
Other excluding Faurecia		8	11
Faurecia associates		53	13
Total		**1 512**	**1 205**

(b) Net financial position

(in million euros)	Latest % interest	31 December 2011	31 December 2010
Renault cooperation agreement			
Française de Mécanique	50 %	(98)	(110)
Société de Transmissions Automatiques	20 %	-	4
Fiat cooperation agreement			
Sevelnord	50 %	-	(9)
Gisevel	50 %	-	1
Sevelind	50 %	-	-
Sevel SpA	50 %	(190)	(250)
BMW cooperation agreement			
BMW Peugeot Citroën Electrification BV	50%	13	-
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50 %	(19)	(44)
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile	50 %	255	226
Dongfeng Peugeot Citroën Automobile Finance Company Ltd	75 %	-	-
Changan cooperation agreement			
Changan PSA Automobiles Co., Ltd (CAPSA)	50%	(26)	-
Other			
Other excluding Faurecia		6	2
Faurecia associates		12	22
Total		**(47)**	**(158)**

NOTE 16 - INVESTMENTS IN NON-CONSOLIDATED COMPANIES

The recognition and measurement principles applicable to investments in non-consolidated companies are set out in note 1.15.B (2) (a).

The main changes in this item in 2011 were as follows:

(in million euros)	Latest % interest	31 December 2011	31 December 2010
Football Club de Sochaux Montbéliard	100 %	19	17
Non consolidated dealers (Automotive)	-	9	27
Gefco group portfolio	-	11	34
Faurecia group portfolio	-	38	15
Other investments	-	9	9
Total		**86**	**102**
Gross value		120	137
Impairments		(34)	(35)

NOTE 17 - OTHER NON-CURRENT FINANCIAL ASSETS

The recognition and measurement principles applicable to loans and receivables, short-term investments classified as "available-for-sale financial assets", short-term investments classified as "financial assets at fair value through profit or loss" and derivatives are described in note 1.15.B.

2011		Financial assets classified as			
(in million euros)	Loans and receivables	"Available for sale"	"At fair value through profit or loss"	Derivatives	Total
Gross value					
At 1 January [(1)]	**262**	**191**	**312**	**177**	**942**
Purchases/additions	21	-	273	-	294
Disposals	(11)	-	(51)	-	(62)
Remeasurement	-	(69)	9	58	(2)
Transfers to current financial assets	(2)	-	-	-	(2)
Translation adjustment and changes in scope of consolidation	2	-	4	-	6
At 31 December	**272**	**122**	**547**	**235**	**1 176**
Provisions					
At 1 January	**(112)**	**-**	**-**	**-**	**(112)**
Net charge for the year	(2)	-	-	-	(2)
Translation adjustment and changes in scope of consolidation	(1)	-	-	-	(1)
At 31 December	**(115)**	**-**	**-**	**-**	**(115)**
Carrying amount at 1 January	150	191	312	177	830
Carrying amount at 31 December	**157**	**122**	**547**	**235**	**1 061**

[(1)] Non-current assets classified as at fair value through profit or loss reported at 31 December 2010 for €410 million are included in the opening balance sheet for €312 million. The €98 million difference corresponds to units in Brazilian FIDC funds that have been reclassified under "Short-term investments - finance companies" (see note 20).

The carrying amount of available-for-sale financial assets included an unrealised gain of €35 million at 31 December 2011 (€104 million at 1 January 2011).

2010 *(in million euros)*	Loans and receivables	Financial assets classified as "Available for sale"	Financial assets classified as "At fair value through profit or loss"	Derivatives	Total
Gross value					
At 1 January	**235**	**217**	**319**	**192**	**963**
Purchases/additions	157	6	21	-	184
Disposals	(122)	-	(58)	-	(180)
Remeasurement	-	(32)	9	(15)	(38)
Transfers to current financial assets [(1)]	(8)	-	-	-	(8)
Translation adjustment and changes in scope of consolidation	-	-	21	-	21
At 31 December	**262**	**191**	**312**	**177**	**942**
Provisions					
At 1 January	**(106)**	**-**	**-**	**-**	**(106)**
Net charge for the year	(6)	-	-	-	(6)
At 31 December	**(112)**	**-**	**-**	**-**	**(112)**
Carrying amount at 1 January	129	217	319	192	857
Carrying amount at 31 December	**150**	**191**	**312**	**177**	**830**

[(1)] Financial assets classified as "at fair value through profit or loss" transferred to current financial assets correspond to money market securities with maturities of less than one year at 31 December 2010.

The carrying amount of available-for-sale financial assets included an unrealised gain of €104 million at 31 December 2010 (€136 million at 1 January 2010).

NOTE 18 - OTHER NON-CURRENT ASSETS

(in million euros)	**31 December 2011**	31 December 2010
Excess of payments to external funds over pension obligations (note 28)	76	2
Units in the FMEA funds	105	59
Derivative instruments [(1)]	-	21
Guarantee deposits and other	271	252
Total	**452**	**334**

[(1)] *Corresponding to the non-current portion of derivative instruments acquired as hedges of commodity risks.*

The Group is committed to investing a total of €204 million in the two "Fonds de Modernisation des Equipementiers Automobiles" (FMEA - tier 1 and tier 2), which have been set up to support automotive equipment manufacturers. The €114 million worth of units purchased to date have been classified as "available-for-sale" in accordance with IAS 39 and are therefore measured at fair value (see note 1.15.B (2) (c)). They are reported as non-current assets because of the lock-up applicable to the Group's investment in the fund.

NOTE 19 - LOANS AND RECEIVABLES – FINANCE COMPANIES

The recognition and measurement principles for the loans and receivables of Group finance companies are defined in note 1.15.B (3) (a).

19.1. ANALYSIS

(in million euros)	**31 December 2011**	31 December 2010
Retail, Corporate and Equivalent		
Credit sales	10 171	9 971
Long-term leases	4 727	4 665
Leases with a buyback commitment	2 301	2 492
Other receivables	183	201
Ordinary accounts and other	92	71
Total net Retail, Corporate and Equivalent	**17 474**	**17 400**
Corporate Dealers		
Wholesale finance receivables	5 879	5 165
Other receivables	627	562
Other	334	284
Total net Corporate Dealers	**6 840**	**6 011**
Remeasurement of interest rate hedged portfolios	73	80
Eliminations	(80)	(153)
Total	**24 307**	**23 338**

Retail, Corporate and Equivalent finance receivables represent loans made by finance companies to Peugeot and Citroën customers for the purchase or lease of cars.

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

Retail, Corporate and Equivalent finance receivables include €4,008 million in securitised finance receivables that were not derecognised at year-end (€3,645 million at 31 December 2010).

The Banque PSA Finance group carried out several securitisation transactions in 2011 through special purpose entities.

On 10 July 2011, Crédipar sold €1,050 million worth of automobile loans to the Auto ABS 2011-1 fund. The fund issued €956 million worth of AAA/Aaa-rated A bonds and €94 million worth of B bonds. All of the B bonds were purchased by Banque PSA Finance. Crédipar's retained interest amounts to €300.

On 25 November 2011, Banque PSA Finance's German branch sold €800 million worth of automobile loans to the Auto ABS German Loans 2011-2 fund. The fund issued €720 million worth of Aaa/AAA-rated A senior bonds and €80 million worth of B junior bonds. All of the B bonds were purchased by Banque PSA Finance. The German branch's retained interest amounts to €300.

The Banque PSA Finance subsidiaries and branches have rights to obtain the majority of benefits of the special purpose entities and are exposed to risks incident to these entities' activities. Therefore, the special purpose entities are fully consolidated.

Liabilities corresponding to securities issued by securitisation funds are shown in note 31 "Financing liabilities - finance companies".

19.2. AUTOMOTIVE DIVISION SALES OF RECEIVABLES

The following table shows outstanding Automotive Division receivables sold to the finance companies for which the Automotive Division pays the financing cost:

(in million euros)	**31 December 2011**	31 December 2010
	4 467	3 402

19.3. MATURITIES OF LOANS AND RECEIVABLES

31 December 2011 *(in million euros)*	Credit sales	Leases with a buyback commitment	Long-term leases	Wholesale finance receivables	Other [(1)]	Total
Unallocated	478	140	181	133	306	**1 238**
Less than 3 months	1 010	185	693	3 483	114	**5 485**
3 to 6 months	756	180	665	1 013	49	**2 663**
6 months to 1 year	1 957	360	869	1 328	164	**4 678**
1 to 5 years	6 232	1 520	2 545	12	368	**10 677**
Beyond 5 years	63	19	-	-	69	**151**
Total gross loans and receivables outstanding	**10 496**	**2 404**	**4 953**	**5 969**	**1 070**	**24 892**
Guarantee deposits on leases	-	-	(62)	(70)	-	(132)
Allowances	(266)	(59)	(73)	(20)	(28)	(446)
Total net loans and receivables outstanding	**10 230**	**2 345**	**4 818**	**5 879**	**1 042**	**24 314**

[(1)] *Other receivables include ordinary accounts and items taken into account in amortised cost calculations.*

31 December 2010 *(in million euros)*	Credit sales	Leases with a buyback commitment	Long-term leases	Wholesale finance receivables	Other [(1)]	Total
Unallocated	477	130	168	157	278	**1 210**
Less than 3 months	931	210	661	3 357	91	**5 250**
3 to 6 months	874	182	566	361	45	**2 028**
6 months to 1 year	1 844	360	927	1 372	103	**4 606**
1 to 5 years	6 038	1 690	2 537	9	403	**10 677**
Beyond 5 years	130	18	-	-	51	**199**
Total gross loans and receivables outstanding	**10 294**	**2 590**	**4 859**	**5 256**	**971**	**23 970**
Guarantee deposits on leases	-	-	(53)	(71)	-	(124)
Allowances	(260)	(59)	(69)	(20)	(27)	(435)
Total net loans and receivables outstanding	**10 034**	**2 531**	**4 737**	**5 165**	**944**	**23 411**

[(1)] *Other receivables include ordinary accounts and items taken into account in amortised cost calculations.*

19.4. ALLOWANCES FOR CREDIT LOSSES

Net Retail, Corporate and Equivalent loans and receivables outstanding

(in million euros)	**31 December 2011**	31 December 2010
Performing loans with no past due balances	16 481	16 414
Performing loans with past due balances	691	700
Non-performing loans	689	668
Total gross Retail, Corporate and Equivalent loans and receivables outstanding	**17 861**	**17 782**
Items taken into account in amortised cost calculations	**86**	**70**
Guarantee deposits	**(60)**	**(52)**
Allowances for performing loans with past due balances	*(48)*	*(44)*
Allowances for non-performing loans	*(365)*	*(356)*
Allowances	**(413)**	**(400)**
Total net Retail, Corporate and Equivalent loans and receivables outstanding	**17 474**	**17 400**
Allowances booked during the period	(155)	(138)
Allowances released during the period (utilisations)	145	94

Net Corporate Dealer loans and receivables outstanding

(in million euros)	**31 December 2011**	31 December 2010
Performing loans with no past due balances	6 773	5 893
Performing loans with past due balances	20	20
Non-performing loans	166	212
Total gross Corporate Dealer loans and receivables outstanding	**6 959**	**6 125**
Items taken into account in amortised cost calculations	**(10)**	**(6)**
Guarantee deposits	**(72)**	**(72)**
Allowances	**(37)**	**(36)**
Total net Corporate Dealer loans and receivables outstanding	**6 840**	**6 011**
Allowances booked during the period	(28)	(19)
Allowances released during the period (utilisations)	27	18

NOTE 20 - SHORT-TERM INVESTMENTS – FINANCE COMPANIES

The recognition and measurement principles applicable to short-term investments of the finance companies are described in note 1.15.B (1) (b).

(in million euros)	**31 December 2011**	31 December 2010
Short-term investments	877	805
Total	**877**	**805**

Short-term investments at 31 December 2010 are shown for an amount of €805 million versus the previously reported €707 million. The €98 million difference corresponds to units in Brazilian FIDC funds previously reported under "Other non-current financial assets" (see note 17).

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

NOTE 21 - INVENTORIES

	31 December 2011			31 December 2010		
(in million euros)	Gross	Allowance	Net	Gross	Allowance	Net
Raw materials and supplies	875	(168)	707	848	(170)	678
Semi-finished products and work-in-progress	955	(37)	918	865	(40)	825
Goods for resale and used vehicles	1 218	(159)	1 059	970	(125)	845
Finished products and replacement parts	4 145	(220)	3 925	3 766	(167)	3 599
Total	**7 193**	**(584)**	**6 609**	**6 449**	**(502)**	**5 947**

NOTE 22 - TRADE RECEIVABLES – MANUFACTURING AND SALES COMPANIES

(in million euros)	**31 December 2011**	31 December 2010
Trade receivables	2 557	2 244
Allowances for doubtful accounts	(170)	(193)
Total - manufacturing and sales companies	**2 387**	**2 051**
Elimination of transactions with the finance companies	(167)	(175)
Total	**2 220**	**1 876**

This item does not include dealer receivables transferred to the finance companies, which are reported in the consolidated balance sheet under "Loans and receivables - finance companies" (see note 19.2).

At 31 December 2011, receivables totalling €530 million sold under the programmes described in note 29.5 had been derecognised in line with the principles set out in note 1.17. A further €161 million worth of sold receivables were not derecognised. In cases where financing has been received in respect of the sold receivables, a debt is recognised for an amount equal to the sale proceeds.

(in million euros)	**31 December 2011**	31 December 2010
Sold and derecognised receivables	530	302
- of which Faurecia group	*261*	*181*
Sold receivables not derecognised	161	162
- of which Faurecia group	*102*	*153*

NOTE 23 - OTHER RECEIVABLES

23.1. MANUFACTURING AND SALES COMPANIES

(in million euros)	**31 December 2011**	31 December 2010
State, regional and local taxes excluding income tax[1]	1 198	1 197
Employee-related receivables	54	56
Due from suppliers	200	168
Derivative instruments [(2)]	80	108
Prepaid expenses	190	158
Miscellaneous other receivables	213	272
Total	**1 935**	**1 959**

[(1)] *In 2011, the Group sold €96 million worth of 2010 French research tax credits.*

[(2)] *This item corresponds to the fair value of instruments purchased by the Group to hedge commodity risks and currency risks on current or forecast operating receivables and payables. It includes €42 million (€31 million at 31 December 2010) in receivables that are matched by payables due to the finance companies.*

23.2. FINANCE COMPANIES

(in million euros)	**31 December 2011**	31 December 2010
State, regional and local taxes excluding income tax	66	50
Derivative instruments [(1)]	394	204
Deferred income and accrued expenses - finance companies	223	175
Miscellaneous other receivables	322	319
Total	**1 005**	**748**

x

NOTE 24 - CURRENT FINANCIAL ASSETS

The recognition and measurement principles applicable to current financial assets are described in note 1.15.B (3) for loans and receivables, note 1.15.B (1) for financial assets at fair value through profit or loss, and note 1.15.D for derivative instruments.

2011 *(in million euros)*	Loans and receivables	Financial assets at fair value through profit or loss	Derivative instruments	Total
At 1 January	**282**	**-**	**24**	**306**
Purchases/additions	115	-	-	115
Disposals	(164)	-	-	(164)
Remeasurement at fair value	-	-	3	3
Transfers (note 17)	2	-	-	2
Translation adjustment and changes in scope of consolidation	3	-	-	3
At 31 December	**238**	**-**	**27**	**265**

2010 *(in million euros)*	Loans and receivables	Financial assets at fair value through profit or loss	Derivative instruments	Total
At 1 January	**229**	**25**	**30**	**284**
Purchases/additions	142	-	-	142
Disposals	(107)	(25)	-	(132)
Remeasurement at fair value	-	-	(6)	(6)
Transfers (note 17)	8	-	-	8
Translation adjustment and changes in scope of consolidation	10	-	-	10
At 31 December	**282**	**-**	**24**	**306**

NOTE 25 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined in note 1.15.B (1) (a). They are analysed below.

25.1. MANUFACTURING AND SALES COMPANIES

(in million euros)	**31 December 2011**	31 December 2010
Mutual fund units and money market securities	3 832	7 946
Cash and current account balances	1 358	1 332
Total - manufacturing and sales companies	**5 190**	**9 278**
o/w deposits with finance companies	*(224)*	*(127)*
Total	**4 966**	**9 151**

Cash equivalents correspond to the investment of the proceeds from borrowings obtained to meet the Group's future financing needs and of the net cash generated by operating activities.

At 31 December 2011, cash equivalents included retail certificates of deposit for €797 million, money market funds for €1,998 million, overnight money market notes for €652 million and other money market securities for €50 million.
All of these instruments comply with the Committee of European Securities Regulators' (CESR) definition of Short-Term Money Market Funds.

25.2. FINANCE COMPANIES

(in million euros)	**31 December 2011**	31 December 2010
Due from credit institutions [(1)]	1 131	1 296
Central bank current account balances and items received for collection	23	20
Total	**1 154**	**1 316**

(1) At 31 December 2011, this item included ordinary accounts in debit for €427 million (€927 million at 31 December 2010) corresponding mainly to the final customer direct debits for the period, securities in the process of being delivered for €404 million (€288 million at 31 December 2010) and mutual fund units for €300 million.

Banque PSA Finance's liquidity surplus, which amounted to €724 million at 31 December 2011 (€305 million at 31 December 2010), is invested in mutual funds qualifying as cash equivalents (€300 million), interbank loans (€404 million at 31 December 2011; €288 million at 31 December 2010) and central bank deposits (€20 million at 31 December 2011; €17 million at 31 December 2010).

NOTE 26 - EQUITY

26.1. CAPITAL MANAGEMENT POLICY

The Group's capital management policy concerns equity as defined under IFRS and 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 stock, plus reserves and retained earnings of the Group's various businesses.

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. 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:
• for cancellation, in order to reduce the Company's capital,
• for allocation to employees, directors and officers of the Company and its subsidiaries and related parties on exercise of stock options, and
• for allocation on conversion, redemption or exercise of share equivalents.

Details of share buybacks carried out in 2011 are provided in note 26.5.

Shares are issued from time to time when holders of Peugeot S.A. Oceane bonds present their bonds for conversion (see note 26.2).

26.2. ANALYSIS OF SHARE CAPITAL AND CHANGES IN THE YEAR

At 31 December 2011, the share capital amounted to €234,049,344 and was made up of ordinary shares with a par value of €1, all fully paid. The shares may be held in bearer or registered form, at the discretion of shareholders. Shares registered in the name of the same holder for at least four years carry double voting rights (Article 11 of the bylaws).

(in euros)	**2011**	2010
Share capital at 1 January	234 049 225	234 049 142
Shares issued on conversion of Oceane bonds	119	83
Share capital at 31 December	**234 049 344**	**234 049 225**

At 31 December 2011, the Peugeot family group held 31% of Peugeot S.A.'s shares and 48.3% of the voting rights at Shareholders Meetings. After taking account of the dilutive effect of potential shares represented by stock options, the family group's share of voting rights stands at 45.6%.

26.3. EMPLOYEE STOCK OPTIONS

A. Plan characteristics

Each year between 1999 and 2008, the Managing Board of Peugeot S.A. granted options to certain employees, directors and officers of the Company and its subsidiaries, allowing them to purchase shares at a specified price. The current terms of the plans are as follows:

	Date of Managing Board decision	Vesting date	Last exercise date	Number of initial grantees	Exercise price (in euros)	Number of options granted
2003 Plan	21/08/2003	21/08/2006	20/08/2011	184	39.09	996 500
2004 Plan	24/08/2004	24/08/2007	23/08/2012	182	47.59	1 004 000
2005 Plan	23/08/2005	23/08/2008	22/08/2013	169	52.37	953 000
2006 Plan	23/08/2006	23/08/2009	22/08/2014	92	41.14	983 500
2007 Plan	22/08/2007	22/08/2010	21/08/2015	169	60.43	1 155 000
2008 Plan	22/08/2008	22/08/2011	19/08/2016	194	33.08	1 345 000

No stock options were granted between 2009 and 2011.
On 31 December 2011, the share price was €12.11.

B. Changes in the number of options outstanding

Changes in the number of options outstanding under these plans (exercisable for €1 par value shares) are shown below:

(number of options)	2011	2010
Total at 1 January	**5 392 107**	**5 392 107**
Options granted	-	-
Options exercised	-	-
Cancelled options	(16 000)	-
Expired options	(678 107)	-
Total at 31 December	**4 698 000**	**5 392 107**
o/w exercisable options	4 698 000	4 257 107

Options outstanding at the year-end are as follows:

(number of options)	2011	2010
2003 Plan	-	678 107
2004 Plan	912 000	912 000
2005 Plan	865 000	868 000
2006 Plan	870 500	870 500
2007 Plan	922 500	928 500
2008 Plan	1 128 000	1 135 000
Total at 31 December	**4 698 000**	**5 392 107**

C. Weighted average value of options and underlying shares

(in euros)	2011		2010	
	Exercise price	Share price	Exercise price	Share price
Value at 1 January	**45.4**		**45.4**	
Options granted	-	-	-	-
Options exercised	-	-	-	-
Cancelled options	47.0	13.8	-	-
Expired options	39.1	20.8	-	-
Value at 31 December	**46.3**		**45.4**	

D. Personnel costs arising from stock option plans

In line with the principles described in note 1.21, personnel costs related to the Peugeot S.A. and Faurecia stock option plans are shown in the table below:

Charge for the year *(in million euros)*	**2011**			2010
	Peugeot S.A.	Faurecia	Total	Total
2007 Plan	-	1	1	4
2008 Plan	2	1	3	4
Total	**2**	**2**	**4**	**8**

26.4. PERFORMANCE SHARE PLANS

■ Peugeot S.A. performance share plan

The first performance share plan was set up in 2010.

A. Plan characteristics

In 2010, the Peugeot S.A. Managing Board decided to use the authorisation given at the Extraordinary Shareholders' Meeting of 2 June 2010 to set up a performance share plan based on cumulative performance targets for the years 2010, 2011 and 2012. Grantees who leave the Group before the end of the vesting period will forfeit their performance shares, except in case of death, invalidity or retirement.
No performance shares were granted to members of the Managing Board under the plan.

B. Personnel costs arising from the performance share plan

Up to 816,000 shares may be allocated under the plan, if the vesting conditions are met.

The fair value of the performance share grants has been estimated at €20.63 for the purpose of calculating the cost for shares granted to French tax residents and at €16.44 for other grantees. These fair values are based on the share price at the grant date, less the present value of dividends that will not be received by grantees during the vesting period and less a 3% discount to reflect the 2-year lock-up period.

The total cost of the plan, excluding the 10% employer contribution, is being recognised in the income statement over the vesting period, in accordance with IFRS 2, and is re-estimated annually. The cost recognised in 2011 amounted to €3 million (€1.2 million in 2010).

The cost of the share-based payment plan takes into account:
• the fair value of the performance shares, as estimated on the grant date, and
• the estimated number of shares to be allocated at the end of the vesting period. This estimate is updated each year based on the latest assessment of actual performance in relation to the targets.

■ Faurecia performance share plan

In 2010, Faurecia used the authorisation given at the Extraordinary Shareholders' Meeting of 8 February 2010 to implement performance share plan for executives of group companies. These shares are subject to service and performance conditions.
The fair value of this plan has been measured by reference to the market price of Faurecia's shares at the grant date, less an amount corresponding to the expected dividends due on the shares but not paid during the vesting period and an amount reflecting the cost of the shares being subject to a lock-up period. The corresponding expense will be deferred and recognised over the share vesting period. The amount recognised in expenses for the period is €9.6 million (€2.6 million in 2010).

In 2010, the Faurecia Board of Directors made 860,600 performance share grants on 23 June and 887,250 performance share grants on 21 July.

In 2011, the Faurecia Board of Directors made 933,400 performance share grants on 25 July.

26.5. TREASURY STOCK

From time to time, the Group uses the buyback authorisations given at Shareholders' Meetings to purchase Peugeot S.A. shares into treasury. In 2011, 10,000,000 shares were bought back between 12 August and 2 September at an average price of €19.92.

Changes in treasury stock can be analysed as follows:

A. Number of shares held

(number of shares)	Authorisations	**2011** Transactions	2010 Transactions
At 1 January		**7 187 450**	**7 187 450**
Share buybacks			
AGM of 2 June 2010	16 000 000	-	-
AGM of 31 May 2011	16 000 000	10 000 000	
Share cancellations			
AGM of 2 June 2010	10% du capital	-	-
AGM of 31 May 2011	10% du capital	-	
Share sales			
On exercise of stock options		-	-
At 31 December		**17 187 450**	**7 187 450**
Allocation			
• Shares held for a future liquidity contract		300 000	-
• Shares held for allocation on conversion of 23 June 2009 Oceane bonds		10 908 807	-
• Shares held for allocation on exercise of outstanding stock options (note 26.3.B)		4 698 000	5 392 107
• Shares held for allocation on exercise of stock options to be granted in the future		462 543	462 543
• Shares held for allocation under the performance share plan		807 900	816 000
• Unallocated shares		10 200	516 800
		17 187 450	**7 187 450**

B. Change in value

(in million euros)	**2011**	2010
At 1 January	(303)	(303)
Acquired	(199)	-
Cancelled	-	-
Allocated on exercise of stock options	-	-
At 31 December	**(502)**	**(303)**
Average price per share (in euros)	-29.21	

The share price on 31 December 2011 was €12.11.

26.6. RESERVES AND RETAINED EARNINGS, EXCLUDING MINORITY INTERESTS

Reserves and retained earnings, including profit for the year, can be analysed as follows:

(in million euros)	**31 December 2011**	31 December 2010
Peugeot S.A. legal reserve	28	28
Other Peugeot S.A. statutory reserves and retained earnings	7 962	7 767
Reserves and retained earnings of subsidiaries, excluding minority interests	6 114	6 102
Total	**14 104**	**13 897**

Other Peugeot S.A. statutory reserves and retained earnings are as follows:

(in million euros)	**31 December 2011**	31 December 2010
Reserves available for distribution		
Without any additional corporate tax being due	6 894	6 699
Subject to the payment of additional corporate tax [(1)]	1 068	1 068
Total	**7 962**	**7 767**
Tax on distributed earnings	**169**	**169**

[(1)] *Corresponding to the portion of the long-term capital gains reserve that remains subject to additional tax.*

26.7. MINORITY INTERESTS

Minority interests correspond mainly to the interests of shareholders of Faurecia and of some of its subsidiaries.

NOTE 27 - CURRENT AND NON-CURRENT PROVISIONS

27.1. NON-CURRENT PROVISIONS

A. Analysis by type

(in million euros)	**31 December 2011**	31 December 2010
Pensions (note 28.1)	557	564
Early-termination plan	5	15
Other employee benefit obligations	126	125
Other	24	23
Total	**712**	**727**

B. Movements for the year

(in million euros)	2011	2010
At 1 January	**727**	**986**
Movements taken to profit or loss		
Additions	180	138
Releases (utilisations)	(78)	(196)
Releases (unused provisions)	(45)	(253)
	57	**(311)**
Other movements		
Translation adjustment	(1)	23
Change in scope of consolidation and other	(71)	29
At 31 December	**712**	**727**

Provision releases mainly concern pensions and result from the workforce streamlining plans (see note 7.4). The amount released in 2010 also includes reversal of the minimum funding requirement liability in the United Kingdom for €204 million (see note 7.6).

27.2. CURRENT PROVISIONS

A. Analysis by type

(in million euros)	31 December 2011	31 December 2010
Warranties [1]	698	804
Commercial and tax claims and litigation [2]	460	446
Restructuring plans	448	249
Long-term contract losses	322	366
Sales with a buyback commitment	133	117
Other	238	482
Total	**2 299**	**2 464**

[1] 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 23).

[2] Provisions for tax claims concern a number of claims in various countries outside France.

B. Movements for the year

(in million euros)	2011	2010
At 1 January	**2 464**	**2 399**
Movements taken to profit or loss		
Additions	1 369	1 434
Releases (utilisations)	(1 071)	(1 250)
Releases (unused provisions)	(457)	(295)
	(159)	**(111)**
Other movements		
Translation adjustment	(19)	53
Change in scope of consolidation and other	13	123
At 31 December	**2 299**	**2 464**

Movements in provisions for retructuring plans in 2011 are discussed in note 7.

The observed decline in warranty costs resulting from improvements to vehicle quality led to a €210 million reduction in the related provisions in 2011 (€214 million reduction in 2010).

NOTE 28 - PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

28.1. SUPPLEMENTARY PENSIONS AND RETIREMENT BONUSES

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 are paid under defined contribution and defined benefit plans. Payments under defined contribution plans are in full discharge of the Group's liability and are recognised as an expense for the year in which they are made. Payments under defined benefit plans concern primarily France and the United Kingdom.

In France, the existing defined benefit plans concern (i) the retirement bonuses provided for by collective bargaining agreements, (ii) the portion of the top-hat pension scheme for engineers and management personnel *(cadres)* 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 2,780 retired employees), and (iii) 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 covered 16,000 retired employees, as well as 2,300 former employees who were not receiving benefits at end-2011.

The members of the Group's management bodies are eligible to participate in the supplementary pension plan provided that: (i) they have sat on the Managing Board, Executive Committee, other management body or the Extended Management Committee for a specified minimum period; and (ii) they end their career with the Group. This top-hat plan guarantees an aggregate replacement rate for all plans (statutory and supplementary) of up to 50% of a benchmark salary, taken to be the three highest annual salaries received over the last five years of employment. Under this plan, benefits may be paid over to the executive's spouse or partner.

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 2011, 22,000 people were covered by these plans, including 1,300 active employees, 8,900 former employees not retired yet and 11,800 retired employees. The plans guarantee a replacement rate of up to 66% of the employee's final salary.

The supplementary pension plan for Faurecia group executives in France comprises:
• a non-contributory defined contribution plan for which contribution rates are based on salary bands A and B; and
• a supplementary defined benefit plan based on salary band C.

B. Assumptions

The assumptions used to calculate the Group's projected benefit obligation for the last two years are as follows:

	Euro zone	United Kingdom
Discount rate		
2011	**4.50 %**	**4.90 %**
2010	4.70 %	5.50 %
Inflation rate		
2011	**1.80 %**	**2.90 %**
2010	2.00 %	3.35 %
Expected return on external funds		
2011	**4.80 %**	**5.50 %**
2010	5.25 %	5.50 %

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 corporate bonds awarded one of the two highest 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 1.0% in 2011, and inflation plus 0.5% for subsequent years. The assumption for UK plans is inflation plus 1.0%.

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 actuarial rate (discount rate less inflation rate) would lead to the following increases or decreases in projected benefit obligations:

	Discount rate	Inflation rate
France	-2.37%	3.06%
United Kingdom	-3.83%	3.32%

The expected return on external funds is estimated based on asset allocation, the period remaining before the benefits become payable and experience-based yield projections.

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 2011 of €12 million for French plans and €15 million for UK plans.

C. External funds

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

The breakdown of external funds is as follows:

	31 December 2011		31 December 2010	
	Equities	Bonds	Equities	Bonds
France	31 %	69 %	34 %	66 %
United Kingdom	38 %	62 %	48 %	52 %

In 2011, the actual return on external funds managed by the Group in France and by the fund trustees in the United Kingdom was -2.3% for French plans and +7.9% for UK plans.
In France, equity funds consist of DJ Eurostoxx index tracker funds, while bond funds are invested in prime European government bonds and, to a lesser extent, in European corporate bonds rated A- or higher.

In the United Kingdom, two-thirds of the equity portfolio is invested in funds that track the main UK, European, US and Japanese stock market indices and one-third is invested in actively managed UK stocks . Bond funds in the UK track the main inflation-indexed gilts indices and corporate bond indices.

In France, the Group is free to decide the amount of its contributions to the external funds. At 31 December 2011, no decision had been made as to the amount of contributions to be paid in 2012.
In 2011, no contribution was paid to the external fund for the top-hat pension plan for Peugeot S.A. senior executives.

In the United Kingdom, the Group's annual contribution amounted to £104 million (€120 million) in 2011. Contributions payable in 2012 are estimated at £69 million (€83 million) before taking into account the results of current negotiations with the trustees concerning the level of financing for that year.

D. Movement for the year

■ Excluding minimum funding requirement (IFRIC 14)

(in million euros)	2011 France	2011 United Kingdom	2011 Other	2011 Total	2010 France	2010 United Kingdom	2010 Other	2010 Total
Projected benefit obligation								
At 1 January : Present Value	**(1 649)**	**(1 478)**	**(483)**	**(3 610)**	**(1 594)**	**(1 441)**	**(479)**	**(3 514)**
Service cost	(48)	(15)	(15)	(78)	(44)	(13)	(10)	(67)
Interest cost	(77)	(80)	(24)	(181)	(80)	(88)	(22)	(190)
Benefit payments for the year	94	63	29	186	112	56	28	196
Unrecognised actuarial gains and (losses):								
- amount	53	(62)	(1)	(10)	12	81	(26)	67
- as a % of projected benefit obligation	*3.2 %*	*4.2 %*	*0.2 %*	*0.3 %*	*0.8 %*	*5.6 %*	*5.4 %*	*1.9 %*
Past service cost	-	-	-	-	(71)	-	-	(71)
Translation adjustment	-	(49)	(3)	(52)	-	(73)	1	(72)
Effect of changes in scope of consolidation and other	-	-	(82)	(82)	-	-	(27)	(27)
Effect of curtailments and settlements	40	-	-	40	16	-	52	68
At 31 December : Present Value	**(1 587)**	**(1 621)**	**(579)**	**(3 787)**	**(1 649)**	**(1 478)**	**(483)**	**(3 610)**
External fund								
At 1 January : Fair Value	**1 173**	**1 533**	**196**	**2 902**	**1 242**	**1 223**	**226**	**2 691**
Expected return on external funds	51	86	10	147	61	73	15	149
Unrecognised actuarial gains and (losses):								
- amount	(32)	6	(11)	(37)	(28)	99	(3)	68
- as a % of external funds	*2.7 %*	*0.4 %*	*5.6 %*	*1.3 %*	*2.3 %*	*8.1 %*	*1.3 %*	*2.5 %*
Translation adjustment	-	53	2	55	-	62	(4)	58
Employer contributions	4	120	19	143	9	132	18	159
Benefit payments for the year	(95)	(63)	(23)	(181)	(111)	(56)	(23)	(190)
Effect of changes in scope of consolidation and other	-	-	108	108	-	-	9	9
Effect of curtailments and settlements	-	-	-	-	-	-	(42)	(42)
At 31 December : Fair Value	**1 101**	**1 735**	**301**	**3 137**	**1 173**	**1 533**	**196**	**2 902**
Deferred items								
At 1 January	**243**	**(115)**	**18**	**146**	**169**	**62**	**(11)**	**220**
Deferred items arising in the year	(21)	56	12	47	87	(180)	29	(64)
Amortisation of unrecognised deferred items	(21)	2	(2)	(21)	(6)	-	(2)	(8)
- actuarial gains and losses	*(13)*	*2*	*(2)*	*(13)*	*(4)*	*-*	*(2)*	*(6)*
- past service cost	*(8)*	*-*	*-*	*(8)*	*(2)*	*-*	*-*	*(2)*
Translation adjustments and other	-	(1)	-	(1)	-	3	(1)	2
Effect of curtailments and settlements	(2)	-	-	(2)	(7)	-	3	(4)
At 31 December	**199**	**(58)**	**28**	**169**	**243**	**(115)**	**18**	**146**

■ Minimum funding requirement liability (IFRIC 14)

	2011				2010			
(in million euros)	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
At 1 January	**-**	**-**	**-**	**-**	**-**	**(194)**	**-**	**(194)**
Charge for the year	-	-	-	-	-	-	-	-
Reversal for the year	-	-	-	-	-	204	-	204
Translation adjustment	-	-	-	-	-	(10)	-	(10)
At 31 December	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The minimum funding requirement liability recognised in accordance with IFRIC 14 was released to the income statement in 2010 (see note 7.6).

E. Reconciliation of pension assets and liabilities shown in the balance sheet

	31 December 2011				31 December 2010			
(in million euros)	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Projected benefit obligation	**(1 587)**	**(1 621)**	**(579)**	**(3 787)**	**(1 649)**	**(1 478)**	**(483)**	**(3 610)**
Fair value of external funds	1 101	1 735	301	3 137	1 173	1 533	196	2 902
Plan surplus (deficit)	**(486)**	**114**	**(278)**	**(650)**	**(476)**	**55**	**(287)**	**(708)**
Unrecognised deferred items								
- actuarial gains and losses	132	(58)	28	102	168	(115)	18	71
- past service cost	67	-	-	67	75	-	-	75
Net (liability) asset recognised in the balance sheet	**(287)**	**56**	**(250)**	**(481)**	**(233)**	**(60)**	**(269)**	**(562)**
Of which, liability	(287)	(19)	(251)	(557)	(235)	(60)	(269)	(564)
Of which, asset	1	75	-	76	2	-	-	2
Of which, unfunded plans	*0.9 %*	*0.0 %*	*9.4 %*	*1.7 %*	*1.2 %*	*0.0 %*	*20.8 %*	*3.3 %*

The projected benefit obligation of French companies includes benefit obligations towards members of the managing bodies (described in note 39), in an amount of €39 million for supplementary pension benefits and €1 million for retirement bonuses. The service cost related to these two plans amounted to €6 million for 2011.

Unrecognised past service cost arose mainly from the French metalworking industry agreements dated 21 June 2010.

The €71 million increase in the projected benefit obligation at 31 December 2010 resulting from these agreements was treated as the effect of a plan amendment and reported under "past service cost". The portion of the increase corresponding to additional rights that vested on the amendment date was recognised immediately in 2010, while the portion corresponding to unvested rights is being recognised in profit or loss on a straight-line basis over the remaining vesting period.

In Germany, a Contractual Trust Agreement (CTA) was set up at the end of 2011. This type of contract allows assets to be transferred to a trustee-administered external fund and to qualify as "plan assets" as defined in IAS 19. The CTA assets amounted to €49 million at 31 December 2011. They were previously recorded for the most part in "Other non-current assets".

Historical data

(in million euros)	2011	2010	2009	2008	2007
Projected benefit obligation	**(3 787)**	(3 610)	(3 514)	(3 228)	(3 768)
Fair value of external funds	**3 137**	2 902	2 691	2 409	3 023
Plan surplus (deficit)	**(650)**	(708)	(823)	(819)	(745)
Experience adjustments					
• France	29	50	(18)	(22)	41
• United Kingdom	(22)	13	4	(6)	29
• Other countries	(2)	1	7	3	7
Total experience adjustments to projected benefit obligations	**5**	**64**	**(7)**	**(25)**	**77**

F. Pension expense recognised in the income statement

These expenses are recorded as follows:

• Service cost and amortisation of deferred items are recorded under "Selling, general and administrative expenses".

• Interest cost and the expected return on external funds are recorded under "Financial expenses" and "Financial income" respectively.

• The impact of restructuring operations and changes in the minimum funding requirement liability recognised in accordance with IFRIC 14 (see note 1.9) are reported under "Other non-recurring operating income" or "Other non-recurring operating expenses".

Pension expense breaks down as follows:

(in million euros)	**2011** France	**2011** United Kingdom	**2011** Other	**2011** Total	2010 France	2010 United Kingdom	2010 Other	2010 Total
Service cost	(48)	(15)	(15)	(78)	(44)	(13)	(10)	(67)
Amortisation of deferred items	(21)	2	(2)	(21)	(6)	-	(2)	(8)
• actuarial gains and losses	*(13)*	*2*	*(2)*	*(13)*	*(4)*	-	*(2)*	*(6)*
• past service cost	*(8)*	-	-	*(8)*	*(2)*	-	-	*(2)*
Interest cost	(77)	(80)	(24)	(181)	(80)	(88)	(22)	(190)
Expected return on external funds	51	86	10	147	61	73	15	149
Effect of curtailments and settlements [1]	38	-	-	38	9	-	13	22
Total (before minimum funding requirement liability)	**(57)**	**(7)**	**(31)**	**(95)**	**(60)**	**(28)**	**(6)**	**(94)**
Change in minimum funding requirement liability (IFRIC14)	-	-	-	-	-	204	-	204
Total	**(57)**	**(7)**	**(31)**	**(95)**	**(60)**	**176**	**(6)**	**110**

[1] ***Effect of curtailments and settlements***

The workforce streamlining measures led to further pension obligations towards employees who volunteered to leave the Group (to pursue personal projects or retrain in new skills) being reversed for an amount of €38 million (€15 million in 2010) (see note 7.5).

During 2011, a €15 million liability was recognised to cover the payments due to employees concerned by the Automotive Division competitiveness plan to compensate for the loss of certain supplementary pension rights. The pension obligations had been funded under an insured plan since 2002 and the liability was therefore covered by the insurance company.

G. Projected benefit payments in 2012

Pension benefits payable in 2012 are estimated at €182 million.

28.2. LONG-SERVICE AWARDS

The Group estimates its liability for long-service awards payable to employees who fulfil certain seniority criteria, notably in France. The calculations are performed using the same method and assumptions as for supplementary pension benefits and retirement bonuses (see note 28.1.B above). The estimated liability is provided for in full in the consolidated financial statements and breaks down as follows:

(in million euros)	**31 December 2011**	31 December 2010
French companies	43	58
Foreign companies	26	10
Total	**69**	**68**

28.3. HEALTHCARE BENEFITS

In addition to the pension obligations described above, some Faurecia group companies, mainly in the United States, pay the healthcare costs of their employees. The related obligation is provided for in full in the consolidated financial statements as follows:

(in million euros)	**31 December 2011**	31 December 2010
	33	33

NOTE 29 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES – MANUFACTURING AND SALES COMPANIES

The recognition and measurement principles applicable to borrowings and other financial liabilities, excluding derivatives, are described in note 1.15.C. Derivatives are accounted for as set out in note 1.15.D.

	31 December 2011		31 December 2010	
	Amortised cost or fair value		Amortised cost or fair value	
(in million euros)	Non-current	Current	Non-current	Current
Convertible bonds [(1)]	679	13	657	23
Bonds	4 413	79	2 967	1 373
Employee profit-sharing fund	17	4	17	5
Finance lease liabilities	242	155	295	254
Other long-term borrowings	2 282	228	4 311	421
Other short-term financing and overdraft facilities	-	1 655	-	1 130
Derivative instruments	6	6	12	7
Total financial liabilities	**7 639**	**2 140**	**8 259**	**3 213**

[(1)] *The amortised cost of Oceane convertible bonds excludes the embedded conversion option which is recognised in equity.*

29.1. REFINANCING TRANSACTIONS

In 2011, the Group kept up its proactive refinancing strategy and conservative liquidity policy, in order to meet its general financing needs, particularly the financing of current and future growth projects. This strategy enabled the Group to refinance its 2011 debt maturities on favourable terms. The refinancing transactions have extended the average life of Group debt while also lowering average borrowing costs compared with 2010.

The expiry date of the €2,400 million syndicated line of credit was pushed back by one year, from July 2013 to July 2014.

A. Main refinancing transactions carried out in 2010 and 2011

- Peugeot S.A. bond issues

On 21 June 2010, Peugeot S.A. launched a €500 million 5.625% bond issue due June 2015.

On 21 October 2010, Peugeot S.A. placed €500 million worth of 4% 3-year bonds due October 2013 and €500 million worth of 5% 6-year bonds due October 2016.

On 20 January 2011, two tap issues were carried out, increasing the October 2013 issue by €350 million and the October 2016 issue by €150 million. The yields offered on the tap issues were, respectively, around 40-basis points and 30-basis points below those of the original issues.

On 27 September 2011, Peugeot S.A. launched a €500 million 6.875% bond issue due March 2016.

- Faurecia bond issues

On 3 November 2011, Faurecia issued €350 million worth of 9.375% bonds due December 2016.

- 2001 bond buybacks

On 6 July 2010, GIE PSA Trésorerie bought back €245 million worth of bonds issued in 2001 and maturing in September 2011. The total payment to bondholders amounted to €264 million, including accrued interest and a redemption premium.

On 27 September 2011, PSA Peugeot Citroën repaid at maturity the €1,255 million worth of 2001 bonds still outstanding. After taking into account the redemption premiums, accrued interest and the effect of swaps, the payent to bond holders amounted to €1,268 million.

- Fully early repayment of the State loan

In March 2009, Peugeot S.A. obtained a €3 billion 5-year loan from the French State at an initial interest rate of 6% that could be increased to a maximum of 9% by the addition of a variable rate indexed to the Group's earnings.

€1 billion were repaid early on 10 September 2010.

In early 2011, the Managing Board decided to repay the €2 billion balance of the loan, carried in the balance sheet under "Other long-term borrowings". The repayment was made in two €1 billion instalments on 25 February and 26 April. This led to the recognition of interest income of €69 million, corresponding to the difference between the loan's carrying amount on the date when the early repayment was decided and the actual amount of the early repayment.

- European Investment Bank (EIB) loans

On 15 July 2010, Peugeot Citroën Automotives S.A. obtained a €200 million loan to finance part of the Group's research and development expenditure for a new vehicle project. The loan is due July 2017 with partial repayment starting from July 2013. It is at a reduced rate of interest and was therefore recognised at an estimated market rate of 4.51%. The amortised cost of the loan at inception amounted to €188 million and the investment subsidy represented by the reduced rate of interest amounted to €12 million.

On 27 October 2011, Peugeot Citroën Automobiles S.A. repaid the €125 million EIB loan obtained on 17 October 2006.

On 16 November 2011, Peugeot Citroën Automobiles S.A. obtained a new €125 million loan from the EIB that is repayable in equal annual installments between December 2013 and December 2017. The loan is at a reduced rate of interest and was therefore recognized at an estimated market interest rate of 7%. The amortised cost of the loan at inception amounted to €108 million and the subsidy represented by the reduced rate of interest amounted to €17 million.

- Peugeot S.A. syndicated credit facility

On 9 July 2010, Peugeot S.A rolled over in advance a €2,400 million 3-year syndicated revolving credit facility (with two extensions of one year at the banks' option) with a group of 21 banks.

In July 2011, a first one-year extension was accepted by the banks, to July 2014.

- Faurecia syndicated credit facility

In December 2011, Faurecia obtained a new €1,150 million syndicated credit facility. The facility comprises a €690 million tranche expiring in November 2014 with a two-year extension option and a €460 million tranche expiring in November 2016.
It was used to repay the previous syndicated credit facility.

B. Characteristics of the Peugeot S.A. and Faurecia convertible bond issues (Oceanes)

- Peugeot S.A. Oceanes

On 23 June 2009, Peugeot S.A. issued €575 million worth of Oceane bonds convertible or exchangeable for new or existing shares. The 22,908,365 bonds are due 1 January 2016 and pay interest at an annual nominal rate of 4.45%.
At 31 December 2011, 1,310 bonds had been converted. The debt component of the issue at that date amounted to €484 million.

- Faurecia Oceanes

On 26 November 2009, Faurecia issued €211 million worth of Oceane bonds convertible or exchangeable for new or existing shares. The 11,306,058 bonds are due 1 January 2015 and pay interest at an annual nominal rate of 4.50%.
At 31 December 2011, 1,615 bonds had been converted into 1,617 new Faurecia shares. The debt component of the issue at that date amounted to €195 million.

29.2. CHARACTERISTICS OF BONDS AND OTHER BORROWINGS

(in million euros)	Carrying amount at 31 December 2011 Non-current	Current	Issuing currency	Due
Manufacturing and sales companies (excl. Faurecia)				
2009 convertible bond issue - €575m	484	13	EUR	T1/2016
Faurecia				
2009 convertible bond issue - €211m	195	-	EUR	T1/2015
Total convertible bond issues	**679**	**13**		
Manufacturing and sales companies (excl. Faurecia)				
2003 bond issue - €600m	834	10	EUR	T3/2033
2009 bond issue - €750m	744	29	EUR	T3/2014
2010 bond issue - €500m	497	14	EUR	T2/2015
2010 bond issue - €500m	498	4	EUR	T4/2013
2010 bond issue - €500m	495	4	EUR	T4/2016
2011 bond issue - €350m	351	3	EUR	T4/2013
2011 bond issue - €150m	150	1	EUR	T4/2016
2011 bond issue - €500m	496	9	EUR	T1/2016
Faurecia				
2011 bond issue - €350m	348	5	EUR	T4/2016
Total bond issues	**4 413**	**79**		
Manufacturing and sales companies (excl. Faurecia) - euro-denominated loans				
EIB loan [(1)] - €400m	387	3	EUR	T2/2013
EIB loan [(1)] - €250m	250	-	EUR	T4/2014
EIB loan [(1)] - €200m	192	3	EUR	T3/2017
EIB loan [(1)] - €125m	109	-	EUR	T4/2017
FDES zero coupon loan [(1)]	24	-	EUR	T1/2020
Borrowings - Spain	133	3	EUR	2012 to 2026
Other borrowings	-	79	EUR	T1/2012
Manufacturing and sales companies (excl. Faurecia) - foreign currency loans				
Other borrowings	531	124	nc	nc
Faurecia				
Syndicated loan - France [(2)]	490	-	EUR	T4/2014
Syndicated loan - France [(2)]	-	-	EUR	T4/2016
Other borrowings	166	16	EUR	nc
Total other long-term borrowings	**2 282**	**228**		

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

[(2)] *These contracts contain covenants based on financial ratios (see note 35.1.F).*

29.3. CHARACTERISTICS OF OTHER SHORT-TERM FINANCING AND OVERDRAFT FACILITIES

(in million euros)	Issuing currency	Carrying amount at 31 December 2011	Carrying amount at 2010
Commercial paper	EUR	269	252
Short-term loans	N/A	694	535
Bank overdrafts	N/A	266	318
Payments issued [(1)]	N/A	426	25
Total		**1 655**	**1 130**

[(1)] *This item corresponds to payments issued but not yet debited on bank statements as the due date was not a business day for the banks.*

29.4. FINANCE LEASE LIABILITIES

The present value of future payments under finance leases reported in “Other borrowings” can be analysed as follows by maturity:

(in million euros)	31 December 2011	31 December 2010
2011	-	274
2012	167	68
2013	58	45
2014	43	32
2015	38	33
2016	11	22
Subsequent years	106	133
	423	**607**
Less interest portion	(26)	(58)
Present value of future lease payments	**397**	**549**
Of which short-term	155	254
Of which long-term	242	295

29.5. SALES OF RECEIVABLES

Faurecia meets part of its financing needs by selling receivables to non-Group financial institutions (see note 22). The Automotive Division subsidiaries also use this financing method. At 31 December 2011, the financial resource corresponding to the proceeds from these receivables sales amounted to €640 million (€413 million at 31 December 2010).

The sold receivables are derecognised when they meet the criteria specified in IFRS (see note 1.17). The financed portion of the receivables corresponds to the portion that gives rise to a cash inflow.

(in million euros)	31 December 2011			31 December 2010		
	Total receivables sold to non-Group financial institutions	Portion not derecognised	Portion derecognised	**Total receivables sold to non-Group financial institutions**	Portion not derecognised	Portion derecognised
Maximum authorised facilities	**1 215**			**1 117**		
- of which Faurecia group	*749*			*747*		
Receivables sold to non-Group financial institutions	**691**	161	530	**464**	162	302
- of which Faurecia group	*363*	*102*	*261*	*334*	*153*	*181*
Financed portion	***640***	*110*	*530*	***413***	*111*	*302*
- of which Faurecia group	*327*	*66*	*261*	*292*	*111*	*181*
Portion not financed (including guarantee deposit)	***51***	*51*		***51***	*51*	
- of which Faurecia group	*36*	*36*		*42*	*42*	

In 2011, Peugeot S.A. and Faurecia sold and derecognised €96 million worth of 2010 French research tax credits. The sale proceeds received at 31 December 2011 amounted to €88 million.

NOTE 30 - OTHER NON-CURRENT LIABILITIES

(in million euros)	31 December 2011	31 December 2010
Liabilities related to vehicles sold with a buyback commitment	2 842	2 766
Derivative instruments [(1)]	15	-
Other	8	6
Total	**2 865**	**2 772**

[(1)] *Since 2009, this item includes the non-current portion of currency and commodity derivatives.*

NOTE 31 - FINANCING LIABILITIES – FINANCE COMPANIES

Financing liabilities are accounted for as described in note 1.15.C.

(in million euros)	**31 December 2011**	31 December 2010
Bonds issued by securitisation funds (note 31.1)	3 963	3 381
Other bond debt	413	413
Other debt securities (note 31.2)	12 690	11 238
Bank borrowings (note 31.3)	4 995	6 280
	22 061	**21 312**
Customer deposits	482	392
	22 543	**21 704**
Amounts due to Group manufacturing and sales companies	(257)	*(152)*
Total	**22 286**	**21 552**

31.1. BONDS ISSUED BY SECURITISATION FUNDS

Banque PSA Finance derives part of its financing from securitisation transactions, mainly involving pools of automobile loans. The new securitisation transactions carried out in 2011 with external investors are described in note 19 "Loans and receivables - Finance companies".
The transactions are reported under "Bonds issued by securitisation funds" for €3,963 million at 31 December 2011 (€3,381 million at 31 December 2010) and under "Bank borrowings" for €650 million (€650 million at 31 December 2010).

31.2. OTHER DEBT SECURITIES

"Other debt securities" consist mainly of EMTN/BMTNs for €8,425 million (€6,828 million at 31 December 2010) and retail certificates of deposit and commercial paper for €3,754 million (€4,086 million at 31 December 2010).

In 2011, Banque PSA Finance continued to diversify its financing sources, in line with the strategy followed in prior years.
It took advantage of strong investor demand in the fixed income markets to carry out the following EMTN issues:
- in January 2011, €750 million 3.875% issue due January 2015
- in February 2011, €1,000 million 4.25% issue due February 2016
- in April 2011, USD 1,250 million (€878 million at the issue date) on the US market:
  - USD 450 million at 3-month Libor + 190 bps, due April 2014
  - USD 300 million at 3.375% due April 2014
  - USD 250 million at 4.375% due April 2016
  - USD 250 million at 5.75% due April 2021
- in June 2011, €650 million 4.00% issue due June 2015

In all, Banque PSA Finance raised over €3,278 million (based on issue date values) on the EMTN market during 2011.

31.3. BANK BORROWINGS

In 2011, Banque PSA Finance obtained two syndicated bank lines of credit. The first, obtained in January, is a €923 million two-year facility replacing the €1,510 million facility that was due to expire in July 2011. The second, obtained in December, is a €2,000 million 3-year facility (with two extensions of one year at the banks' option) replacing a previous facility for the same amount that was due to expire in June 2012.

Banque PSA Finance also obtained in 2011 bilateral confirmed lines of credit for a total of some €2 billion including back-up facilities of €1,865 million at 31 December 2011, of which €469 million had been drawn down at that date. The undrawn portion corresponds to long-term financing commitments received from banks.

31.4. ANALYSIS BY MATURITY

31 December 2011 *(in million euros)*	Bonds issued by securitisation funds	Other bond debt	Other debt securities	Bank borrowings	Total
Less than 3 months	410	-	4 258	1 115	5 783
3 months to 1 year	761	-	1 940	1 519	4 220
1 to 5 years	2 758	413	6 299	2 361	11 831
Beyond 5 years	34	-	193	-	227
Total	**3 963**	**413**	**12 690**	**4 995**	**22 061**

31 December 2010 *(in million euros)*	Bonds issued by securitisation funds	Other bond debt	Other debt securities	Bank borrowings	Total
Less than 3 months	402	-	4 353	3 181	7 936
3 months to 1 year	893	-	1 789	829	3 511
1 to 5 years	1 811	413	5 096	2 270	9 590
Beyond 5 years	275	-	-	-	275
Total	**3 381**	**413**	**11 238**	**6 280**	**21 312**

31.5. ANALYSIS BY REPAYMENT CURRENCY

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

	31 December 2011		31 December 2010	
(in million euros)	Other debt securities	Bank borrowings	Other debt securities	Bank borrowings
EUR	15 203	3 499	14 324	4 900
GBP	-	712	-	775
USD	966	-		
JPY	100	-	46	-
BRL	777	381	649	336
CHF	-	17	-	12
CZK	-	78	-	83
Other	20	308	13	174
Total	**17 066**	**4 995**	**15 032**	**6 280**

NOTE 32 - OTHER PAYABLES

32.1. MANUFACTURING AND SALES COMPANIES

(in million euros)	31 December 2011	31 December 2010
Taxes payable other than income taxes	837	878
Personnel-related payables	1 051	1 010
Payroll taxes	468	469
Payable on fixed asset purchases	284	185
Customer prepayments	704	564
Derivative instruments (1)	164	66
Deferred income	446	356
Miscellaneous other payables (2)	680	409
Total	**4 634**	**3 937**

(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 35, "Management of market risks".

(2) Including the €245 million due on the shares in Changan PSA Automobiles Co., Ltd which has not yet been called.

32.2. FINANCE COMPANIES

(in million euros)	31 December 2011	31 December 2010
Personnel-related payables and payroll taxes	101	91
Derivative instruments [1]	186	235
Deferred income and accrued expenses	415	358
Miscellaneous other payables	402	328
Total	**1 104**	**1 012**

[1] This item corresponds to the fair value of instruments purchased by the Group to hedge interest rate risks on finance receivables and financing liabilities. These instruments are analysed by maturity in note 35, "Management of market risks"

NOTE 33 - NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

33.1. ANALYSIS OF NET CASH AND CASH EQUIVALENTS REPORTED IN THE STATEMENTS OF CASH FLOWS

(in million euros)	2011	2010
Cash and cash equivalents (note 25.1)	5 190	9 278
Payments issued (note 29.3)	(426)	(25)
Net cash and cash equivalents - manufacturing and sales companies	**4 764**	**9 253**
Net cash and cash equivalents - finance companies (note 25.2)	**1 154**	**1 316**
Elimination of intragroup transactions	*(224)*	*(127)*
Total	**5 694**	**10 442**

33.2. ANALYSIS OF THE CHANGE IN WORKING CAPITAL

A. Manufacturing and sales companies

(in million euros)	2011	2010
(Increase) decrease in inventories	(661)	(281)
(Increase) decrease in trade receivables [1]	(319)	138
Increase (decrease) in trade payables	97	677
Change in income taxes	12	(68)
Other changes	187	51
	(684)	**517**
Net cash flows with Group finance companies	*(3)*	*(11)*
Total	**(687)**	**506**

[1] Including a €228 million decrease in receivables related to sales of receivables to non-Group financial institutions (€186 million decrease in 2010) (see note 22).

B. Finance companies

(in million euros)	2011	2010
(Increase) decrease in finance receivables	(976)	(527)
(Increase) decrease in short-term investments	(85)	(14)
Increase (decrease) in financing liabilities	915	401
Change in income taxes	(8)	30
Other changes	(168)	(86)
	(322)	**(196)**
Net cash flows with Group manufacturing and sales companies	*(174)*	*128*
Total	**(496)**	**(68)**

33.3. ANALYSIS OF THE CHANGE IN WORKING CAPITAL ITEMS - MANUFACTURING AND SALES COMPANIES

2011 (in million euros)	At 1 January	Cash flows from operating activities	Cash flows from investing activities	Change in scope of consolidation and other	Translation adjustment	Revaluations taken to equity	At 31 December
Inventories	(5 947)	(661)	-	(50)	49	-	(6 609)
Trade receivables [1]	(2 051)	(319)	-	(24)	7	-	(2 387)
Trade payables	9 571	97	-	11	(4)	-	9 675
Income taxes	(110)	12	-	10	12	-	(76)
Other receivables	(1 959)	(61)	15	11	16	43	(1 935)
Other payables	3 937	518	87	56	(9)	45	4 634
	3 441	**(414)**	**102**	**14**	**71**	**88**	**3 302**
Net cash flows with Group finance companies	*108*	*(13)*	*-*	*10*	*1*	*-*	*106*
Total	**3 549**	**(427)**	**102**	**24**	**72**	**88**	**3 408**

[1] *Including a €228 million decrease in receivables related to sales of receivables to non-Group financial institutions (see note 22).*

The 2011 negative change in working capital in the consolidated statement of cash flows (€684 million) corresponds to cash flows from operating activities (€414 million negative effect), exchange differences (€51 million negative effect) and other movements (€219 million negative effect) including the impact of the first time consolidation of Changan PSA Automobiles Co. Ltd., that do not have any impact on the statement of cash flows.

Cash flows from operating activities of the manufacturing and sales companies	**(414)**
Exchange differences	*(51)*
Other movements	*(219)*
Change in working capital in the statement of cash flows	**(684)**

2010 (in million euros)	At 1 January	Cash flows from operating activities	Cash flows from investing activities	Change in scope of consolidation and other	Translation adjustment	Revaluations taken to equity	At 31 December
Inventories	(5 360)	(281)	-	(192)	(114)	-	(5 947)
Trade receivables [1]	(1 855)	138	-	(272)	(62)	-	(2 051)
Trade payables	8 424	677	-	315	155	-	9 571
Income taxes	(50)	(68)	-	14	(6)	-	(110)
Other receivables	(1 665)	(186)	(15)	(22)	(50)	(21)	(1 959)
Other payables	3 494	282	(4)	115	56	(6)	3 937
	2 988	**562**	**(19)**	**(42)**	**(21)**	**(27)**	**3 441**
Net cash flows with Group finance companies	*113*	*(77)*	*-*	*66*	*6*	*-*	*108*
Total	**3 101**	**485**	**(19)**	**24**	**(15)**	**(27)**	**3 549**

[1] *Including a €186 million decrease in receivables related to sales of receivables to non-Group financial institutions.*

The 2010 positive change in working capital in the consolidated statement of cash flows (€517 million) corresponds to cash flows from operating activities (€562 million positive effect) less exchange differences (€45 million negative effect) that do not have any impact on the statement of cash flows.

Cash flows from operating activities of the manufacturing and sales companies	**562**
Exchange differences	*(45)*
Change in working capital in the statement of cash flows	**517**

33.4. ANALYSIS OF THE CHANGE IN OTHER FINANCIAL ASSETS AND LIABILITIES - MANUFACTURING AND SALES COMPANIES

(in million euros)	**2011**	2010
Increase in borrowings	2 223	1 978
Repayment of borrowings and conversion of bonds	(4 439)	(1 673)
(Increase) decrease in non-current financial assets	(237)	18
(Increase) decrease in current financial assets	35	25
Increase (decrease) in current financial liabilities	57	(111)
	(2 361)	**237**
Net cash flows with Group finance companies	*78*	*(129)*
Total	**(2 283)**	**108**

33.5. NET CHARGES TO DEPRECIATION, AMORTISATION AND IMPAIRMENT IN THE STATEMENT OF CASH FLOWS

(in million euros)	**2011**	2010
Depreciation and amortisation expense (note 5.2)	(2 946)	(3 043)
Impairment of capitalised development costs (note 13.1)	(27)	-
Impairment of property, plant and equipment (note 14)	(57)	(7)
Negative goodwil recognised on a bargain purchase (note 7)	-	84
Other	(7)	-
Total	**(3 037)**	**(2 966)**

33.6. INTEREST RECEIVED AND PAID BY THE MANUFACTURING AND SALES COMPANIES

(in million euros)	**2011**	2010
Interest received	106	81
Interest paid	(536)	(451)
Net interest received (paid)	**(430)**	**(370)**

NOTE 34 - FINANCIAL INSTRUMENTS

A. Financial instruments reported in the balance sheet

(in million euros)	31 December 2011		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
Investments in non-consolidated companies	86	86	-	86	-	-	-
Other non-current financial assets	1 061	1 061	547	122	157	-	235
Other non-current assets	452	452	1	109	342	-	-
Loans and receivables - finance companies	24 307	24 132	-	-	24 307	-	-
Short-term investments - finance companies	877	877	877	-	-	-	-
Trade receivables - manufacturing and sales companies	2 220	2 220	-	-	2 220	-	-
Other receivables	2 795	2 795	-	-	2 364	-	431
Current financial assets	265	265	-	-	238	-	27
Cash and cash equivalents	6 120	6 120	6 120	-	-	-	-
Assets	**38 183**	**38 008**	**7 545**	**317**	**29 628**	**-**	**693**
Non-current financial liabilities [1]	7 639	7 310	-	-	22	7 611	6
Other non-current liabilities (note 30)	23	23	-	-	8	-	15
Financing liabilities - finance companies	22 286	22 854	-	-	-	22 286	-
Trade payables	9 665	9 665	-	-	9 665	-	-
Other payables	5 434	5 434	-	-	5 126	-	308
Current financial liabilities	2 140	2 140	-	-	-	2 134	6
Liabilities	**47 187**	**47 426**	**-**	**-**	**14 821**	**32 031**	**335**

[1] The fair values of the Oceane convertible bonds issued by Peugeot S.A. (€573 million) and Faurecia (€227 million) correspond to their quoted market prices at the balance sheet date and therefore include both the debt component measured at amortised cost and the equity component represented by the conversion option.

(in million euros)	31 December 2010		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
Investments in non-consolidated companies	102	102	-	102	-	-	-
Other non-current financial assets	928	928	410	191	150	-	177
Other non-current assets	334	334	35	59	219	-	21
Loans and receivables - finance companies	23 338	23 154	-	-	23 338	-	-
Short-term investments - finance companies	707	707	707	-	-	-	-
Trade receivables - manufacturing and sales companies	1 876	1 876	-	-	1 876	-	-
Other receivables	2 577	2 577	-	-	2 296	-	281
Current financial assets	306	306	-	-	282	-	24
Cash and cash equivalents	10 467	10 467	10 467	-	-	-	-
Assets	**40 635**	**40 451**	**11 619**	**352**	**28 161**	**-**	**503**
Non-current financial liabilities [1]	8 259	8 747	-	-	31	8 216	12
Other non-current liabilities (note 30)	6	6	-	-	6	-	-
Financing liabilities - finance companies	21 552	21 623	-	-	-	21 552	-
Trade payables	9 561	9 561	-	-	9 561	-	-
Other payables	4 644	4 644	-	-	4 370	-	274
Current financial liabilities	3 213	3 190	-	-	-	3 206	7
Liabilities	**47 235**	**47 771**	**-**	**-**	**13 968**	**32 974**	**293**

[1] The fair values of the Oceane convertible bonds issued by Peugeot S.A. (€760 million) and Faurecia (€274 million) correspond to their quoted market prices at the balance sheet date and therefore include both the debt component measured at amortised cost and the equity component represented by the conversion option.

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.

The main valuation methods applied are as follows:

• Financial assets classified as "at fair value through profit or loss" and "derivative instruments"

- The fair value of cash and cash equivalents is equivalent to their carrying amount, in view of their short maturities.
- Other items recognised at fair value through profit or loss and derivative interest rate and currency hedging instruments are measured by using a valuation technique that benchmarks interbank rates (such as Euribor) and daily foreign exchange rates set by the European Central Bank. Derivative commodity hedging instruments are valued by external experts. All the financial instruments in this category are financial assets and liabilities designated at fair value through profit or loss on initial recognition in accordance with the criteria set out in note 1.15.

• Financial assets classified as "available for sale"

- Investments in non-consolidated companies are stated at fair value in the balance sheet, in accordance with IAS 39 (note 1.15.B (2) (a)).
- For Other non-current financial assets classified as available-for-sale, fair value corresponds to their quoted market price at the balance sheet date (note 1.15.B (2) (b)).

- Other non-current assets classified as available-for-sale correspond to units in Fonds de Modernisation des Equipementiers Automobiles (FMEA). FMEA 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 FMEA units are measured at fair value. This corresponds to their net asset value at the balance sheet date (note 1.15.B (2) (c)) which reflects the fair value of the investments held by the fund. In the first twelve months from the date of acquisition, the fair value of unlisted investments held by the fund is considered as being equal to their cost, as adjusted where appropriate for the effects of any unfavourable post-acquisition events. Beyond the first twelve months, their fair value will be adjusted where appropriate based on a valuation performed using the P/E method, and whenever any unfavourable events occur subsequent to the date of the fund manager's most recent estimate.

• Financial assets and liabilities classified as "loans and receivables" and "other payables"

- "Loans and receivables - finance companies" are stated at amortised cost measured using the effective interest method, and are generally hedged against interest rate risks. The hedged portion is remeasured at fair value in accordance with hedge accounting principles, with the result that the margin is excluded from the remeasurement. The fair value presented above is estimated by discounting future cash flows at the rate applicable to similar loans granted at the balance sheet date.
- The fair value of "Trade receivables - manufacturing and sales companies", "Other receivables", "Trade payables" and "Other payables" is considered as being equivalent to carrying amount, after deducting accumulated impairment if any (note 1.17), due to their very short maturities.
- The fair value of other financial assets and liabilities classified in "Loans and receivables" and "Other receivables" also corresponds to carrying amount.

• Financial liabilities classified as "at amortised cost"

- "Non-current financial liabilities", "Current financial liabilities" and "Financing liabilities" are stated at amortised cost measured using the effective interest method. Financial liabilities hedged by interest rate swaps are accounted for in accordance with hedge accounting principles, by remeasuring at fair value the portion affected by changes in interest rates. The fair value of financial liabilities presented above is determined by taking into account market data and the Group's estimated credit risk at the balance sheet date.

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

31 December 2011 *(in million euros)*	Instruments recognised at fair value		
	Derivative instruments	Instruments at fair value through profit or loss	Available-for-sale financial assets
Level 1 fair value inputs: quoted market prices			
Investments in non-consolidated companies	-	-	-
Other non-current financial assets	-	238	122
Other non-current assets	-	-	-
Short-term investments - finance companies	-	-	-
Other receivables	-	-	-
Current financial assets	-	-	-
Cash and cash equivalents	-	4 352	-
Level 2 fair value inputs: based on observable market data			
Investments in non-consolidated companies	-	-	-
Other non-current financial assets	235	309	-
Other non-current assets	-	1	-
Short-term investments - finance companies	-	877	-
Other receivables	431	-	-
Current financial assets	27	-	-
Cash and cash equivalents[(1)]	-	1 768	-
Level 3 fair value inputs: not based on observable market data			
Investments in non-consolidated companies	-	-	86
Other non-current financial assets	-	-	-
Other non-current assets	-	-	109
Short-term investments - finance companies	-	-	-
Other receivables	-	-	-
Current financial assets	-	-	-
Cash and cash equivalents	-	-	-
Total financial assets measured at fair value	**693**	**7 545**	**317**

[(1)] *Corresponding to traditional instruments for investing available cash such as certificates of deposit, commercial paper and money market notes.*

31 December 2010 *(in million euros)*	**Instruments recognised at fair value**		
	Derivative instruments	Instruments at fair value through profit or loss	Available-for-sale financial assets
Level 1 fair value inputs: quoted market prices			
Investments in non-consolidated companies	-	-	-
Other non-current financial assets	-	237	191
Other non-current assets	-	-	-
Short-term investments - finance companies	-	-	-
Other receivables	-	-	-
Current financial assets	-	-	-
Cash and cash equivalents	-	5 796	-
Level 2 fair value inputs: based on observable market data			
Investments in non-consolidated companies	-	-	-
Other non-current financial assets	177	173	-
Other non-current assets	21	35	-
Short-term investments - finance companies	-	707	-
Other receivables	281	-	-
Current financial assets	24	-	-
Cash and cash equivalents[(1)]	-	4 671	-
Level 3 fair value inputs: not based on observable market data			
Investments in non-consolidated companies	-	-	102
Other non-current financial assets	-	-	-
Other non-current assets	-	-	59
Short-term investments - finance companies	-	-	-
Other receivables	-	-	-
Current financial assets	-	-	-
Cash and cash equivalents	-	-	-
Total financial assets measured at fair value	**503**	**11 619**	**352**

[(1)] Corresponding to traditional instruments for investing available cash such as certificates of deposit, commercial paper and money market notes.

31 December 2011 **(in million euros)**	Derivative instruments	Instruments at fair value through profit or loss	Other payables
Level 1 fair value inputs: quoted market prices			
Non-current financial liabilities	-	-	-
Other non-current liabilities	-	-	-
Other payables	-	-	-
Current financial liabilities	-	-	-
Level 2 fair value inputs: based on observable market data			
Non-current financial liabilities	(6)	-	-
Other non-current liabilities	(15)	-	-
Other payables	(308)	-	-
Current financial liabilities	(6)	-	-
Level 3 fair value inputs: not based on observable market data			
Non-current financial liabilities [(1)]	-	-	(22)
Other non-current liabilities	-	-	-
Other payables	-	-	-
Current financial liabilities	-	-	-
Total financial liabilities measured at fair value	**(335)**	**-**	**(22)**

[(1)] The change in "Non-current financial assets" as measured based on Level 3 fair value imputs is recognised in "Income and expenses recognised directly in equity, net".

31 December 2010 (in million euros)	Derivative instruments	Instruments at fair value through profit or loss	Other payables
Level 1 fair value inputs: quoted market prices			
Non-current financial liabilities	-	-	-
Other non-current liabilities	-	-	-
Other payables	-	-	-
Current financial liabilities	-	-	-
Level 2 fair value inputs: based on observable market data			
Non-current financial liabilities	(12)	-	-
Other non-current liabilities	-	-	-
Other payables	(274)	-	-
Current financial liabilities	(7)	-	-
Level 3 fair value inputs: not based on observable market data			
Non-current financial liabilities (1)	-	-	(31)
Other non-current liabilities	-	-	-
Other payables	-	-	-
Current financial liabilities	-	-	-
Total financial liabilities measured at fair value	**(293)**	**-**	**(31)**

(1) The change in "Non-current financial assets" as measured based on Level 3 fair value imputs is recognised in "Income and expenses recognised directly in equity, net".

Analysis of financial assets measured using level 3 fair value inputs

(in million euros)	2011	2010
Fair value of financial assets at 1 January (level 3 inputs)	161	112
Gain or loss recorded under "Income and expenses recognised directly in equity"	(1)	(4)
Gain or loss recorded in profit or loss for the period	-	(9)
Purchases/financial assets consolidated for the first time	33	89
Sales/financial assets excluded from the scope of consolidation	2	(30)
Reclassification to another level in the fair value hierarchy	-	-
Translation reserve	-	3
Fair value of financial assets at 31 December (level 3 inputs)	**195**	**161**

C. Effect of financial instruments on profit or loss

	2011	Analysis by class of instrument				
(in million euros)		Instruments at fair value through profit or loss	Available-for sale financial assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Manufacturing and sales companies						
Total interest income	7	-	-	7	-	-
Total interest expense	(297)	-	-	(2)	(295)	-
Remeasurement (1)	32	108	-	5	(17)	(64)
Disposal gains and dividends	(213)	-	8	(221)	-	-
Net impairment	26	-	-	26	-	-
Total - manufacturing and sales companies	**(445)**	**108**	**8**	**(185)**	**(312)**	**(64)**
Finance companies						
Total interest income	1 619	-	-	1 619	-	-
Total interest expense	(722)	-	-	-	(722)	-
Remeasurement (1)	6	25	-	(7)	(139)	127
Net impairment	(115)	-	-	(115)	-	-
Total - finance companies	**788**	**25**	**-**	**1 497**	**(861)**	**127**
Net gain (loss)	**343**	**133**	**8**	**1 312**	**(1 173)**	**63**

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

(in million euros)	2010	Analysis by class of instrument				
		Instruments at fair value through profit or loss	Available-for sale financial assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Manufacturing and sales companies						
Total interest income	6	-	-	6	-	-
Total interest expense	(440)	-	-	-	(440)	-
Remeasurement [(1)]	31	80	-	(3)	-	(46)
Disposal gains and dividends	(163)	-	6	(169)	-	-
Net impairment	(23)	-	(9)	(14)	-	-
Total - manufacturing and sales companies	**(589)**	**80**	**(3)**	**(180)**	**(440)**	**(46)**
Finance companies						
Total interest income	1 591	-	-	1 591	-	-
Total interest expense	(541)	-	-	-	(541)	-
Remeasurement [(1)]	(171)	8	-	(128)	5	(56)
Net impairment	(129)	-	-	(129)	-	-
Total - finance companies	**750**	**8**	**-**	**1 334**	**(536)**	**(56)**
Net gain (loss)	**161**	**88**	**(3)**	**1 154**	**(976)**	**(102)**

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

In the case of the finance companies, the total net gain or loss on financial assets and liabilities, as defined in IAS 39, is recognised in recurring operating income.

NOTE 35 - MANAGEMENT OF MARKET RISKS

35.1. RISK MANAGEMENT POLICY

In the course of its business, the PSA Peugeot Citroën Group is exposed to currency and interest rate risks, as well as to other market risks arising, in particular, from changes in commodity prices and equity prices. The Group is also exposed to counterparty and liquidity risks.

A. Currency risk

■ Currency risk: manufacturing and sales companies

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 Group management. All products used by PSAI are standard products covered by International Swaps and Derivatives Association (ISDA) master agreements.

Automotive Division positions are managed primarily by entering into forward foreign exchange contracts, as soon as the foreign currency invoice is accounted for, covering the period to the settlement date.
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 systematically hedged using forward foreign exchange contracts. The Automotive Division companies' intragroup loans are generally also hedged.

In most cases, the hedging strategy consists of purchasing options which act as an insurance policy that limits the maximum risk to the amount of the premium. These hedges are set up from time to time by PSAI under the supervision of Group management.
At 31 December 2011, the Automotive Division had no material hedges of forecast transactions.

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 Peugeot Citroën Group and have a very limited impact on consolidated profit.

Market risks are detected and managed using the historical Value at Risk (VaR) method based on observed volatilities and exchange rates for the various currencies since the beginning of 2008. VaR represents the maximum possible loss on the portfolio, based on 95% and 99% confidence levels. For both of these confidence levels, applying historical VaR to the portfolio at 31 December 2011 would not have 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.

Faurecia manages the currency risks incurred by its subsidiaries on commercial transactions principally through forward purchase and sale contracts or options, and foreign currency financing. Future transactions are hedged on the basis of cash flow forecasts drawn up during the budgeting process and approved by management. The derivative instruments used to hedge these future transactions qualify for cash flow hedge accounting. 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.

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:

31 December 2011 (in million euros)	GBP	JPY	USD	PLN	CHF	ARS	RUB	CZK	Other
Total assets	242	81	417	50	34	173	312	195	209
Total liabilities	(517)	(123)	(3)	(11)	(1)	(5)	(161)	(125)	(191)
Forecast transactions [(1)]	(5)	-	146	(114)	-	-	-	(118)	(70)
Net position before hedgin	**(280)**	**(42)**	**560**	**(75)**	**33**	**168**	**151**	**(48)**	**(52)**
Derivative financial instrumen	285	42	(533)	52	(27)	(167)	(277)	12	(17)
Net position after hedging	**5**	**-**	**27**	**(23)**	**6**	**1**	**(126)**	**(36)**	**(69)**

[(1)] *This item mainly includes hedges of Faurecia's exposure to currency risk on forecast transactions for the next six months.*

31 December 2010 (in million euros)	GBP	JPY	USD	PLN	CHF	ARS	RUB	HRK	Other
Total assets	191	23	443	74	32	151	238	10	184
Total liabilities	(656)	(211)	-	(10)	-	(5)	(125)	-	(2)
Forecast transactions [(1)]	(9)	-	28	(72)	-	-	-	-	(97)
Net position before hedgin	**(474)**	**(188)**	**471**	**(8)**	**32**	**146**	**113**	**10**	**85**
Derivative financial instrumen	468	188	(475)	(8)	(32)	(147)	(221)	(10)	(124)
Net position after hedging	**(6)**	**-**	**(4)**	**(16)**	**-**	**(1)**	**(108)**	**-**	**(39)**

[(1)] *This item mainly includes hedges of Faurecia's exposure to currency risk on forecast transactions for the next six months.*

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 2011 (see table below) would have the following direct impact on income before tax and equity:

(in million euros)	GBP/EUR	CZK/EUR	PLN/EUR	RUB/EUR	USD/EUR	USD/DZD	USD/MXN	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	-	4	1	6	1	3	-	5
Impact on equity	-	1	5	-	4	-	-	-

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

31 December 2011 (in million euros)	TRY/USD	USD/CAD	USD/MXN	USD/BRL	USD/ARS	USD/DZD
Total assets	1	60	19	48	73	-
Total liabilities	-	-	-	(13)	(109)	(62)
Forecast transactions [(1)]	-	(25)	(71)	-	-	-
Net position before hedging	**1**	**35**	**(52)**	**35**	**(36)**	**(62)**
Derivative financial instruments	-	(41)	42	(31)	32	-
Net position after hedging	**1**	**(6)**	**(10)**	**4**	**(4)**	**(62)**

[(1)] *This item mainly includes hedges of Faurecia's exposure to currency risk on forecast transactions for the next six months.*

31 December 2010 (in million euros)	USD/CAD	USD/MXN	USD/BRL	USD/ARS	USD/DZD	YEN/RUB
Total assets	35	34	67	49	-	-
Total liabilities	-	-	(37)	(115)	(78)	(3)
Forecast transactions [(1)]	(8)	(26)	-	-	-	-
Net position before hedging	**27**	**8**	**30**	**(66)**	**(78)**	**(3)**
Derivative financial instruments	(24)	(40)	(30)	67	-	-
Net position after hedging	**3**	**(32)**	**-**	**1**	**(78)**	**(3)**

[(1)] *This item mainly includes hedges of Faurecia's exposure to currency risk on forecast transactions for the next six months.*

■ Currency risk: finance companies

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 where necessary such as cross currency swaps, currency swaps and forward foreign exchange contracts.

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

The net position of the finance companies in the main foreign currencies is as follows:

31 December 2011 (in million euros)	GBP	JPY	PLN	CHF	RUB	CZK	USD	Other
Total assets	1 877	-	99	375	130	88	-	233
Total liabilities	(504)	(100)	-	-	-	(77)	(966)	(134)
Net position before hedging	**1 373**	**(100)**	**99**	**375**	**130**	**11**	**(966)**	**99**
Derivative financial instruments	(1 371)	92	(99)	(375)	(130)	(11)	966	(96)
Net position after hedging	**2**	**(8)**	**-**	**-**	**-**	**-**	**-**	**3**

31 December 2010 (in million euros)	GBP	JPY	MXN	PLN	CHF	RUB	CZK	Other
Total assets	1 599	-	41	181	380	116	22	139
Total liabilities	(489)	(46)	-	-	-	-	(1)	(63)
Net position before hedging	**1 110**	**(46)**	**41**	**181**	**380**	**116**	**21**	**76**
Derivative financial instruments	(1 108)	46	(41)	(181)	(380)	(116)	(21)	(75)
Net position after hedging	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**1**

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

B. Interest rate risk

■ Interest rate risk: manufacturing and sales companies

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

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

The gross borrowings of manufacturing and sales companies – excluding Automotive Equipment companies – consist mainly of fixed- and adjustable-rate long-term loans. Until 2008, the debt was converted to variable rate by means of derivatives qualifying for hedge accounting under IFRS; however, new borrowings obtained since 2009 have been kept at fixed rates in order to retain the benefit of record low fixed interest rates.
The 2001 bonds for which the fixed interest rate was swapped for a variable rate were repaid in full on 27 September 2011. This had the effect of reducing the proportion of the manufacturing and sales companies' borrowings (excluding Automotive Equipment companies) at variable rates of interest to 24%, based on the borrowings' nominal amounts.

Faurecia's interest rate risks are managed on a centralized basis by its Finance and Treasury Department, which reports to executive management. Hedging decisions are made by a Market Risk Committee that meets on a monthly basis. As Faurecia's borrowings are primarily at variable rates, its hedging policy aims to limit the effect on profit of an increase in short-term rates, mainly through the use of swaps, caps and other options in euros and dollars. Substantially all interest payable in 2011 and 2012 is hedged, along with part of the interest payable in 2013.

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 2011 (in million euros)		Intraday to 1 year	1 to 5 years	Beyond 5 years	Total
Total assets	Fixed rate	1 645	30	168	**1 843**
	Variable rate	4 080	-	-	**4 080**
Total liabilities	Fixed rate	(317)	(4 837)	(1 238)	**(6 392)**
	Variable rate	(3 026)	-	-	**(3 026)**
Net position before hedging	Fixed rate	**1 328**	**(4 807)**	**(1 070)**	**(4 549)**
	Variable rate	**1 054**	**-**	**-**	**1 054**
Derivative financial instrumei	Fixed rate	(145)	-	834	**689**
	Variable rate	(689)	-	-	**(689)**
Net position after hedging	Fixed rate	**1 183**	**(4 807)**	**(236)**	**(3 860)**
	Variable rate	**365**	**-**	**-**	**365**

31 December 2010 (in million euros)		Intraday to 1 year	1 to 5 years	Beyond 5 years	Total
Total assets	Fixed rate	1 520	22	157	**1 699**
	Variable rate	8 103	-	-	**8 103**
Total liabilities	Fixed rate	(1 642)	(4 471)	(2 094)	**(8 207)**
	Variable rate	(2 810)	-	-	**(2 810)**
Net position before hedging	Fixed rate	**(122)**	**(4 449)**	**(1 937)**	**(6 508)**
	Variable rate	**5 293**	**-**	**-**	**5 293**
Derivative financial instruments	Fixed rate	(194)	-	738	**544**
	Variable rate	(544)	-	-	**(544)**
Net position after hedging	Fixed rate	**(316)**	**(4 449)**	**(1 199)**	**(5 964)**
	Variable rate	**4 749**	**-**	**-**	**4 749**

Sensitivity tests show that a 100bps increase or decrease in average interest rates would have a negative or positive impact of approximately €9 million on income before tax in 2011 (€14 million in 2010).

■ Interest rate risk: finance companies

Banque PSA Finance's fixed-rate loans to customers of the Automotive Division are refinanced mainly through adjustable rate borrowings. The impact of changes in interest rates is hedged using appropriate instruments to match interest rates on the loans and the related refinancing.

Implementation of this strategy is overseen by the Bank's Refinancing Committee and led by Corporate Treasury. Interest rate risks on outstanding loans are attenuated through an assertive hedging policy, with a 3% ceiling on unhedged exposures (by country and by half-yearly maturity band) arising from the difficulty of precisely matching loan balances with the notional amounts of derivatives.

Concerning assets, fixed rate instalment loans are hedged by interest rate swaps that are purchased on the market as soon as the financing is granted. In practice, the swaps are purchased at ten-day intervals. Wholesale financing is granted at rates based on short-term market rates, while the liquidity reserve is invested at the same rates.

Concerning liabilities, all new interest-bearing debt is converted to a rate based on a 3-month benchmark using appropriate hedging instruments.

Refinancing costs for new retail loans may be capped through the occasional use of options.

The net interest rate position of finance companies is as follows:

31 December 2011 (in million euros)		Intraday to 1 year	1 to 5 years	Beyond 5 years	Total
Total assets	Fixed rate	7 392	10 569	-	**17 961**
	Variable rate	8 434	-	-	**8 434**
Total liabilities	Fixed rate	(2 095)	(6 203)	(178)	**(8 476)**
	Variable rate	(13 288)	(13)	-	**(13 301)**
Net position before hedging	Fixed rate	**5 297**	**4 366**	**(178)**	**9 485**
	Variable rate	**(4 854)**	**(13)**	**-**	**(4 867)**
Derivative financial instruments (1)	Fixed rate	(4 027)	579	178	**(3 270)**
	Variable rate	3 994	-	-	**3 994**
Net position after hedging	Fixed rate	**1 270**	**4 945**	**-**	**6 215**
	Variable rate	**(860)**	**(13)**	**-**	**(873)**

(1) Including five swaps representing isolated open positions for €655 million and five swaps reclassified as trading securities for €69 million. These swaps do not have a material impact on the income statement.

31 December 2010 (in million euros)		Intraday to 1 year	1 to 5 years	Beyond 5 years	Total
Total assets	Tx Fixe	7 500	10 305	-	**17 805**
	Tx Variable	7 785	-	-	**7 785**
Total liabilities	Tx Fixe	(1 552)	(5 231)	-	**(6 783)**
	Tx Variable	(14 543)	-	-	**(14 543)**
Net position before hedging	Tx Fixe	**5 948**	**5 074**	**-**	**11 022**
	Tx Variable	**(6 758)**	**-**	**-**	**(6 758)**
Derivative financial instruments (1)	Tx Fixe	(4 641)	(958)	-	**(5 599)**
	Tx Variable	5 924	-	-	**5 924**
Net position after hedging	Tx Fixe	**1 307**	**4 116**	**-**	**5 423**
	Tx Variable	**(834)**	**-**	**-**	**(834)**

(1) *Including two swaps representing isolated open positions for €325 million. These swaps do not have a material impact on the income statement.*

Sensitivity tests show that a 100 bps increase or decrease in average interest rates would have an impact on income before tax of less than €5 million in 2011 (€7 million in 2010).

C. Equity risk

Equity risk corresponds to the price risk arising from a fall in the value of equities held by the Group.

Price change assumptions are based on average historical and implicit volatilities observed for the CAC 40 index over the reporting year.

31 December 2011 (in million euros)	Available-for-sale financial assets	Financial assets at fair value through profit or loss
Balance sheet position (Other non-current financial assets)	122	84
Sensitivity of earnings	-	(25)
Sensitivity of equity	(37)	N/A
Unfavourable change assumption	30 %	30 %
31 December 2010 (in million euros)	Available-for-sale financial assets	Financial assets at fair value through profit or loss
Balance sheet position (Other non-current financial assets)	191	88
Sensitivity of earnings	-	(18)
Sensitivity of equity	(38)	N/A
Unfavourable change assumption	20 %	20 %

D. 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 commodity 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 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. Cash flow hedges are used only when they qualify for hedge accounting under IAS 39.

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.

In 2011 and 2010, part of the Automotive Division's exposure to fluctuations in commodity prices was hedged using derivative instruments traded on regulated markets. The aim of these hedges was to minimize the impact of changes in commodity prices on physical deliveries for the Group's production needs. In 2011, hedging volumes were relatively stable, with hedges covering certain future purchases through 2014.

In 2011, commodity hedges concerned purchases of aluminium, copper, lead, platinum, palladium and rhodium.

For the Automobile Division, in the event of a 32% rise (fall) in base metal prices (aluminium, copper and lead) and a 27% rise (fall) in precious metal prices (platinum, palladium and rhodium), the impact of the commodity hedges held at 31 December 2011 would have been a €139 million increase (decrease) in consolidated equity at that date (versus €152 million at 31 December 2010). 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 2011 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 raw materials and energy purchases.

E. Counterparty and credit risk

■ Counterparty risk: manufacturing and sales companies

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 Group 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.

■ Counterparty risk: finance companies

Banque PSA Finance's exposure to credit risk corresponds to the risk of losses due to borrower default or borrower failure to fulfil their contractual obligations. The counterparties concerned are Peugeot and Citroën 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 1.15.B)

Wholesale lending decisions for fleet customers and dealers are made internally by the local credit committees based on a detailed risk assessment. Depending on the amount involved, the decision may require the approval of a central credit committee. The local committees are assigned clearly defined lending limits and compliance with these limits is checked regularly.

The Corporate Lending department is responsible for controlling wholesale financing credit risks throughout the credit cycle, using Basel II-compliant credit scoring systems. The systems are tested regularly to ensure that they are reliable. They contribute to determining commitment levels and lending limits, and to defining detailed management and control rules. Their effectiveness is underpinned by high quality credit analyses performed by local units and headquarters teams, as well as by warning systems designed to ensure that incurred risks are identified and dealt with on a timely basis.

Retail loan acceptance processes are based on a credit scoring system that is managed and overseen by a dedicated expert unit at the Bank’s headquarters. To enhance its effectiveness, the scoring system is adapted according to the specific characteristics of each local market. The headquarters-based credit risk control unit regularly assesses the credit scoring system’s effectiveness, working closely with the French and international operating units that perform regular file reviews.

In 2010, particular emphasis was placed on improving recovery rates for troubled retail loans. A dedicated headquarters-based collections unit leads the activities of all the finance companies in this area, manages their shared collection systems and oversees the two collection call centres.

The following table presents the ageing analysis of sound finance company loans with past due installments that have not been written down:

Ageing analysis of sound loans with past due installments that have not been written down

(in million euros)	**31 December 2011**	31 December 2010
Up to 90 days past due	156	107
90 to 180 days past due	62	45
180 days to 1 year past due	19	119
More than 1 year past due	130	11
Total	**367**	**282**

Loans to corporate dealers and corporate and equivalent financing for which one or more installments are more than 90 days past due (or 270 days for loans to local administrations) are not classified as non-performing when non-payment is due to an incident or a claim and is not related to the borrower's ability to pay.

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. The Bank's ten largest weighted exposures other than with PSA Peugeot Citroën Group entities amounted to €1,609 million in 2011 (€1,451 million in 2010).

As Banque PSA Finance is structurally in a net borrower position, its exposure to other 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 mutual funds offering a capital guarantee and a guaranteed yield.

Financial analyses are performed to ensure that each counterparty operates on a sustainable basis and has adequate capital resources. The results of the analysis are used to award an internal rating to the counterparty and to set acceptable exposure limits. These limits are defined by type of transaction (investments and derivatives), and cover both amounts and durations. Utilisation of these limits is assessed and checked daily. Derivatives transactions are governed by standard ISDA or FBF agreements and contracts with the most frequently used counterparties provide for weekly margin calls. Derivative contracts are entered into solely with counterparties rated A or higher.

F. Liquidity risk

■ Liquidity risk: manufacturing and sales companies

In the prevailing economic environment, the Group kept up its proactive refinancing strategy and conservative liquidity policy, in order to meet its general financing needs, particularly the financing of current and future growth projects. The strategy is defined by the Chief Financial Officer with the 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 are reviewed at monthly meetings of the Treasury and Foreign Exchange Committee chaired by the Chief Financial Officer. The Committee also performs checks to ensure that the Group has access to secure sources of financing at all times. The financing plan is implemented by the Finance & Treasury Department.

At 31 December 2011, the manufacturing and sales companies had net debt of €3,359 million (see note 36). Their long-term debt at that date amounted to €7,639 million, including €4,413 million worth of bonds and €2,282 million in other long-term borrowings, while their cash and cash equivalents totalled €5,190 million (see note 25.1).

Peugeot S.A. and GIE PSA Trésorerie also have access to a €2,400 million confirmed line of credit originally expiring in July 2013 that was extended in July 2011 by one year to July 2014. This facility is not subject to any special drawing restrictions. It was undrawn at 31 December 2011 (see note 36.2).

Faurecia has a €1,150 million confirmed line of credit, including a €690 million tranche expiring in November 2014 that had been drawn down in the amount of €490 million at 31 December 2011, and a €460 million tranche expiring in November 2016.

Contractual cash flows from 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.

(in million euros)	Assets	Liabilities	Undiscounted contractual cash flows 0-3 months	3-6 months	6-12 months	1-5 years	> 5 years
Financial liabilities							
Bonds - principal repayments							
Manufacturing and sales companies - excluding Faurecia		(4 549)	-	-	-	(3 825)	(600)
Faurecia		(543)	-	-	-	(561)	-
Bond interest							
Manufacturing and sales companies - excluding Faurecia		(87)	(30)	(28)	(171)	(745)	(612)
Faurecia		(5)	-	(17)	(27)	(150)	-
Other long-term debt - principal repayments							
Manufacturing and sales companies - excluding Faurecia		(1 832)	(103)	(13)	(103)	(1 340)	(453)
Faurecia		(656)	-	-	-	(656)	-
Interest on other long-term debt							
Manufacturing and sales companies - excluding Faurecia		(6)	(4)	(4)	(19)	(42)	(2)
Faurecia		(16)	(6)	(5)	(11)	(43)	-
Other short-term debt		(1 725)	(1 725)	-	-	-	-
Finance lease payments		(397)	-	-	(167)	(150)	(106)
Employee profit-sharing fund		(21)	-	-	(4)	(17)	-
Derivative instruments							
Interest rate derivatives							
- of which fair value hedges	244	-	4	3	7	53	225
- of which cash flow hedges	-	(6)	(1)	(1)	(1)	(1)	-
- of which trading instruments [(1)]	-	(1)	-	-	(1)	-	-
Currency derivatives							
- of which fair value hedges	2	(6)	(4)	-	-	-	-
- of which cash flow hedges	2	(13)	(6)	(6)	(2)	-	-
- of which trading instruments [(2)]	92	(105)	-	-	1	2	-
Commodity derivatives							
- of which cash flow hedges	2	(60)	(1)	(11)	(19)	(19)	-
TOTAL	**342**	**(10 028)**	**(1 876)**	**(82)**	**(517)**	**(7 494)**	**(1 548)**

[(1)] Interest rate trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or investments.

[(2)] 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.

Covenants

In November and December 2011, Faurecia implemented a new long-term financing plan by carrying out a €350 million bond issue and rolling over its €1,150 million syndicated bank line of credit ahead of the expiry date. The bonds and the syndicated line of credit are subject to certain covenants setting limits on debt and requiring Faurecia to comply with certain financial ratios, calculated at half-yearly intervals. All of the covenants were complied with at 31 December 2011.

The ratios are as follows:

Ratio		
Adjusted net debt*/EBITDA**	maximum	2.50
Interest cover (EBITDA**/net finance costs)	minimum	4.50

** Adjusted net debt: consolidated net debt reported by Faurecia adjusted for certain commitments defined in the loan agreement, such as guarantee commitments.*

***EBITDA: Faurecia's Earnings Before Interest, Tax, Depreciation and Amortisation for the last twelve months.*

None of the other manufacturing and sales companies' borrowings are subject to any ratings triggers. In some cases, the borrower is required to give certain guarantees that are commonly required within the automotive industry, such as:
• Negative pledge clauses, whereby the borrower undertakes not to give any assets as collateral to third parties (generally with certain exceptions).
• Material adverse change clauses.
• Pari passu clauses, requiring the lender to be treated at least as favourably as the borrower's other creditors.
• Cross-default clauses, whereby if one loan goes into default, other loans from the same lender automatically become repayable immediately.
• Clauses whereby the borrower undertakes to provide regular information to the lenders.
• Clauses whereby the borrower undertakes to comply with the 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.
The Oceane convertible bonds are subject to standard clauses, such as the requirement to maintain a listing for Peugeot S.A. or Faurecia shares.
All of these clauses were complied with in 2011.

■ Liquidity risk: finance companies

Banque PSA Finance has a capital base in line with regulatory requirements. Each year, a significant proportion of the year's net income is transferred to reserves, leading to robust regulatory ratios that reflect the quality of the asset base.
Its refinancing strategy consists of diversifying liquidity sources as broadly as possible, matching the maturities of assets and liabilities, and hedging all of its exposure to currency and interest rate risks. The Bank also endeavours to maintain a liquidity cushion in the form of undrawn confirmed syndicated lines of credit (see note 36.2) and, to a lesser extent, through permanent liquidity reserves. This strategy enabled the Bank to finance its operations during the recent severe turbulence in the financial markets without significantly weakening its liquidity position.

Refinancing is arranged with maturities that comfortably cover the maturities of the retail financing portfolio. In addition to current borrowings, the Bank has €6,678 million worth of undrawn syndicated lines of credit from leading banks expiring at four different dates through 2014, as well as various undrawn bilateral facilities for a total of €1,396 million.
In all, as in prior years these facilities are sufficient to cover over six months' wholesale and retail loan originations, based on constant outstanding loans at year-end.

Contractual cash flows: finance companies

Liquidity risk is analysed based on the contractual timing of cash inflows and outflows from detailed asset and liability items, determined by reference to the remaining period to maturity used to calculate Banque PSA Finance's consolidated liquidity ratio. Consequently, the cash flows do not include future contractual interest payments and derivative instruments used to hedge future contractual interest payments are not analysed by period.

Banque PSA Finance *(in million euros)*	31 December 2011	Not analysed	0-3 months	3-6 months	6-12 months	1-5 years	> 5 years
Assets							
Cash	1 154	-	1 154	-	-	-	-
Short-term investments - finance companies	877	10	857	3	7	-	-
Hedging instruments (1)	394	394	-	-	-	-	-
Other non-current financial assets	51	47	-	-	-	4	-
Loans and receivables - finance companies	24 387	734	5 484	2 663	4 679	10 676	151
Total cash flows from assets	**26 863**	**1 185**	**7 495**	**2 666**	**4 686**	**10 680**	**151**
Liabilities							
Hedging instruments (1)	(186)	(186)	-	-	-	-	-
Financing liabilities	(22 543)	-	(6 262)	(1 936)	(2 285)	(11 832)	(228)
Total cash flows from liabilities	**(22 729)**	**(186)**	**(6 262)**	**(1 936)**	**(2 285)**	**(11 832)**	**(228)**

(1) *Intercompany loans and borrowings with manufacturing and sales companies are mainly short-term.*

Covenants

The loan agreements signed by Banque PSA Finance, mainly in connection with issues of debt securities, include the customary acceleration clauses requiring the group to give certain covenants to lenders. They include:

• Negative pledge clauses whereby the borrower undertakes not to grant any collateral to any third parties. In the case of Banque PSA Finance, these clauses nevertheless comprise exceptions allowing the group to carry out securitization programs or to give assets as collateral.
• Material adverse change clauses.
• Pari passu clauses whicn ensure that lenders enjoy at least the same treatment as the borrower's other creditors.
• Cross-default clauses whereby if one loan goes into default, all other loans from the same lender automatically become repayable immediately.
• Clauses whereby the borrower undertakes to provide regular information to the lenders.
• Clauses whereby the borrower undertakes to comply with the applicable legislation.
• Change of control clauses.

35.2. HEDGING INSTRUMENTS: MANUFACTURING AND SALES COMPANIES

The various types of hedging instrument used and their accounting treatment are described in note 1.15 D (b).

A. Details of balance sheet values of hedging instruments and notional amounts hedged

31 December 2011	Carrying amount		Notional amount	Maturity		
(in million euros)	Assets	Liabilities		Within 1 year	1 to 5 years	Beyond 5 years
Currency risk						
Fair value hedges:						
• Forward foreign exchange contracts	-	(1)	37	37	-	-
• Currency options	-	-	-	-	-	-
• Currency swaps	2	(5)	678	678	-	-
Cash flow hedges:						
• Forward foreign exchange contracts	2	(13)	334	334	-	-
Trading instruments [(1)]	92	(105)	6 217	6 162	55	-
Of which intragroup	*42*	-				
Total currency risks	**96**	**(124)**	**7 266**	**7 211**	**55**	**-**
Interest rate risk						
Fair value hedges:						
• Interest rate swaps	244	-	600	-	-	600
Cash flow hedges:						
• Interest rate options	-	(6)	435	250	185	-
Trading instruments [(2)]	-	(1)	252	213	39	-
Of which intragroup	-	-				
Total interest rate risks	**244**	**(7)**	**1 287**	**463**	**224**	**600**
Commodity risk						
Cash flow hedges:						
• Swaps	2	(60)	451	306	145	-
• Options	-	-	-	-	-	-
Total commodity risks	**2**	**(60)**	**451**	**306**	**145**	**-**
TOTAL	**342**	**(191)**	**9 004**	**7 980**	**424**	**600**
Of which:						
Total fair value hedges	**246**	**(6)**	**1 315**	**715**	**-**	**600**
Total cash flow hedges	**4**	**(79)**	**1 220**	**890**	**330**	**-**

[(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)] Interest rate trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or investments.

31 December 2010	Carrying amount		Notional amount	Maturity		
(in million euros)	Assets	Liabilities		Within 1 year	1 to 5 years	Beyond 5 years
Currency risk						
Fair value hedges:						
• Forward foreign exchange contracts	-	(1)	70	70	-	-
• Currency options	-	-	-	-	-	-
• Currency swaps	-	-	728	728	-	-
Cash flow hedges:						
• Forward foreign exchange contracts	-	(2)	234	234	-	-
Trading instruments [(1)]	65	(69)	7 104	6 948	156	-
Of which intragroup	*31*	-				
Total currency risks	**65**	**(72)**	**8 136**	**7 980**	**156**	**-**
Interest rate risk						
Fair value hedges:						
• Interest rate swaps	199	-	1 855	1 255	-	600
Cash flow hedges:						
• Interest rate options	-	(13)	2 186	1 757	429	-
Trading instruments [(2)]	-	-	1 486	1 486	-	-
Of which intragroup	-	-				
Total interest rate risks	**199**	**(13)**	**5 527**	**4 498**	**429**	**600**
Commodity risk						
Cash flow hedges:						
• Swaps	66	-	489	299	190	-
• Options	-	-	-	-	-	-
Total commodity risks	**66**	**-**	**489**	**299**	**190**	**-**
TOTAL	**330**	**(85)**	**14 152**	**12 777**	**775**	**600**
Of which:						
Total fair value hedges	**199**	**(1)**	**2 653**	**2 053**	**-**	**600**
Total cash flow hedges	**66**	**(15)**	**2 909**	**2 290**	**619**	**-**

[(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)] Interest rate trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or investments.

B. Impact of hedging instruments on income and equity: manufacturing and sales companies

■ Impact of cash flow hedges

(in million euros)	2011	2010
Change in effective portion recognised in equity	(106)	80
Change in ineffective portion recognised in profit or loss	-	3
Effective portion reclassified to the income statement under "Cost of goods and services sold"	23	34
Effective portion reclassified to the income statement under "Finance costs"	-	-
Effective portion reclassified to the income statement under "Other financial income and expenses"	-	-

■ **Impact of fair value hedges**

(in million euros)	2011	2010
Gains and losses on hedged borrowings recognised in profit or loss	(58)	17
Gains and losses on hedges of borrowings recognised in profit or loss	58	(16)
Net impact on income	**-**	**1**

The "Net gain (loss) on hedges of borrowings" presented in note 9 also includes gains and losses on economic hedges that do not qualify for hedge accounting under IAS 39.

35.3. HEDGING INSTRUMENTS: FINANCE COMPANIES

The different types of hedges and their accounting treatment are described in note 1.15 D (b).

A. Details of balance sheet values of hedging instruments and notional amounts hedged

Offsetting notional amounts have been netted to make the financial statements easier to read. However, separate disclosures are made at the foot of the page.

31 December 2011	Carrying amount		Notional amount	Maturity		
(in million euros)	Assets	Liabilities		Within 1 year	1 to 5 years	Beyond 5 years
Currency risk						
Fair value hedges:						
- Currency swaps	99	(36)	3 272	3 272	-	-
Interest rate risk						
Fair value hedges:						
- Swaps on borrowings	15	-	592	337	255	-
- Swaps on EMTN/BMTN issues	175	(7)	7 666	1 540	5 948	178
- Swaps on bonds[(1)]	44	(44)	-	-	-	-
- Swaps on certificates of deposit	-	-	147	147	-	-
- Swaps on other debt securities	1	-	71	71	-	-
- Swaps on retail financing	7	(72)	11 759	6 122	5 637	-
- Accrued income/expenses on swaps	48	(22)	-	-	-	-
Cash flow hedges:						
- Swaptions	-	-	13	-	13	-
Trading instruments [(2)]	5	(5)	724	724	-	-
Total	**394**	**(186)**	**24 244**	**12 213**	**11 853**	**178**
Of which Intragroup	*1*	*(42)*				
Total fair value hedges	**389**	**(181)**	**23 507**	**11 489**	**11 840**	**178**
Total cash flow hedges	**-**	**-**	**13**	**-**	**13**	**-**

[(1)] This item includes €3,162 million in swaps acquired as hedges that represent closed positions in the consolidated financial statements.

[(2)] Including five swaps representing isolated open positions for €655 million and five swaps reclassified as trading securities for €69 million. These swaps do not have a material impact on the income statement.

31 December 2010	Carrying amount		Notional amount	Maturity		
(in million euros)	Assets	Liabilities		Within 1 year	1 to 5 years	Beyond 5 years
Currency risk						
Fair value hedges:						
- Currency swaps	3	(22)	2 052	2 052	-	-
Interest rate risk						
Fair value hedges:						
- Swaps on borrowings	25	(4)	624	82	542	-
- Swaps on EMTN/BMTN issues	28	(6)	6 008	1 350	4 658	-
- Swaps on bonds [(1)]	74	(74)	-	-	-	-
- Swaps on certificates of deposit	-	-	78	78	-	-
- Swaps on other debt securities	1	-	93	62	31	-
- Swaps on retail financing	3	(76)	12 402	6 213	6 189	-
- Accrued income/expenses on swaps	38	(29)	-	-	-	-
Cash flow hedges:						
- Swaptions	11	(3)	2 378	2 378	-	-
Trading instruments [(2)]	21	(21)	325	325	-	-
Total	**204**	**(235)**	**23 960**	**12 540**	**11 420**	**-**
Of which Intragroup		*(27)*				
Total fair value hedges	**172**	**(211)**	**21 257**	**9 837**	**11 420**	**-**
Total cash flow hedges	**11**	**(3)**	**2 378**	**2 378**	**-**	**-**

[(1)] *This item includes €2,811 million in swaps acquired as hedges that represent closed positions in the consolidated financial statements.*

[(2)] *Swaps representing a total notional amount of €1,053 million cancel each other out within portfolios of instruments with similar characteristics, mainly symmetrical swaps set up at the time of the securitization transactions. At 31 December 2010, there were two swaps representing isolated open positions, for a total of €325 million.*

B. Impact of hedging instruments on income and equity: finance companies

■ Impact of cash flow hedges

(in million euros)	2011	2010
Change in effective portion recognised in equity	12	9
Change in ineffective portion recognised in profit or loss	(7)	(10)
Effective portion reclassified to the income statement under "Cost of goods and services sold"	9	7

In order to cap the refinancing cost of mainly euro-denominated retail financing (installment contracts, buyback contracts and long-term leases) granted in 2011, Banque PSA Finance purchased and sold swaptions (options on interest rate swaps) expiring in the four quarters of 2011.

■ Impact of fair value hedges

(in million euros)	2011	2010
Gains and losses on hedged customer loans recognised in profit or loss	(7)	(129)
Gains and losses on hedges of customer loans recognised in profit or loss	8	132
Net impact on income	**1**	**3**
Gains and losses on remeasurement of financial liabilities recognised in profit or loss	(139)	6
Gains and losses on remeasurement of hedges of financial liabilities recognised in profit	139	(7)
Net impact on income	**-**	**(1)**

NOTE 36 - NET FINANCIAL POSITION OF MANUFACTURING AND SALES COMPANIES

36.1. ANALYSIS

(in million euros)	**31 December 2011**	31 December 2010
Financial assets and liabilities of manufacturing and sales companies		
Cash and cash equivalents	5 190	9 278
Other non-current financial assets	1 035	796
Current financial assets	265	306
Non-current financial liabilities	(7 639)	(8 259)
Current financial liabilities	(2 210)	(3 357)
(Net debt) Net financial position of manufacturing and sales companies	**(3 359)**	**(1 236)**
o/w external loans and borrowings	(3 538)	(1 244)
o/w financial assets and liabilities with finance companies	179	8

36.2. LINES OF CREDIT

The Group now has the following additional borrowing capacity under revolving lines of credit expiring at various dates through to 2016:

(in million euros)	**31 December 2011**	31 December 2010
Peugeot S.A. and GIE PSA Trésorerie (1)	2 400	2 400
Faurecia (2)	660	505
Banque PSA Finance group (3)	7 955	8 375
Confirmed undrawn lines of credit	**11 015**	**11 280**

(1) This €2,400 million facility that was due to expire in July 2013 was rolled over in July 2011 to extend its expiry date until July 2014 (see note 29.1).

(2) Faurecia's additional borrowing capacity is represented by a €1,150 million syndicated line of credit that was not fully drawn down at 31 December 2011:
- *€200 million were undrawn on a €690 million tranche expiring in November 2014,*
- *A €460 million tranche expiring in 2016 was also undrawn.*

(3) Of which, the following loans or facilities, with bilateral credit lines and a €923 million loan to be drawn down first:
- *€1,396 million undrawn on long-term bilateral back-up facilities, out of a total available amount of €1,865 million,*
- *€723 million undrawn on a €923 million line of credit expiring in January 2013*
- *€1,755 million expiring in July 2013,*
- *€2,000 million expiring in June 2014,*
- *€2,000 million expiring in December 2014.*

NOTE 37 - OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

Off-balance sheet commitments given in the normal course of business were as follows at 31 December 2011:

(in million euros)	**31 December 2011**	31 December 2010
Manufacturing and sales companies		
■ **Commitments to invest in subsidiaries, associates or joint ventures (note 37.1)**	-	227
■ **Financing commitments (note 37.2)**		
Guarantees given	168	170
Pledged or mortgaged assets [(1)]	716	758
■ **Operating commitments (note 37.3)**		
Capital commitments for the acquisition of non-current assets	1 361	1 138
Orders for research and development work	71	46
Financing commitments	162	280
Minimum purchase commitments	880	840
Non-cancellable lease commitments [(1)]	1 107	1 102
Retirement obligations not recognised in the balance sheet	169	146
	4 634	**4 707**
Finance companies		
Financing commitments to financial institutions	-	-
Financing commitments to customers [(2)]	1 465	1 652
Guarantees given on behalf of customers and financial institutions [(3)]	1 239	1 335
	2 704	**2 987**

[(1)] *The amounts reported in 2010 have been corrected as follows:*

- *Pledged or mortgaged assets are shown for €758 million, versus an originally reported €290 million. This amount corresponds to assets pledged as collateral by Peugeot Citroën do Brasil for a 1999 loan from the Rio de Janeiro state authorities.*
- *Non-cancellable lease commitments are shown for €1,102 million, versus an originally reported €814 million.*
- *Minimum purchase commitments are shown for €840 million, versus an originally reported €509 million.*

[(2)] *Financing commitments to customers are given for periods of 0 to 3 months.*

[(3)] *This item includes receivables given as collateral to Société de Financement de l'Economie Française (SFEF), pursuant to France's amended 2008 Finance Act (Act no. 2008-1061 of 16 October 2008) and to the Bundesbank by Banque PSA Finance's German branch.*

37.1. FINANCING-RELATED COMMITMENTS

■ Pledged or mortgaged assets

This item includes the French government bonds (OATs) given as collateral for loans from the European Investment Bank (EIB). The following table analyses pledged and mortgaged assets by commitment period.

Pledges or mortgages expiring in the years indicated

(in million euros)	**31 December 2011**	31 December 2010
2011	-	63
2012	2	1
2013	97	95
2014	82	101
2015	2	-
2016	1	
Subsequent years	532	498
Total pledged or mortgaged assets	**716**	**758**
Total assets	68 991	68 491
Percentage of total assets	1.0%	1.1%

37.2. OPERATIONS-RELATED COMMITMENTS

The Group is involved in claims and litigation arising in the normal course of business. Based on the information currently available, the outcome of this litigation is not expected to result in an outflow of economic resources without anything in return. .

■ 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.

■ 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 de Modernisation des Equipementiers Automobiles (FMEA - tier 1 and tier 2), two funds set up to support automotive equipment manufacturers. The Group's total commitment amounted to €204 million, of which €114 million had been paid as of 31 December 2011.

■ Financing commitments

BMW Peugeot Citroën Electrification cooperation agreement

At 31 December 2011, the Group's remaining financing commitments under this cooperation agreement included the provision of additional equity capital for €50 million and debt capital for €112 million.

Non-cancellable lease commitments

Periods *(in million euros)*	31 December 2011	31 December 2010
2011	-	227
2012	241	194
2013	176	144
2014	142	108
2015	113	85
2016	88	77
Subsequent years	347	267
Total non-cancellable lease commitments	**1 107**	**1 102**

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.

Retirement obligations not recognised in the balance sheet

This item corresponds to deferred actuarial gains and losses (note 28.1.E) resulting from the application of the corridor method (note 1.20), and past service costs.

NOTE 38 - RELATED PARTY TRANSACTIONS

38.1. COMPANIES AT EQUITY

These are companies that are between 20%- and 50%-owned, in which PSA Peugeot Citroën exercises significant influence or joint control. Most are manufacturing and sales companies that manufacture automotive parts and components or complete vehicles.

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

Receivables and payables with companies at equity are as follows:

(in million euros)	31 December 2011	31 December 2010
Long-term loans	9	9
Trade receivables	309	258
Trade payables	(1 126)	(895)
Short-term loans	-	(1)

Sale and purchase transactions carried out by the consolidated Group with companies at equity are as follows:

(in million euros)	2011	2010
Sales	1 065	943
Purchases	(4 144)	(4 173)

38.2. RELATED PARTIES THAT EXERCISE SIGNIFICANT INFLUENCE OVER THE GROUP

No material transactions have been carried out with any directors or officers or any shareholder owning more than 5% of Peugeot S.A.'s capital.

NOTE 39 - MANAGEMENT COMPENSATION

(in million euros)	**2011**	2010
Compensation paid to:		
- Members of management bodies	6.6	10.6
- Members of the Supervisory Board	1.4	1.1
Total management compensation	**8.0**	**11.7**
Stock option and performance share costs (note 1.21)	0.6	1.3
Total	**8.6**	**13.0**

The Group is managed by the Managing Board.
The Group's management bodies correspond to the 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 Managing Board members waived their 2011 bonuses. The amounts accrued for bonuses and other compensation payable to the other Executive Committee members are provisional.

The following table presents details of Peugeot S.A. performance shares awarded to members of the management bodies in 2010 and outstanding Peugeot S.A. stock options granted to members of the management bodies in the years prior to 2011:

(number of options)	**2011**	2010
Stock options held at 31 December	372 000	587 000
Performance shares awarded in 2010 [1] that were held at 31 December (see note 26.4)	65 000	65000

[1] In line with the commitments given by the Group in application of the regulations governing agreements with companies that have received exceptional State aid, no performance shares were granted to members of the Managing Board in 2010.

Members of the Group's management bodies participate in the supplementary pension plan described in notes 28.1.A.

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 40 - SUBSEQUENT EVENTS

No events occurred between 31 December 2011 and the 14 February 2012 meeting of the Supervisory Board to review the financial statements that could have a material impact on economic decisions made on the basis of these financial statements, with the exception of the following:

• On 5 January 2012, Banque PSA Finance issued €650 million worth of 6% bonds due July 2014. This was followed by a €50 million tap issue on 10 January, raising the total to €700 million.

• On 1 February 2012, the Group sold to Enterprise Holdings the short-term car rental business conducted by its Citer and Atesa subsidiaries in France and Spain.

The transaction, which was announced on 21 November 2011, will have the effect of reducing the Group's net debt by €440 million. The PSA Peugeot Citroën and Citer S.A. Works Councils have expressed their support for the transaction and it has been approved by the European Commission. The effect of the transaction on consolidated earnings and equity will not be material.
If it had been completed at 31 December 2011, it would have led to an improvement in the Group's net debt from €3,359 million to €2,919 million.

• On 18 January 2012, the Group announced that it was withdrawing from endurance racing. The costs arising from this decision in 2012 will not be material.

• On 14 February 2012, the Supervisory Board approved in principle the sale of Group real estate assets.
During the same meeting, the Supervisory Board also approved in principle the opening of Gefco's capital, on the understanding that the PSA Peugeot Citroën Group would remain a strategic shareholder.
Employee representative bodies will be consulted about these plans, in accordance with French labour laws.

NOTE 41 - FEES PAID TO THE AUDITORS

	Mazars		Ernst & Young		PricewaterhouseCoopers	
(in million euros)	**2011**	2010	**2011**	2010	**2011**	2010
Audit						
Statutory and contractual audit services						
- Peugeot S.A.	0.2	0.2	0.3	-	-	0.4
- Fully-consolidated subsidiaries	3.0	2.5	8.9	3.6	2.9	8.4
o/w France	*1.5*	*1.4*	*2.6*	*0.3*	*0.8*	*4.8*
o/w International	*1.5*	*1.1*	*6.1*	*3.3*	*2.1*	*3.6*
Audit-related services						
- Peugeot S.A.	-	-	-	-	-	-
- Fully-consolidated subsidiaries	-	-	0.1	0.2	-	0.3
o/w France	-	-	*0.1*	0.2	-	
o/w International	-	-	-	-	-	*0.3*
Sub-total	**3.2**	**2.7**	**9.3**	**3.8**	**3.0**	**9.1**
o/w Faurecia	-	-	4.3	3.8	2.9	2.7
Excluding Faurecia	3.2	2.7	5.0	-	0.1	6.4
	100%	*100%*	*100%*	*100%*	*91%*	*100%*
Other services provided to subsidiaries						
Legal and tax services	-	-	-	-	0.1	-
Other services	-	-	-	-	0.2	-
Sub-total	**-**	**-**	**-**	**-**	**0.3**	**-**
o/w Faurecia	-	-	-	-	-	
Excluding Faurecia	-	-	-	-	0.3	
					9%	
TOTAL	**3.2**	**2.7**	**9.3**	**3.8**	**3.3**	**9.1**
o/w Faurecia	-	-	4.3	3.8	2.9	2.7
Excluding Faurecia	3.2	2.7	5.0	-	0.4	6.4

Ernst & Young and Mazars have been appointed as statutory auditors of the PSA Peugeot Citroën Group for the accounting periods 2011-2016.
Faurecia's statutory auditors are Ernst & Young and PricewaterhouseCoopers.

NOTE 42 - CONSOLIDATED COMPANIES AT 31 DECEMBER 2011

Company	Country	F/E	% interest
HOLDING COMPANY AND OTHER			
PEUGEOT S.A.	France	F	100
GRANDE ARMEE PARTICIPATIONS	France	F	100
PSA INTERNATIONAL S.A.	Switzerland	F	100
G.I.E. PSA TRESORERIE	France	F	100
FINANCIERE PERGOLESE	France	F	100
D.J. 06	France	F	100
SOCIETE ANONYME DE REASSURANCE LUXEMBOURGEOISE - SARAL	Luxembourg	F	100
PEUGEOT MOTOCYCLES	France	F	100
PEUGEOT MOTOCYCLES ITALIA S.p.A.	Italy	F	100
PEUGEOT MOTOCYCLES DEUTSCHLAND GmbH	Germany	F	100
JINAN QUIGQI PEUGEOT MOTORCYCLES	China	E	50
EMOTION	France	F	100
AUTOMOTIVE DIVISION			
PROCESS CONCEPTION INGENIERIE S.A.	France	F	100
PCI do BRASIL Ltda	Brazil	F	100
SOCIETE DE CONSTRUCTION D'EQUIPEMENTS DE MECANISATIONS ET DE MACHINES - SCEMM	France	F	100
PEUGEOT CITROEN AUTOMOBILES S.A.	France	F	100
PEUGEOT CITROEN SOCHAUX S.N.C.	France	F	100
PEUGEOT CITROEN MULHOUSE S.N.C.	France	F	100
PEUGEOT CITROEN AULNAY S.N.C.	France	F	100
PEUGEOT CITROEN RENNES S.N.C.	France	F	100
PEUGEOT CITROEN POISSY S.N.C.	France	F	100
PEUGEOT CITROEN MECANIQUE DU NORD-OUEST S.N.C.	France	F	100
PEUGEOT CITROEN MECANIQUE DU GRAND EST S.N.C.	France	F	100
SOCIETE MECANIQUE AUTOMOBILE DE L'EST	France	F	100
MECANIQUE ET ENVIRONNEMENT	France	F	100
SOCIETE EUROPEENNE DE VEHICULES LEGERS DU NORD - SEVELNORD	France	E	50
SOCIETA EUROPEA VEICOLI LEGGERI - SEVEL S.p.A.	Italy	E	50
SNC PC.PR	France	F	100
G.I.E. PSA PEUGEOT CITROEN	France	F	100
GISEVEL	France	E	50
SEVELIND	France	E	50
FRANCAISE DE MECANIQUE	France	E	50
SOCIETE DE TRANSMISSIONS AUTOMATIQUES	France	E	20
PEUGEOT CITROEN AUTOMOVILES ESPANA S.A.	Spain	F	100
PSA SERVICES DEUTSCHLAND GmbH	Germany	F	100
PSA SERVICES SRL	Italy	F	100
PCMA HOLDING	Netherlands	F	70
PCMA AUTOMOTIV RUS	Russia	F	70
PEUGEOT CITROEN AUTOMOBILES UK	United Kingdom	F	100
PEUGEOT CITROEN AUTOMOVEIS	Portugal	F	98
TOYOTA PEUGEOT CITROEN AUTOMOBILES Czech s.r.o.	Czech Republic	E	50
PCA LOGISTIKA CZ	Czech Republic	F	100
PCA SLOVAKIA s.r.o.	Slovakia	F	100
PEUGEOT CITROEN TRNAVA s.r.o.	Slovakia	F	100
PEUGEOT CITROEN do BRASIL AUTOMOVEIS Ltda	Brazil	F	100
PEUGEOT CITROEN COMERCIAL EXPORTADORA	Brazil	F	100
PEUGEOT CITROEN UKRAINE	Ukraine	F	100
PEUGEOT CITROEN ARGENTINA S.A.	Argentina	F	100
CISA	Argentina	F	100
DONGFENG PEUGEOT CITROEN AUTOMOBILES CY Ltd	China	E	50
WUHAN SHELONG HONGTAI AUTOMOTIVE KO Ltd	China	E	10
PCA (CHINA) AUTOMOTIVE DRIVE Co	China	F	100
PEUGEOT CITROEN GESTION INTERNATIONAL	Switzerland	F	100
AUTOMOBILES PEUGEOT	France	F	100
PEUGEOT MOTOR COMPANY PLC	United Kingdom	F	100
SOCIETE COMMERCIALE AUTOMOBILE	France	F	100
SOCIETE INDUSTRIELLE AUTOMOBILE DE CHAMPAGNE - ARDENNES	France	F	100
PEUGEOT MOTEUR ET SYSTEMES	France	F	100
SOCIETE INDUSTRIELLE AUTOMOBILE DE PROVENCE	France	F	100
GRANDS GARAGES DU LIMOUSIN	France	F	100
PEUGEOT SAINT DENIS AUTOMOBILES	France	F	100
PEUGEOT NEUILLY VICTOR HUGO	France	F	100
PEUGEOT MEDIA PRODUCTION	France	F	100
PEUGEOT BELGIQUE LUXEMBOURG S.A.	Belgium	F	100
S.A. PEUGEOT DISTRIBUTION SERVICE N.V.	Belgium	F	100
PEUGEOT NEDERLAND N.V.	Netherlands	F	100
PEUGEOT DEUTSCHLAND GmbH	Germany	F	100

Company	Country	F/E	% interest
PEUGEOT BAYERN GmbH	Germany	F	100
PEUGEOT BERLIN BRANDENBURG GmbH	Germany	F	100
PEUGEOT NIEDERRHEIN GmbH	Germany	F	100
PEUGEOT MAIN / TAUNUS GmbH	Germany	F	100
PEUGEOT SUDBADEN GmbH	Germany	F	100
PEUGEOT HANSE GmbH	Germany	F	100
PEUGEOT NORDHESSEN GmbH	Germany	F	100
PEUGEOT HANNOVER GmbH	Germany	F	100
PEUGEOT RHEINLAND GmbH	Germany	F	100
PEUGEOT REIN-NECKAR GmbH	Germany	F	100
PEUGEOT SAARTAL GmbH	Germany	F	100
PEUGEOT SACHSEN GmbH	Germany	F	100
PEUGEOT SCHWABEN GmbH	Germany	F	100
PEUGEOT WESER-EMS GmbH	Germany	F	100
PEUGEOT AUTOMOBILI ITALIA S.p.A.	Italy	F	100
PEUGEOT MILAN	Italy	F	100
PEUGEOT GIANICOLO S.p.A.	Italy	F	100
ROBINS & DAY Ltd	United Kingdom	F	100
BOOMCITE Ltd	United Kingdom	F	100
ASTON LINE MOTORS Ltd	United Kingdom	F	100
MELVIN MOTORS (BISHOPBRIGGS) Ltd	United Kingdom	F	100
WARWICK WRIGHT MOTORS CHISWICK Ltd	United Kingdom	F	100
ROOTES Ltd	United Kingdom	F	100
ECONOMYDRIVE CARS	United Kingdom	F	100
PEUGEOT ESPANA S.A.	Spain	F	100
HISPANOMOCION S.A.	Spain	F	100
PEUGEOT PORTUGAL AUTOMOVEIS S.A.	Portugal	F	100
PEUGEOT PORTUGAL AUTOMOVEIS DISTRIBUCAO	Portugal	F	99
PEUGEOT (SUISSE) S.A.	Switzerland	F	100
LOWEN GARAGE AG	Switzerland	F	97
PEUGEOT AUSTRIA GmbH	Austria	F	100
PEUGEOT AUTOHAUS GmbH	Austria	F	100
PEUGEOT CITROEN RUS	Russia	F	100
PEUGEOT POLSKA S.p.z.o.o.	Poland	F	100
PEUGEOT CESKA REPUBLICA s.r.o.	Czech Republic	F	100
PEUGEOT SLOVAKIA s.r.o.	Slovakia	F	100
PEUGEOT BRATISLAVA	Slovakia	F	100
PEUGEOT HUNGARIA Kft	Hungary	F	100
PEUGEOT SLOVENIJA d.o.o. P.Z.D.A.	Slovenia	F	100
PEUGEOT HRVATSKA d.o.o.	Croatia	F	100
PEUGEOT OTOMOTIV PAZARLAMA AS - POPAS	Turkey	F	100
TEKOTO MOTORLU TASTLAR ISTAMBUL	Turkey	F	100
TEKOTO MOTORLU TASTLAR ANKARA	Turkey	F	100
TEKOTO MOTORLU TASTLAR BURSA	Turkey	F	100
PEUGEOT ALGERIE S.p.A.	Algeria	F	100
STAFIM	Tunisia	E	34
STAFIM - GROS	Tunisia	E	34
PEUGEOT CHILE	Chile	F	97
AUTOMOTORES FRANCO CHILENA S.A.	Chile	F	100
PEUGEOT MEXICO S.A.de CV	Mexico	F	100
SERVICIOS AUTO. FRANCO MEXICANA	Mexico	F	100
PEUGEOT CITROEN JAPAN KK Co Ltd	Japan	F	100
PEUGEOT TOKYO	Japan	F	100
PEUGEOT MOTORS SOUTH AFRICA Ltd	South Africa	F	100
AUTOMOBILES CITROEN	France	F	100
SABRIE	France	F	100
RNG	France	F	100
PSE AUTOMOBILE	France	F	100
RETAIL France	France	F	100
EPINETTES	France	F	100
SCI LA SOUCHE	France	F	100
SCI TROENE	France	F	100
Changan PSA Automobiles Co., Ltd	China	E	50
BMW PEUGEOT CITROEN ELECTRIFICATION BV	Netherlands	E	50
BMW PEUGEOT CITROEN ELECTRIFICATION GmbH	Germany	E	50
BMW PEUGEOT CITROEN ELECTRIFICATION SAS	France	E	50
SOCIETE COMMERCIALE CITROEN	France	F	100
CITROEN CHAMP DE MARS	France	F	100
CITROEN DUNKERQUE	France	F	100
CITER	France	F	100
SOCIETE NOUVELLE ARMAND ESCALIER	France	F	100
CENTRAUTO	France	F	100
PRINCE S.A.	France	F	100
CITROEN ARGENTEUIL	France	F	100

Company	Country	F/E	% interest
CITROEN ORLEANS	France	F	100
Cie PICARDE DE LOGISTIQUE AUTOMOBILE	France	F	100
Sté Cle DISTRIBUTION PIECES DE RECHANDES - SCPR	France	F	100
CITROEN BELUX S.A. - NV	Belgium	F	100
CITROEN NEDERLAND B.V.	Netherlands	F	100
CITROEN DEUTSCHLAND AG	Germany	F	100
CITROEN MOTORS Irlande LTD	Ireland	F	100
CITROEN COMMERCE GmbH	Germany	F	100
CITROEN ITALIA S.p.A.	Italy	F	100
CITROEN U.K.Ltd	United Kingdom	F	100
CITROEN SVERIGE AB	Sweden	F	100
CITROEN DANMARK A/S	Denmark	F	100
CITROEN NORGE A/S	Norway	F	100
CITROEN (SUISSE) S.A.	Switzerland	F	100
CITROEN OSTERREICH GmbH	Austria	F	100
AUTOMOVEIS CITROEN S.A.	Portugal	F	100
AUTOMOVILES CITROEN ESPANA	Spain	F	100
COMERCIAL CITROEN S.A.	Spain	F	97
AUTOTRANSPORTE TURISTICO ESPANOL S.A. (ATESA)	Spain	F	100
GARAJE ELOY GRANOLLERS S.A.	Spain	F	99
MOTOR TALAVERA	Spain	F	100
RAFAEL FERRIOL S.A.	Spain	F	99
CITROEN HUNGARIA Kft	Hungary	F	100
CITROEN POLSKA S.p.z.o.o.	Poland	F	100
CITROEN SLOVENIJA d.o.o.	Slovenia	F	100
CITROEN - HRVATSKA d.o.o.	Croatia	F	100
CITROEN SLOVAKIA s.r.o.	Slovakia	F	100
CITROEN CESKA REPUBLICA s.r.o.	Czech Republic	F	100
CITROEN ROMANIA Srl	Romania	F	100
CITROEN do BRASIL	Brazil	F	100
AUTOMOTIVE EQUIPMENT DIVISION			
FAURECIA	France	F	57
FINANCIERE FAURECIA	France	F	57
SFEA - SOCIÉTÉ FONCIÈRE POUR L'EQUIPEMENT AUTOMOBILE	France	F	57
FAURECIA INVESTMENTS	France	F	57
FAURECIA SERVICES GROUPE	France	F	57
FAURECIA EXHAUST INTERNATIONAL	France	F	57
FAURECIA NETHERLANDS HOLDING B.V.	Netherlands	F	57
UNITED PARTS EXHAUST SYSTEMS AB	Sweden	F	57
SOCIETE INTERNATIONALE DE PARTICIPATIONS	Belgium	F	57
FAURECIA USA HOLDINGS, INC.	USA	F	57
FAURECIA (CHINA) HOLDING CO. LTD	China	F	57
FAURECIA INFORMATIQUE TUNISIE	Tunisia	F	57
FAURECIA SIEGES D'AUTOMOBILES	France	F	57
FAURECIA INDUSTRIES	France	F	57
FAURECIA AUTOMOTIVE HOLDINGS	France	F	57
EAK - COMPOSANTS POUR L'AUTOMOBILE (EAK SAS)	France	F	29
EAK - COMPOSANTS POUR L'AUTOMOBILE (EAK SNC)	France	F	29
TRECIA	France	F	57
SIEBRET	France	F	57
SIEMAR	France	F	57
SIENOR	France	F	57
SIETO	France	F	57
SOTEXO	France	F	57
SIEDOUBS	France	F	57
SIELEST	France	F	57
ECSA - ETUDES ET CONSTRUCTION DE SIEGES POUR L'AUTOMOBILE	France	F	57
FAURECIA INTERIEUR INDUSTRIE	France	F	57
FAURECIA AUTOMOTIVE INDUSTRIE	France	F	57
AUTOMOTIVE SANDOUVILLE	France	F	57
FAURECIA ADP HOLDING	France	F	34
FAURECIA JIT Plastique	France	F	57
FAURECIA AUTOSITZE GmbH	Germany	F	57
FAURECIA AUTOMOTIVE GmbH	Germany	F	57
FAURECIA INNENRAUM SYSTEME GmbH	Germany	F	57
FAURECIA INDUSTRIE N.V.	Belgium	F	57
FAURECIA ASIENTOS PARA AUTOMOVIL ESPAÑA, S.A.	Spain	F	57
ASIENTOS DE CASTILLA LEON, S.A.	Spain	F	57
ASIENTOS DEL NORTE, S.A.	Spain	F	57
INDUSTRIAS COUSIN FRERES, S.L.	Spain	F	29
TECNOCONFORT	Spain	F	29
FAURECIA AUTOMOTIVE ESPAÑA, S.L.	Spain	F	57
FAURECIA INTERIOR SYSTEMS ESPAÑA, S.A.	Spain	F	57

Company	Country	F/E	% interest
FAURECIA INTERIOR SYSTEMS SALC ESPAÑA, S.L.	Spain	F	57
ASIENTOS DE GALICIA, S.L.	Spain	F	57
VALENCIA MODULOS DE PUERTA, S.L.	Spain	F	57
INCALPLAS, S.L.	Spain	F	57
FAURECIA AST Luxembourg S.A	Luxembourg	F	57
FAURECIA AUTOMOTIVE SEATING B.V.	Netherlands	F	57
FAURECIA - ASSENTOS DE AUTOMOVEL, LIMITADA	Portugal	F	57
SASAL	Portugal	F	57
FAURECIA SISTEMAS DE INTERIOR DE PORTUGAL. COMPONENTES PARA AUTOMOVEIS S.A. (Ex SAI POF	Portugal	F	57
EDA - ESTOFAGEM DE ASSENTOS, LDA,	Portugal	F	57
FAURECIA AUTOMOTIVE SEATING UK LIMITED	United Kingdom	F	57
FAURECIA MIDLANDS Limited	United Kingdom	F	57
SAI AUTOMOTIVE FRADLEY LTD	United Kingdom	F	57
SAI AUTOMOTIVE WASHINGTON LIMITED	United Kingdom	F	57
FAURECIA INTERIOR SYSTEMS SWEDEN AB	Sweden	F	57
FAURECIA FOTELE SAMOCHODOWE Sp.Zo.o	Poland	F	57
FAURECIA WALBRZYCH Sp.Zo.o	Poland	F	57
FAURECIA LEGNICA Sp.Zo.o	Poland	F	57
FAURECIA GROJEC R&D CENTER Sp.Zo.o	Poland	F	57
FAURECIA GORZOW Sp.Zo.o	Poland	F	57
FAURECIA INTERIOR SYSTEMS BOHEMIA s.r.o.	Czech Republic	F	57
FAURECIA COMPONENTS PISEK s.r.o.	Czech Republic	F	57
FAURECIA SEATING TALMACIU S.R.L.	Romania	F	57
EURO AUTO PLASTIC SYSTEMS S.R.L.	Romania	F	29
FAURECIA SLOVAKIA s.r.o.	Slovakia	F	57
FAURECIA POLIFLEKS OTOMOTIV SANAYI VE TICARET ANONIM SIRKETI	Turkey	F	57
FAURECIA AZIN PARS COMPANY	Iran	F	29
FAURECIA INTERIOR SYSTEMS SOUTH AFRICA (PTY) LTD	South Africa	F	57
AI MANUFACTURERS (PTY) LTD	South Africa	F	57
SOCIETE TUNISIENNE D'EQUIPEMENTS D'AUTOMOBILE	Tunisia	F	57
FAURECIA AUTOMOTIVE SEATING CANADA LTD	Canada	F	57
FAURECIA AUTOMOTIVE SEATING, INC	USA	F	57
FAURECIA INTERIOR SYSTEMS, INC.	USA	F	57
FAURECIA AUTOMOTIVE DEL URUGUAY	Uruguay	F	57
FAURECIA ARGENTINA S.A.	Argentina	F	57
FAURECIA AUTOMOTIVE DO BRASIL LTDA	Brazil	F	57
FAURECIA SISTEMAS AUTOMOTRICES DE MEXICO, S.A. de C.V. (ex FAURECIA DUROPLAST MEXICO, S.A.	Mexico	F	57
SERVICIOS CORPORATIVOS DE PERSONAL ESPECIALIZADO, S.A. DE C.V.	Mexico	F	57
FAURECIA INTERIOR SYSTEMS MEXICO, S.A. DE C.V.	Mexico	F	57
CHANGCHUN FAURECIA XUYANG AUTOMOTIVE SEAT CO., LTD (CFXAS)	China	F	34
FAURECIA (CHANGCHUN) AUTOMOTIVE SYSTEMS CO., LTD	China	F	57
FAURECIA- GSK (WUHAN) AUTOMOTIVE SEATING CO., LTD	China	F	29
FAURECIA (WUXI) SEATING COMPONENTS CO., LTD	China	F	57
FAURECIA (SHANGHAI) MANAGEMENT COMPANY, LTD	China	F	57
FAURECIA (SHANGHAI) AUTOMOTIVE SYSTEMS CO., LTD	China	F	57
FAURECIA (WUHAN) AUTOMOTIVE SEATING CO., LTD	China	F	57
FAURECIA (GUANGZHOU) AUTOMOTIVE SYSTEMS CO., LTD	China	F	57
FAURECIA (NANJING) AUTOMOTIVE SYSTEMS CO., LTD	China	F	57
FAURECIA (SHENYANG) AUTOMOTIVE SYSTEMS CO., LTD	China	F	57
FAURECIA (WUHAN) AUTOMOTIVE COMPONENTS SYSTEMS CO., LTD	China	F	57
CHANGCHUN FAURECIA XUANG INTERIOR SYSTEMS COMPANY LIMITED	China	F	34
FAURECIA TRIM KOREA LTD	South Korea	F	57
FAURECIA AUTOMOTIVE SEATING INDIA PRIVATE LIMITED	India	F	57
FAURECIA JAPAN K.K.	Japan	F	57
FAURECIA EQUIPEMENTS AUTOMOBILES MAROC	Morocco	F	57
OOO FAURECIA ADP	Russia	F	34
OOO FAURECIA AUTOMOTIVE DEVELOPMENT	Russia	F	57
FAURECIA SHIN SUNG CO. LTD	South Korea	F	34
FAURECIA SYSTÈMES D'ECHAPPEMENT	France	F	57
FAURECIA BLOC AVANT	France	F	57
EMCON Technologies France SAS	France	F	57
FAURECIA-METALLOPRODUKCIA Holding	France	F	34
FAURECIA ABGASTECHNIK GmbH	Germany	F	57
FAURECIA KUNSTSTOFFE AUTOMOBILSYSTEME GmbH	Germany	F	57
LEISTRITZ ABGASTECHNIK STOLLBERG GmbH	Germany	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, Germany GmbH	Germany	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, Novaferra GmbH	Germany	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, Finnentrop GmbH	Germany	F	57
FAURECIA EXTERIORS GmbH	Germany	F	57
FAURECIA SISTEMAS DE ESCAPE ESPAÑA, S.A.	Spain	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, Pampelona, S.L.	Spain	F	57
FAURECIA AUTOMOTIVE EXTERIORS ESPANA, S.A. (Ex Plastal Spain S.A.)	Spain	F	57
FAURECIA - SISTEMAS DE ESCAPE PORTUGAL, LDA	Portugal	F	57
FAURECIA EXHAUST SYSTEMS AB	Sweden	F	57

Company	Country	F/E	% interest
Faurecia Magyarorszag Kipufogo-rendszer Kft	Hungary	F	57
FAURECIA EXHAUST SYSTEMS S.R.O.	Czech Republic	F	57
FAURECIA AUTOMOTIVE CZECH REPUBLIC, s.r.o.	Czech Republic	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, Mlada Boleslav, s.r.o	Czech Republic	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, UK Limited	United Kingdom	F	57
FAURECIA EXHAUST SYSTEMS SOUTH AFRICA LTD	South Africa	F	57
Emission Control Technologies Holdings S.A. (Pty) Ltd	South Africa	F	57
Emission Control Technologies S.A. (Ga-Rankuwa) (Pty) Ltd	South Africa	F	57
Emission Control Technologies S.A. (CapeTown) (Pty) Ltd	South Africa	F	57
FAURECIA EXHAUST SYSTEMS, INC.	USA	F	57
Faurecia Emissions Control Technologies, USA, LLC	USA	F	57
FAURECIA SISTEMAS DE ESCAPE ARGENTINA S.A.	Argentina	F	57
Faurecia Emissions Control Technologies, Cordoba	Argentina	F	57
FAURECIA SISTEMAS DE ESCAPAMENTO DO BRASIL LTDA	Brazil	F	57
Faurecia Emissions Control Technologies, Limeira	Brazil	F	57
Faurecia Exhaust Mexicana, S.A. de C.V.	Mexico	F	57
Exhaust Services Mexicana, S.A. de C.V.	Mexico	F	57
ET Mexico Holdings I, S. de R.L.de C.V.	Mexico	F	57
ET Mexico Holdings II, S. de R.L.de C.V.	Mexico	F	57
FAURECIA HONGHU EXHAUST SYSTEMS SHANGHAI, Co. Ltd (ex SHEESC)	China	F	29
FAURECIA TONGDA EXHAUST SYSTEM (WUHAN) CO., LTD	China	F	29
FAURECIA EXHAUST SYSTEMS CHANGCHUN CO., LTD	China	F	29
FAURECIA EMISSIONS CONTROL TECHNOLOGIES DEVELOPMENT (SHANGHAI) COMPANY LTD	China	F	57
FAURECIA (QINGDAO) EXHAUST SYSTEMS CO, Ltd	China	F	57
FAURECIA (WUHU) EXHAUST SYSTEMS CO, LTD	China	F	57
FAURECIA TECHNOLOGY CENTER INDIA PVT Ltd	India	F	57
YUTAKA AUTOPARTS PUNE PRIVATE LIMITED	India	F	42
FAURECIA INTERIORS LOUISVILLE INC	USA	F	57
CHONGQING GUANGNENG FAURECIA INTERIOR SYST	China	F	29
FAURECIA MADISON AUTOMOTIVE SEATING INC	USA	F	57
XIANGTAN F. LIMIN INTERIOR & EXTERIOR SYSTEMS	China	E	29
ZHEJIANG F. A. PLASTIC COMPONENTS	China	E	29
CHENGDU F. A. PLASTIC COMPONENTS	China	E	29
FAURECIA AUTOMOTIVE SEATING KOREA	South Korea	F	57
LANZHOU FAURECIA LIMIN INTERIOR & EXTERIOR SYSTEMS CO.	China	E	50
CHANGCHUN HUAXIANG F.A. PLASTIC	China	E	50
JINAN FAURECIA LIMIN INTERIOR & EXTERIOR SYSTEMS CO.	China	E	50
FAURECIA EMISSIONS CONTROL TECHNOLOGIES CONSULTING (Shanghai) Co., Ltd	China	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, (Shanghai) Co., Ltd	China	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, (Chongqing) Co., Ltd	China	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, (Yantai) Co., Ltd	China	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, Chengdu	China	F	57
FAURECIA EMISSIONS CONTROL SYSTEMS KOREA (ex DAEKI)	South Korea	F	57
FAURECIA JIT AND SEQUENCING KOREA	South Korea	F	57
FAURECIA INTERIOR SYSTEMS THAILAND CO., LTD.	Thailand	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, Thailand Co., Ltd	Thailand	F	57
ET (BARBADOS) HOLDINGS SRL	Barbados	F	57
EMCON Technologies Canada ULC	Canada	F	57
EMCON Technologies Kft	Hungary	F	57
Faurecia Emissions Control Technologies, India Private Limited	India	F	42
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, Italy SRL	Italy	F	57
ET Dutch Holdings Cooperatie U.A.	Netherlands	F	57
ET Dutch Holding BV	Netherlands	F	57
ET Dutch Holding II BV	Netherlands	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, Netherlands B.V.	Netherlands	F	57
OOO FAURECIA METALLOPRODUKCIA EXHAUST SYSTEMS	Russia	F	34
COMPONENTES DE VEHICULOS DE GALICIA, S.A.	Spain	E	29
COPO IBERICA, S.A.	Spain	E	29
VANPRO ASSENTOS LIMITADA	Portugal	E	29
ARSED, PODJETJE ZA PROIZVODNJO IN TRZENJE KOVINSKE OPREME (ARSED Doo)	Slovenia	E	29
TEKNIK MALZEME Ticaret Ve Sanayi A.S.	Turkey	E	29
ORCIA OTOMOTIV Yan Sanayi Ve Ticaret Anonim Sirketi	Turkey	E	29
KWANG JIN FAURECIA Co. Limited	South Korea	E	29
FAURECIA-NHK Co., Ltd	Japan	E	29
SAS AUTOMOTIVE France	France	E	29
COCKPIT AUTOMOTIVE SYSTEMS DOUAI SNC	France	E	29
SAS AUTOSYSTEMTECHNIK VERWALTUNGS GmbH	Germany	E	29
SAS AUTOSYSTEMTECHNIK GmbH und Co. KG	Germany	E	29
SAS Automotive N.V.	Belgium	E	29
SAS Autosystemstechnick, S.A.	Spain	E	29
SAS Autosystemtechnik de Portugal, Unipessoal, Lda.	Portugal	E	29
SAS AUTOMOTIVE LIMITED	United Kingdom	E	29

Company	Country	F/E	% interest
SAS Autosystemtechnik s.r.o.	Czech Republic	E	29
SAS Automotive s.r.o	Slovakia	E	29
SAS Automotive RSA (Pty) Ltd	South Africa	E	29
SAS Automotive Do Brasil Ltda	Brazil	E	29
SAS Automotive Systems S.A. de C.V.	Mexico	E	29
SAS Automotive Systems & Services, S.A. DE C.V.	Mexico	E	29
SAS Automotive USA, inc.	USA	E	29
SAS Automotriz Argentina S.A. (dormant company)	Argentina	E	29
AD Tech Co Ltd	South Korea	E	29
FAURECIA (YANCHENG) AUTOMOTIVE SYSTEMS CO LTD	China	F	57
FAURECIA EXTERIORS ARGENTINA	Argentina	F	57
SAS Autosystemtechnik Zwickau GmbH & Co. KG, Zwickau	Germany	E	29
SAS (Wuhu) Automotive Systems Co. Ltd, Wuhu City, China	China	E	29
SAS Otosistem Teknik Ticaret ve Limited Şirketi	Turkey	E	29
TRANSPORTATION AND LOGISTICS DIVISION			
ARCESE MERCURIO SLOVENSKO S.R.O.	Slovakia	F	70
ALGAI	Russia	F	51
BSM TRANSPORTES S.R.L.	Argentina	E	28
GEFCO	France	F	100
GEFCO BENELUX S.A.	Belgium	F	100
GEFCO DEUTSCHLAND GmbH	Germany	F	100
GEFCO SUISSE S.A.	Switzerland	F	99
GEFCO OSTERREICH GmbH	Austria	F	100
GEFCO ITALIA S.p.A.	Italy	F	100
GEFCO U.K. Ltd	United Kingdom	F	100
GEFCO ESPANA S.A.	Spain	F	100
GEFCO PORTUGAL TRANSITARIOS Ltd	Portugal	F	100
GEFCO BALTIC	Lithuania	F	100
GEFCO UKRAINE	Ukraine	F	100
GEFCO POLSKA Sp. z.o.o.	Poland	F	100
GEFCO CESKA REPUBLICA s.r.o.	Czech Republic	F	100
GEFCO SLOVAKIA s.r.o.	Slovakia	F	100
GEFCO ROMANIA	Romania	F	100
GEFCO HONGRIE	Hungary	F	100
GEFCO PREVOZNISTVO IN LOGISTICA	Slovenia	F	100
GEFCO TASIMACILIK VE LOJISTIK AS	Turkey	F	100
GEFCO TUNISIE	Tunisia	E	50
GEFCO MAROC	Morocco	F	100
GEFCO PARTICIPACOES Ltda	Brazil	F	100
GEFCO DO BRASIL Ltda	Brazil	F	100
GEFCO ARGENTINA S.A.	Argentina	F	100
GRANAT	Russia	F	100
GRUPPO MERCURIO S.P.A.	Italy	F	70
GEFCO CHILE SA	Chile	F	100
GEFCO INTERNATIONAL LOGISTICS CHINA CO. Ltd	China	F	100
GEFCO HONG KONG	China	F	100
LLC GEFCO (CIS)	Russia	F	100
MERCURIO DEUTSCHLAND Gmbh	Germany	F	70
MERCURIO BENELUX B.V.	Netherlands	F	100
MERCURIO France SAS	France	F	70
MERCURIO PALLIA LOGISTICS PRIVATE LIMITED	India	F	51
MERCURIO PALLIA AUTOWORKS PRIVATE LIMITED *(wholly-owned by Mercurio Palia Logistics)*	India	F	100
PRZEDSIEBIORSTWO SPEDYCYJNO-TRANSORTOWE TRANSPOLAND Sp. Zo. O.	Poland	E	23

Company	Country	F/E	% interest
FINANCE AND INSURANCE COMPANIES			
BANQUE PSA FINANCE	France	F	100
PSA ASSURANCES SAS	France	F	100
SOCIETE FINANCIERE DE BANQUE - SOFIB	France	F	100
SOFIRA - SOCIETE DE FINANCEMENT DES RESEAUX AUTOMOBILES	France	F	100
SOCIETE NOUVELLE DE DEVELOPPEMENT AUTOMOBILE - SNDA	France	F	100
SAS FINANCIERE GREFFHULE	France	F	100
COMPAGNIE GENERALE DE CREDIT AUX PARTICULIERS - CREDIPAR	France	F	100
COMPAGNIE POUR LA LOCATION DE VEHICULES - CLV	France	F	100
PSA FINANCE BELUX	Belgium	F	100
PSA FINANCE SCS	Luxembourg	F	100
PSA FINANCE NEDERLAND B.V.	Netherlands	F	100
PSA FINANCIAL HOLDING B.V.	Netherlands	F	100
PEUGEOT FINANCE INTERNATIONAL N.V.	Netherlands	F	100
FCC AUTO ABS - Leasing receivables compartment 2006.01	France	F	100
FCC AUTO ABS - Compartment 2007.01	France	F	100
FCC AUTO ABS - Compartment 2008.01	Germany	F	100
FCC AUTO ABS - Compartment 2011.01	France	F	100
FCT AUTO ABS - Compartment 2010-1	France	F	100
FCT Auto ABS German loans - Compartiment 2011-2 - 5815	Germany	F	100
PSA FACTOR ITALIA S.p.A.	Italy	F	100
PSA RENTING ITALIA S.p.A.	Italy	F	100
SPV AUTO ITALY 2007	Italy	F	100
PSA WHOLESALE Ltd	United Kingdom	F	100
VERNON WHOLESALE INVESTMENTS CO Ltd	United Kingdom	F	100
PSA FINANCE SUISSE S.A.	Switzerland	F	100
PSA GESTAO COMERCIO E ALUGER DE VEICULOS	Portugal	F	100
PSA FINANCE POLSKA	Poland	F	100
PSA FINANCE HUNGARIA Rt	Hungary	F	100
PSA FINANCE CESKA REPUBLIKA s.r.o.	Czech Republic	F	100
PSA FINANCE SLOVAKIA s.r.o.	Slovakia	F	100
BPF FINANCIRANJE D.o.o.	Slovenia	F	100
PSA SERVICES LTD	Malta	F	100
PSA LIFE INSURANCE LTD	Malta	F	100
PSA INSURANCE LTD	Malta	F	100
BPF ALGERIE	Algeria	F	100
BPF PAZARLAMA A.H.A.S.	Turkey	F	100
BANCO PSA FINANCE BRASIL S.A.	Brazil	F	100
PSA FINANCE ARRENDAMIENTO COMERCIAL	Brazil	F	100
PSA FINANCE ARGENTINA S.A.	Argentina	F	50
BPF MEXICO S.A. DE CV	Mexico	F	100
PSA FINANCIAL Doo	Croatia	F	100
BANK PSA FINANCE RUS	Russia	F	100
FOND D'INVESTISSEMENT EN DROITS DE CREANCES	Brazil	F	100
DONGFENG PEUGEOT CITROEN AUTOMOBILE FINANCE COMPANY	China	E	87
o/w 12.5% through Dongfeng Peugeot Citroën Automobile			

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PSA PEUGEOT CITROËN

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