PSA PEUGEOT CITROËN

2012 ANNUAL RESULTS

2012 Annual Results

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I. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES at 31 December 2012

Supervisory Board

CHAIRMAN

Thierry Peugeot

VICE-CHAIRMEN

Jean-Philippe Peugeot
Jean-Louis Silvant

MEMBERS OF THE SUPERVISORY BOARD

Marc Friedel
Pamela Knapp
Jean-Paul Parayre
Robert Peugeot
Thierry Pilenko
Henri Philippe Reichstul
Dominique Reiniche
Marie-Hélène Roncoroni
Geoffroy Roux de Bézieux
Ernest-Antoine Seillière
Joseph F. Toot Jr

ADVISORS TO THE SUPERVISORY BOARD

François Michelin
Roland Peugeot

Managing Board

CHAIRMAN

Philippe Varin

MEMBERS OF THE MANAGING BOARD

Jean-Baptiste de Chatillon
Guillaume Faury
Grégoire Olivier
Jean-Christophe Quémard
Fréderic Saint-Geours

II. BUSINESS REPORT

1. RISK FACTORS AND UNCERTAINTIES

Main risk factors specific to the Group and its business

The PSA Peugeot Citroën Group pays close attention to ensuring that effective control is maintained over the risks associated with its various businesses. The various departments identify and assess risks and evaluate the related internal controls on an on-going basis, in France and abroad, within the main units of the Automotive Division and the non-Automotive subsidiaries (except Faurecia which has its own system). The principal risk factors specific to the Group are described in detail in the 2012 Registration Document, which will be published in March 2013 and include the following:

1.1 Operational risks

These include, in particular, market cycle and country risks, new vehicle development, launch and marketing risks, customer and dealer risks, raw materials risks, supplier risks, industrial risks, environmental risks, workplace health and safety risks, risks associated with the cooperation agreements and information systems risks.

- **Risks related to the group's economic and geopolitical environment**

The Group's operations and earnings can be adversely affected by difficult economic conditions as demand in one or more geographic markets can decline sharply if the economic context turns morose, and particularly in the event of a recession. The impact for the Group can be even greater if the falloff in demand hits the regions where PSA Peugeot Citroën has a strong sales presence.

In areas outside Europe, the Group is, de facto, exposed to various risks, including:

- exchange rate risk, as sharp falls in local currencies against the euro or currency overvaluation may affect the Group's ability to sell its products in certain markets;
- unfavourable changes in tax and/or customs regulations in the countries with which the Group trades;
- geopolitical events: the Group may be exposed to risks such as popular uprisings, diplomatic crises, the overthrow of a regime, arbitrary or discriminatory behaviour, or a war in a foreign country. For instance, the Group decided to suspend its shipments to Iran because of difficulties finding secure sources of funding.

Risk management and control processes

The Group has tightened up its management structure so that it can react swiftly to various high-risk situations. As part of this move, against a backdrop of fierce sales competition and a European market that is expected to remain depressed for the foreseeable future, the Group has implemented new cost-cutting measures with a view to further strengthening its Performance Plan. The Group's globalisation strategy – which primarily involves internationalising its business activities – is part of its strategy to deal with any negative consequences that could arise in a particular geographic area as a result of a recession or serious geopolitical events.

The Group's exposure to exchange rate risks is managed mostly on a centralised basis by PSA International (PSAI) which sets up the appropriate currency hedges where required. In addition, the impact of negative currency effects is passed on in selling prices wherever possible.

- **New vehicle development, launch and marketing risks**

The Automotive Programmes Department is tasked with deploying the Group's strategic vision and enhancing value creation by ensuring the alignment of all of the contributing processes and by leading the implementation of Group programmes. This mission is global in scope. The department is responsible for ensuring that project start-ups, either by the Programme processes (Vehicles, Modules, Services) or by the participating departments (Industrial Operations, HR, etc.), are aligned with the Worldwide Master Plan and that the programmes' financial metrics are consistent with the targets set during the strategic planning process.

To cover the project management risks related to new vehicle development and process engineering, the Group leverages a comprehensive design and development process, known as the operational development plan, which is regularly updated. for each vehicle project, a set of product services, profitability, quality, time-to-market and CO_2 reduction objectives are set. Progress in meeting these objectives is tracked by a system of project milestones, corresponding to the various stages at which senior management reviews all the financial and technical indicators. In addition, the Quality Department authorises the sale of each vehicle that leaves the production line and organises any necessary recalls of faulty vehicles delivered to dealers or customers. It also ensures that vehicles in the marketing or design stage comply with the applicable regulations, particularly those relating to safety and the environment. Responding more effectively to customers' after-sales service requirements during the vehicle design phase (repairability, ease of fault detection, etc.) has also contributed to the steady improvement in the quality of the Group's new models.

The Group works with the regulatory authorities to ensure that effective dates for new regulations are determined based on the results of objective impact studies and that they are realistic, taking into account the time that carmakers will reasonably need to adapt.

Regulatory watch systems and appropriate action plans have been set up in Europe and in the Group's main host countries outside Europe.

- **Raw materials risk**

The Group's Automotive Division and Automotive Equipment Division (Faurecia) are exposed to raw materials risk either as a result of their direct purchases of raw materials or indirectly when purchasing components from suppliers. Raw materials purchases represented 24% of total purchases by the Group in 2012. They are either industrial products such as steel and plastics whose prices and related adjustments are negotiated between purchasing officers and vendors, or commodities traded on organised markets, such as aluminium, copper, lead or precious metals, in which case the purchase prices of the raw materials or components concerned are based directly on quoted market prices. Raw materials with the greatest impact on production costs are as follows, in declining order:

- Industrial products: steel (42% of total raw material purchasing costs), thermoplastics (13%) and elastomers (11%);
- Commodities (for which the price risk is hedged): aluminium (8% of total raw material purchasing costs), precious metals (5%) and copper (3%).

The Group has identified two different types of raw materials risk:

1. supply risk related to the availability of raw materials;
2. financial risk related to fluctuations in raw materials prices.

Risk management and control processes

The Group's Purchasing strategy implemented by the Purchasing Department is aimed at fully leveraging a number of action points, such as optimising global sourcing, using bulk purchases for raw materials (for both direct and indirect transactions), increasing flexibility in terms of substitute materials, using recycled and green materials, recovering and reusing by-products and putting in place financial hedging mechanisms.

The Group's exposure to risks related to commodities traded on organised markets (aluminium, copper, lead, and precious metals such as platinum, palladium and rhodium) is tracked jointly by the Purchasing Department and Corporate Finance through PSA International (PSAI). In line with the Group's hedging policy for commodity risks (and currency risks), PSAI sets up the necessary hedges based on consumption forecasts for the raw materials concerned. These forecasts are prepared by the Purchasing Department or result from the 3-year business plan. No speculative positions are taken. The hedging policy in periods of rising prices aims to fix the price of at least 50% of forecast purchases for the coming year and 20% of purchases for the coming two years.

Steel and plastics purchases are made under contracts for relatively short-periods (six months for steel). The Group negotiates with suppliers the impact of price rises and falls to be reflected in component prices. Only part of the increase can be passed on in selling prices.

Raw materials risk is also reviewed on a quarterly basis by a Metals Committee chaired by the Chief Financial Officer. Raw materials risk is reviewed on a day-to-day basis and also at quarterly meetings of a Metals Committee chaired by the Chief Financial Officer. During these meetings, the Purchasing Department presents its updated raw materials consumption forecasts, which are used by PSAI to adjust its commodity hedging positions.

For more details, please refer to Note 37 to the consolidated financial statements at 31 December 2012.

- **Risks associated with the cooperation agreements**

To speed its development and bring down engineering and production costs, over the past few decades PSA Peugeot Citroën has implemented a policy of entering into cooperation agreements with other carmakers. This policy forms part of the Group's medium- and long-term Worldwide Master Plan and is underpinned by the dual principles of mutual trust and risk sharing. Examples include agreements signed with Fiat, Toyota and Mitsubishi for shared vehicle platforms and with Renault, Ford, BMW and Mitsubishi for gearboxes, engines and electrical components. In future agreements will also be signed with General

Motors. In addition, the Group regularly grants manufacturing licenses to industrial partners in countries where these types of agreements are required in order to break into the market.

In 2012 the Group signed a strategic global Alliance. Leveraging the combined strengths and capabilities of the two companies, it will contribute to the profitability of both partners and strongly improve their competitiveness in Europe.

In the pre-signature negotiation phase for cooperation agreements there is a risk that the partner concerned could use the information provided to it by PSA.

Once a cooperation agreement has been signed, the risks faced by PSA are mainly financial, i.e. (i) penalties may be imposed in the event of a breach of take-or-pay clauses under which the Group is committed to taking delivery of an agreed quantity of products manufactured by the cooperative venture, (ii) costs may be incurred to offset the negative impact on component purchase prices caused by reductions in volumes, or (iii) overruns may arise for R&D costs, capital expenditure or the costs for remedying faulty products, when the partner is acting as project manager.

In all circumstances, whenever a project's profitability is jeopardised, a provision for onerous contracts and/or an asset impairment loss is recorded in the consolidated financial statements to reflect the future costs that will be incurred.

Other risks to which the Group is exposed in relation to its cooperation agreements include the risk of a partner granting licenses to a third party without any entitlement for PSA to receive the related royalties, or the risk of a partner manufacturing low-quality products which would require PSA to undertake large-scale remedial action with its customers and would damage the Group's image.

Risk management and control processes

In order to limit its risk exposure during the pre-signature negotiation phase for cooperation agreements, PSA has put in place a procedure whereby no talks can commence with a potential partner until the parties have signed a non-disclosure agreement.

During the performance phase of a cooperation venture or a partnership, the various underlying contracts – such as the framework agreement, development agreement or supply agreement – are drawn up in as much detail as possible in order to avoid any legal risks.

At operational level, Corporate Finance and the Programmes department have set up a process for verifying that the partners involved in cooperation ventures comply with their contractual commitments.

Part of this process entails setting up governance bodies for each venture, with a referral procedure for settling any disputes that may arise. The governance bodies regularly review a wide range of issues and take shared decisions, notably concerning action plans aimed at rectifying any potential situations of contractual non-compliance and therefore eliminating or mitigating the related risks.

1.2 Financial market risks

The Group is exposed to liquidity risk, as well as interest rate risks, counterparty risks, exchange rate risk and other market risks related in particular to fluctuations in commodity prices and in equity markets. Note 37 to the consolidated financial statements provides information on risk management, which is primarily carried out by Corporate Finance, and identified risks and the Group policies designed to manage them.

1.3 Banque PSA Finance risk exposures

In particular, they include risks relating to financial markets and Banque PSA Finance's status as a financial institution, operational risks and credit risks

(See Note 37 to the consolidated financial statements at 31 December 2012).

More detailed information is provided in Banque PSA Finance's 2012 Annual Report which can be downloaded from its website at www.banquepsafinance.com.

1.4 Legal and contractual risks

These risks include, in particular, risks arising from legal and arbitration proceedings, financial covenants, pension and other post-retirement benefit obligations, intellectual property and on- and off-balance sheet commitments given in connection with the

Group's cooperation agreements.

The PSA Peugeot Citroën Group is exposed to legal risks as an employer and in connection with the design and distribution of vehicles, the purchase of components and the supply of services.

- **Legal and arbitration proceedings**

As of 31 December 2012 no Group company was involved in any claims or litigation that had a material impact on the consolidated financial statements.

During the last twelve months, there have been no governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the Group's financial position or profitability, and to the best of the Group's knowledge, no such proceedings are pending or threatened.

Concerning provisions for claims and litigation, please refer to Note 28.2 to the consolidated financial statements at 31 December 2012.

- **Financial covenants**

The financial covenants applicable to borrowings and undrawn lines of credit are detailed in Note 37.1 A for manufacturing and sales companies and finance companies.

The Group is currently in compliance with all of these clauses.

For more details, please refer to Chapter 4 of the 2012 Registration Document regarding risk factors. The registration document will be published in March 2013.

2. THE GROUP'S OPERATIONS

2.1. Significant events in 2012

2.1.1. Alliance with General Motors

Alliance announcement on 29 February 2012

General Motors and PSA Peugeot Citroën announced the creation of a global strategic alliance on 29 February 2012. Leveraging the combined strengths and capabilities of the two companies, it will contribute to the profitability of both partners and strongly improve their competitiveness in Europe.

The alliance is structured around two main pillars: the sharing of vehicle platforms, components and modules and the creation of a global purchasing joint venture for the sourcing of commodities, components and other goods and services from suppliers, with combined annual purchasing volumes of approximately $125 billion. Each company will continue to market and sell its vehicles independently and on a competitive basis.

Beyond these pillars, the alliance creates a flexible foundation that allows the companies to pursue other areas of cooperation.

Under the terms of the agreement, GM and PSA Peugeot Citroën will share selected platforms, modules and components on a worldwide basis, in order to achieve cost savings, gain efficiencies, leverage volumes and advanced technologies, and reduce CO2 emissions. Sharing of platforms not only enables the development of global applications, it also permits both companies to execute large-scale Europe-specific programs in a more cost effective manner.

Initially, GM and PSA Peugeot Citroën intend to focus on small and mid-size passenger cars, MPVs and crossovers. The companies will also consider developing a new common platform for low emission vehicles. The first vehicle on a common platform is expected to be launched by 2016.

This alliance enhances but does not replace either company's ongoing independent efforts to return their European operations to sustainable profitability.

The purchasing cooperation defined in the agreement allows the companies to act as one global purchasing organisation when it comes to sourcing commodities, components and services from suppliers, taking full advantage of their joint expertise, volumes, platforms and standardised parts. Combining GM's robust global processes and organisational structure with best practices from PSA Peugeot Citroën will bring significant value and efficiencies to the purchasing operations at both companies.

Additionally, the alliance is exploring areas for further cooperation, such as integrated logistics and transportation. To this end, GM established a strategic, commercial cooperation with Gefco, an integrated logistics services company and 25%-owned subsidiary of PSA Peugeot Citroën, whereby Gefco would provide logistics services to GM in Europe and Russia (see the section entitled "Steps taken by the Alliance", below).

The total synergies expected from the alliance are estimated at approximately $2 billion USD annually within about five years. The synergies will largely coincide with new vehicle programs, with limited benefit expected in the first two years. It is expected the synergies will be shared about evenly between the two companies. The alliance is supervised by a global steering committee that includes an equal number of 5 senior leader representatives from both companies. It will have strategic managerial oversight of all activities that are currently part of the alliance and any exploration of other potential areas of cooperation.

Steps taken by the Alliance

Logistics cooperation agreement between General Motors and PSA Peugeot Citroën

As an initial result of their global alliance, on 2 July 2012, General Motors and PSA Peugeot Citroën announced the signing of an exclusive, long-term agreement to transfer the majority of GM's logistics business in Europe to Gefco, a 25%-owned subsidiary of PSA Peugeot Citroën and established leader in automotive and industrial logistics in Europe and beyond.

The agreement concerns the majority of Opel/Vauxhall, Chevrolet and Cadillac logistics activities in Europe (including Russia) and includes services such as equipment and component deliveries to manufacturing plants, delivery of finished vehicles to dealerships and the transport of after sales spare parts to distribution centres.

This is one of the most extensive logistics agreements in the European automotive industry to date. It will allow GM to achieve cost savings and focus its internal resources on its core automotive business.

The new logistics agreement between GM and Gefco will take effect in 2013.

On 20 December, PSA Peugeot Citroën (PSA) and General Motors (GM) confirmed the signing of agreements for the formation of their global strategic alliance. In accordance with the provisions of the framework contract signed on 29 February 2012, the two partners signed definitive agreements for three vehicle projects as well as for a joint purchasing scheme.

Creation of a purchasing joint venture

The agreements signed in 2012 provide for the creation of a joint purchasing organisation in Europe, supported by a joint venture. This entity has now been approved by all relevant anti-trust authorities, so the joint purchasing organization (JPO) will soon be operational. A GM executive will be in charge of setting up the organization as part of a transitional phase under the supervision of a board chaired by a PSA representative.

He will be replaced within a maximum of one year by a Vice-President of Purchasing and a Deputy Vice-President, both of whom will be appointed alternately from each of the two Groups.

Three joint platform and vehicle development projects

The first joint platform and vehicle development projects are:

- A joint programme for a C-MPV for Opel/Vauxhall and a C-CUV for Peugeot
- A joint B-MPV for both Groups
- The joint development of an upgraded low CO2 segment B platform to underpin the new generation of Opel/Vauxhall and PSA Peugeot Citroën vehicles in Europe and worldwide

Additional joint development vehicle projects are under review and will serve to further strengthen the alliance. These will be the subject of future announcements. The first vehicles produced as a result of this collaboration are due to be launched in 2016. Opel/Vauxhall, Peugeot and Citroën models will be highly differentiated and fully consistent with their respective brand identities.

The balance of roles and responsibilities will allow both partners to reap the benefit of this collaboration:

- The C-MPV for Opel/Vauxhall, the C-CUV for Peugeot and the B-MPV for both Groups will be developed at PSA Peugeot Citroën platforms.
- GM will spearhead the development of the B-MPV for both Groups.
- An upgraded low CO2 segment B platform will be jointly developed to underpin the new generation of Opel/Vauxhall and PSA Peugeot Citroën vehicles in Europe and worldwide

Further global initiatives

Based on the success of their collaboration, the partners also announced their intention to develop further global initiatives to broaden the scope of their alliance and seize future opportunities:

- Joint development of a next generation of high-performance, fuel-efficient petrol engines derived from PSA's global small petrol engine programme (EB engine).
- Research into new vehicle and industrial initiatives in Latin America or other growth markets.

2.1.2. Rights issue

In connection with the alliance, PSA Peugeot Citroën announced on 29 march 2012 the launch of an approximately €1 billion capital increase with preferential subscription rights for shareholders of PSA Peugeot Citroën, underwritten by a syndicate of banks and including an investment from the Peugeot Family Group. This investment is a sign of their confidence in the success of the alliance. As part of the agreement, which includes no specific provision regarding the governance of PSA Peugeot Citroën, GM acquired a 7% equity stake in PSA Peugeot Citroën through the acquisition and exercise of the Peugeot Family Group's remaining preferential subscription rights and the acquisition of treasury shares sold by PSA Peugeot Citroën, making it the second largest shareholder after the Peugeot Family Group.

The proceeds from the capital increase will be used principally to fund strategic investments related to projects that are core to the global strategic alliance with General Motors. These investments will be used to finance the projects related to the sharing of vehicle platforms, components and modules, which will generate design and purchasing costs synergies.

The proceeds from the capital increase will also make it possible to extend the alliance to other areas of cooperation beyond the two initial pillars.

The share capital increase with preferential subscription rights launched by PSA Peugeot Citroën on 6 March 2012 has been successfully concluded. The final gross proceeds amounted to €999,013,089, corresponding to the issue of 120,799,648 new shares. Total subscription orders amounted to approximately €1.78 billion, representing a subscription rate of 178%:

- 119,101,968 new shares were subscribed by irrevocable entitlement (*à titre irreductible)*, representing approximately 98.6% of the total number of new shares;

- 96,431,058 new shares were requested on a basis subject to reduction (*à titre réductible)*, and were, as a result, only satisfied in part, in the amount of 1,697,680 new shares.

At 31 December 2012, the Peugeot Family Group remains PSA Peugeot Citroën's major shareholder with 25.51% of the capital and 38.11% of the exercisable voting rights

2.1.3. 2012 cash management plan

Faced with the downturn in the European market, in early 2012 the Group announced a cash management plan for €1 billion and proposed asset disposals totalling €1.5 billion.

- The objective of €1 billion in cost savings on purchases and fixed costs was exceeded, with €1,181 million in cost savings realised in 2012, despite a declining European market and the pressures it put on volumes and prices;
- Asset disposals amounted to €2 billion in 2012, in excess of the €1.5 billion target, and included:

- The disposal of car rental firm Citer SA and its Spanish subsidiary Atesato Enterprise Holdings brought €448 million in cash, as part of PSA Peugeot Citroën's strategy to optimise its portfolio and allocate resources to developing its core business;
- Exceptional divestment of real estate assets brought in €634 million and included the sale of the Group's head office building to a subsidiary of Ivanhoe Cambridge, the real estate arm of Caisse de depot et placement du Quebec, for €242.2 million; the sale of the Citroën showroom on the Champs Elysees in Paris and of property in our own network in France and Great Britain.
- A 75% capital interest in Gefco was sold to JSC Russian Railways (RZD) for €797 million, following GEFCO's payment of an exceptional €100 million dividend to PSA Peugeot Citroën.

- - Stocks were reduced to levels below those of December 2010, in line with planned objectives, with 416,000 vehicles at end December 2012 as against 445,000 at 31 December 2010.
- The Group postponed a number of projects as a result of its decision to reduce R&D investments and spending and give priority to certain other investments in a difficult environment. Capital expenditure and R&D spending came to €3,814 million in 2012, before exceptional items. This high level corresponded to a peak in capital expenditure, primarily reflecting capacity extension at Kaluga in Russia, Porto Real in Brazil and in China, the development of three-cylinder petrol engines and product development. The reduction in Automotive Division capital expenditure will be significant in 2013.
- The merger of the two brands' back office operations in Europe over 10 months has generated the initial synergy expected from the new organisation of sales and marketing and brand operations.

2.1.4. Rebound 2015 plan

In response to the durable fall off of demand in Europe, an additional plan for €1.5 billion in 2015 was deemed necessary. This plan is over and above the cost reduction and cash management measures implemented at the beginning of 2012, and which will continue. The Rebound 2015 plan is expected to lead to breakeven[1] in operational free cash flow by end 2014. This plan includes:

- €600 million from reorganizing the French production base and dimensioning the structural costs of the Group, as announced on 12 July. This project is based on ceasing production at the Aulnay plant, adjusting production facilities in Rennes, revitalising the Aulnay and Rennes sites, and redeploying corporate overheads.
- €550 million reduction in capital expenditure, following the ramp-up of capacities in Russia, Latin America and China. This reduction will already be significant in 2013.
- Optimising production costs, primarily as a result of the alliance with General Motors, for €350 million. Half of these gains will come from alliance initial purchasing synergies and the other half from action plans to reduce design and production unit costs.

These measures will help to restore the Automotive Division's performance, by increasing capacity utilisation in Europe and reducing the cost base in Europe, ahead of the full effects of the alliance with General Motors. They will be supported by the continuing upscaling of the brands and by the drive towards increased globalization, with newly installed production capacities.

Project to reorganise the Group's French production base and redeploy the workforce

To deal with the extended volume decline in Europe, a project to reorganise manufacturing operations and the redeployment of the workforce was on presented on 12 July 2012, in order to restore the Group's competitiveness and ensure its future. The following measures are planned:

- In 2014, cessation of operations at Aulnay, which employs 3,000 workers, refocusing production in the Paris region in or near Poissy and revitalising Aulnay.
- Adjusting the production facilities in Rennes, redeploying 1,400 workers there out of a total of 5,600.

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[1] In current market conditions, e.g. European market and pricing environment stabilized at 2012 level, a 13% market share in Europe, and the assumption that the increase of input costs would equal the impact of production and procurement.

- Redeploying Group overhead staff, which should result in a reduction of 3,600 positions across all sites in France.
- Employer-employee consultation and dialog.

The Aulnay and Rennes projects will, in keeping with our commitment to employee dialog, include measures intended to assist all employees concerned and to foster their reassignment, especially within the Group. The redeployment of overhead staff will be implemented through voluntary retirements and departures from the company.

As part of the Aulnay revitalisation plan implemented by PSA Peugeot Citroën, ID Logistics announced on 25 October 2012 its intention to relocate to one portion of the space currently available. This relocation will therefore entail the creation of nearly 600 jobs. These jobs may be offered to interested workers at the Aulnay site as part of the revitalisation process that will be undertaken in collaboration with the labour unions.

On 12 December 2012 the Group announced the end of the consultation period with unions concerning economics and the continuation of negotiations concerning assistance.

2.1.5. New financing from Banque PSA Finance

On 24 October 2012, PSA Peugeot Citroën announced that financing from Banque PSA Finance was to be strengthened for the benefit of the Group, its customers and the automotive industry as a whole, including dealer networks.

The Banque PSA Finance banking pool was asked to provide €11.5 billion in cash facilities, including €1 billion in additional liquidity. A significant number of the principal lines of credit have been renegotiated, with drawdowns possible over the full 2013-2015 period.

At the same time, the French State announced its intention to provide up to €7 billion in refinancing guarantees for new bond issues, for drawdowns to be made over the same 2013-2016 period. An oversight committee made up of Government and Group representatives has been set up to monitor the guarantee.

On 11 February, Banque PSA Finance obtained the European Commission's temporary authorization to use the French State's guarantee to secure its debt issuance in the period from 1 January 2013 to 31 December 2016. The guarantee was voted by the French parliament on 29 December 2012 and has been granted in exchange for a premium. It concerns total issues of up to €7 billion and covers the principal amount of the debt issues plus related interest, costs and incidental expenses.

The European Commission's authorization has been obtained for the first €1.2 billion tranche of issuance with a term of up to 36 months, to be carried out in the next six months, corresponding to the period needed by the Commission to issue its final decision concerning this State support.

A 5-member guarantee monitoring committee, comprising representatives of the French State and the PSA Peugeot Citroën Group, will oversee the coordinated implementation of the guarantee.

The temporary authorization to use the guarantee, along with the increase in the securitization programme and the rollover of bank facilities provide Banque PSA Finance with robust refinancing resources, in terms of their amount and duration, together with good visibility.

(See Note 41 to the consolidated financial statements at 31 December 2012.)

These measures serve to supplement the measures already taken by the Group, following the change in PSA Peugeot Citroën's credit rating, so as to improve Banque PSA Finance's funding capacity with, in particular:

• An increase in the securitisation and repurchase of 18% to 27% of the balance sheet, going from €4.9 billion in 2011 to €7.4 billion at end 2012, including €2.9 billion with the CEB
• The launch in France in the first half of 2013 of a savings account for retail customers

Success of Banque PSA Finance securitisation programmes in 2012

Banque PSA Finance accelerated its securitisation programme in 2012, reaching a new level with the success of five operations in four markets (France, the United Kingdom, Spain and Italy) amounting to €3.1 billion of senior notes.

Against a background of financial market volatility, Banque PSA Finance increased the share of its funding undertaken through its securitisation programme, thereby demonstrating its ability to strengthen and diversify its funding sources in order to support PSA Peugeot Citroën sales.

Banque PSA Finance rolls over its bank facilities

Banque PSA Finance signed a new €4.1 billion, 5-year, syndicated loan agreement on 11 January 2013. The facility was oversubscribed, with 18 banks from eight different countries taking part.

On the same day, as part of the plan to streamline and extend its back-up facilities, the Bank negotiated the extension of a €1.2 billion revolving line of credit to January 2016. Having also rolled over a €1.8 billion line of credit to December 2015, Banque PSA Finance now has unused drawing rights totalling €3 billion.

Lastly, Banque PSA Finance has also rolled over the majority of its bilateral bank facilities, strengthening its ties with its banking pool which comprises over fifty banking institutions worldwide.

Together, these transactions allow Banque PSA Finance to confirm the availability of €11.5 billion worth of medium-term bank financing.

Thanks to the roll-over of these bank facilities, along with securitisation programmes and planned issues of Government-guaranteed bonds, Banque PSA Finance now has robust sources of refinancing and good visibility of their amount and duration.

For further details, see section 3.4.2. Banque PSA Finance.

2.1.6. Supervisory Board press release in respect of BPF financing

The Peugeot S.A. Supervisory Board, meeting on 23 October 2012, welcomed the announcement on Banque PSA Finance funding by the Group's banking partners and by the Government.

Within this context, a decision was taken to cease dividend payments and share buybacks and to refrain from granting stock options or performance shares to Managing Board members during the period covered by the Government guarantee.

In addition, so as to improve employee involvement in Group governance, the Supervisory Board decided to initiate the process of the appointment, by the Shareholders' Meeting, of an employee representative as a member of the Supervisory Board.

The Supervisory Board also expressed its intention to actively pursue measures already taken to renew the Board's composition and increase the number of women members by the addition of a new, independent board member. The intention is that this independent board member will become a member of the Board's Strategy Committee and an advisory member of the Supervisory Board. He or she will have an important role to play in the Group's governance.

The next Shareholders' Meeting will be called upon to approve the new Peugeot SA Supervisory Board which will include the addition of independent members.

The Supervisory Board of Peugeot S. A. decided to co-opt Louis Gallois as lead independent director during its meeting on 12 February 2013. The appointment of Mr. Gallois will be submitted to the Shareholders' Annual Meeting for ratification on 24 April 2013.

2.1.7. Impairment losses on assets of the Automotive Division in 2012

As part of the 2012 year-end closing process and in line with the accounting standards guidelines issued by France’s securities regulator, the Autorité des Marchés Financiers, PSA Peugeot Citroën has undertaken an analysis of the difference between the value of its consolidated equity in the balance sheet and its economic value based on future discounted cash flows. The discount rate (Weighted Average Cost of Capital - WACC) of the automotive sector has also been revised. This analysis takes into account the outlook for the Group in the context of the deterioration of the European market, which is likely to remain at 2012 levels for the foreseeable future.

The difference leads to a depreciation of the global Automotive Division assets value in the accounts at 31 December 2012 of €3,888 million, broken down as follows:

- Impairment charge on the Automotive division assets under IAS36 in respect of 2012: 3 009 M€
- Adjustment in net value of deferred taxes 879 M€ This measure will not involve any cash-out. It is reversible, and is not related to goodwill.

In addition, other impairments relating to specific assets and provisions for onerous contracts of the Automotive division, booked in the non-recurring operating result, amount to €855m before tax for the full year 2012 (out of which €612m were already accounted in H1 2012).

All these charges will impact PSA Peugeot Citroën’s net Income Group share in 2012, but do not affect its solvency nor its liquidity. The depreciation of these assets has no impact on cash.

2.1.8. Sale of 75% capital interest in Gefco to JSC Russian Railways (RZD)

On 5 November 2012, Philippe Varin, Chairman of the PSA Peugeot Citroën Managing Board, and Vladimir Yakunin, President of JSC Russian Railways (RZD), signed a sale contract appertaining to the acquisition by RZD of a 75% capital interest and voting rights in GEFCO S.A., the GEFCO Group parent company.

On 20 December, PSA Peugeot Citroën announced the completion of the acquisition of 75% of the capital and voting rights of its subsidiary, GEFCO S.A. by JSC Russian Railways (RZD), in accordance with the sale contract signed on 5 November 2012.

PSA Peugeot Citroën sold its investment to RZD for €800 million, following the payment by GEFCO to PSA Peugeot Citroën of an exceptional dividend of €100 million. (See Note 2.4 to the consolidated financial statements at 31 December 2012).

With RZD, GEFCO will not only further enhance its geographic expansion strategy in China, India and Latin America, but will also accelerate its growth in Eastern and Central Europe, particularly in Russia. RZD and GEFCO will offer unrivalled logistics services between Europe and Asia by combining the strengths of the two groups. The new entity will become a world leader in diversified industrial supply chain logistics.

RZD intends to retain GEFCO's management team and all of its existing operating units, including those providing services to PSA Peugeot Citroën.

The protection of the sustained quality of the logistics services provided by GEFCO to PSA Peugeot Citroën, as well as the protection of both parties' interests, is guaranteed by a shareholders' agreement between PSA Peugeot Citroën and RZD.

The PSA Peugeot Citroën and Gefco S.A. Works Councils have expressed their support for the transaction.

2.1.9. Development of agreements by the Group in 2012

- Fiat Group Automobiles and PSA Peugeot Citroën continued discussions over the future of their Sevelnord joint venture. Under the terms of their agreement, Fiat's stake in Sevelnord will be transferred, and Sevelnord will continue to manufacture light commercial vehicles for the two groups until the new Euro 6 emissions standards come into effect at the end of 2016.
- On 23 July 2012, Toyota Motor Europe and PSA Peugeot Citroen announced a new agreement on light commercial vehicles for the European market. Under the plan, PSA Peugeot Citroen is to supply Toyota with light commercial vehicles for sale in Europe under the Toyota brand.

  As a first step, starting in the second quarter of 2013, PSA Peugeot Citroen will supply Medium Size Vans derived from its existing vehicles Peugeot Expert and Citroen Jumpy. The agreement also includes collaboration on next generation vehicles which are to be produced by PSA Peugeot Citroen. The collaboration is expected to last beyond 2020.

  Under the plan, Toyota Motor Europe is to participate in development and industrial investment costs for the next generation product. There are no plans for the two companies to enter into capital tie-ups or joint production arrangements.
- The PSA Peugeot Citroën Group's second joint venture in China with Changan is up and running. The DS brand network was launched on June 28 and already included 25 dealers by the end of December. Local production will begin in Shenzen in the second-half of 2013 from a plant with an annual capacity of 200,000 vehicles.
- Cooperation with Ford on 1.4-litre to 1.6-litre engines continued apace with the derivatives planned for Euro 6 emissions legislation which comes into effect from 2014.
- On 31 October 2012, PSA Peugeot Citroën and BMW announced the end of their partnership through the joint venture BMW Peugeot Citroën Electrification. The BMW Group will take over the business unit's activities. Cooperation between the two groups on petrol engines will continue.
- Regarding the Group's first Chinese joint venture with Dongfeng Motors, construction work continued at the third plant in Wuhan which will begin production in the second-half of 2013. The total annual production capacity of the joint venture is expected to reach 750,000 vehicles by 2015.

2.2. Business Review

Significant events

- Worldwide sales of assembled vehicles down 8.8% at 2,820,000 units
- Sales of Group vehicles and CKD units stood at 2,965,000 units (down 16.5% following the suspension of sales of CKD units in Iran)
- Sharp increase in the proportion of assembled vehicle sales outside Europe, rising from 33% in 2011, to 38% in 2012
- PSA Peugeot Citroën still the leader in terms of CO2 emissions at 122.5g/km CO2
- Successful launch of the Peugeot 208
- 300,000 Citroën DS sold worldwide since its launch

In 2012, the world's automotive markets experienced mixed fortunes. European markets continued to decline (down 8.6% in Europe 30), whilst the Russian market grew by 10.6%, the Chinese market by 6.6. % and the Latin American market by 5.6%.

Against this backdrop, Group sales worldwide amounted to 2,820,000 units (down 8.8%) for assembled vehicles and 2,965,000 units (down 16.5%) including CKD units.

The drop in Group sales is a reflection of the crisis being experienced by the European automotive industry. The Southern European markets, where the Group has a particularly strong presence, have been hit the hardest by this crisis (France: -13.3%, Spain: -14.9%, Italy: -20.9%). The Group's market share was 12.7 % in Europe 30. Group market share equivalent to 2011 would be 13%.

In addition, the Group's decision to suspend its sales of CKD units in Iran from February onwards, following the strengthening of international sanctions and resultant funding difficulties affecting payments, impacted on Group sales in 2012.

The Group's globalisation programme has borne fruit. The percentage of new vehicles sold outside Europe grew sharply, rising from 24% in 2009, to 33% in 2011 and 38% in 2012. The Group confirmed its target of achieving 50% of its sales outside of Europe by 2015.

2012 was marked by the successful launch of the Peugeot 208, with 221,000 vehicles sold. The continuing ramp-up of sales of small three-cylinder petrol engines from Summer onwards was noted.

In Europe, the Peugeot 208 has been diesel engine segment leader since June. As a result of this success, Peugeot was brand leader in this European segment in the second half. Finally, in December, the Peugeot 208 became the top selling car in France, all categories included.
Likewise, brand upscaling is on the right track. The percentage of Premium vehicles has doubled in three years and now accounts for 18% of the Group's sales. The Group's world premiere of vehicles equipped with diesel hybrid technology contributed to this percentage for the first full year. With 22,000 deliveries in 2012, the Group was the second largest seller of hybrid vehicles in Europe where one Citroën DS5 out of every four, one Peugeot 508 out of five and one Peugeot 3008 out of six were sold with hybrid diesel engines.

Finally, PSA Peugeot Citroën is still European leader in terms of the reduction of CO2 emissions, with an average of 122.5g/km CO2 across its range.

Southern Europe brought down Group sales

The European market declined by 8.6% in 2012. Even within the European continent, markets have experienced mixed fortunes with countries in the South* being particularly hard hit by the economic crisis, whilst accounting for 57% of the Group's European sales in 2012. The automotive market shrank by 13.3% in France, 14.9 % in Spain, 20.9% in Italy and 40% in Portugal, the countries where the Group has the greatest presence. This particularly unfavourable market mix was a major factor in the drop in Group market share which stood at 12.7%, compared to 13.3% in 2011.

In this extremely difficult market, the Group did, however, increase its market share in Italy (up 0.6 points to 10.2%). Peugeot and Citroën also profited from the robust health of the British market (+ 3.8%), and grew their market share by 0.2 points to 9.3%, due to the success of the Citroën DS and the strong performance recorded by the 208. On the Spanish market, the Group achieved a market share of 17.2% making Peugeot and Citroën the second and third highest selling brands.

In France, where sales of cars and light commercial vehicles were down 13.3% on 2011, Peugeot was the highest performing French brand with a total of 369,000 vehicles sold and a 16.2% market share.

The Group also confirmed its position as European light commercial vehicle market leader with a 20.8% market share.

** France, Spain, Italy and Portugal*

The Group's globalisation initiative is bearing fruit

China: sales growth outperformed the market

In China, the automotive market grew by 6.6% in 2012. Against this backdrop, Group sales were up 9.2% with 442,000 vehicles sold, growth thereby outperforming the market. This performance was reflected in growth in market share which reached 3.5%. Sales of Peugeot brand vehicles rose sharply (+24%) at 216,000 units.

These figures confirm the success of the Group's strategy in China. The growth in Dongfeng Peugeot Citroën Automobile (DPCA) sales will continue in 2013 due to the launch of new vehicles, the Peugeot 3008 and Citroën C4 L at the start of the year, followed by the Citroën C-Elysée and Peugeot 301, and due to the expansion of distribution networks.

In 2012, the Group's second joint venture, Changan PSA Automobile (CAPSA) launched the Citroën DS as a premium brand and constructed a dedicated sales network. The joint venture's products strategy, which includes both imported and locally produced vehicles, will enter a new phase in 2013 with the entry into production of the Citroën DS5 at the Shenzhen plant in the second half.

Latin America: a mixed picture

The Latin American market recorded growth of 5.6% over the year due to an improvement in the Brazilian economy. Group registrations were down 8.2% to 277,000 units, representing market share of 4.8%.

The picture was mixed: in Brazil, tax measures (IPI: Tax on Industrialised products) mainly benefited the B Popular segment, a segment in which the Group does not have a presence. PSA Peugeot Citroën sales in Brazil were also impacted by the works required to increase production capacities at the Porto Real plant which have now been completed. In contrast, in Argentina, Group registrations were up 4.4% and its market share is now 13.8%. For the second consecutive year, the Palomar plant was the country's top automotive production site with 129,500 vehicles produced in one year.

Sales in Latin America will be underpinned in 2013 by recent and future launches, in particular, those of the Citroën C3 and the Peugeot 208.

Russia: strong commercial and industrial growth

The Russian automotive market continued to grow in 2012 (+ 10.6%). Against this backdrop, Group registrations were up 7.4%, at 77,300 units, its market share standing at 2.6%, mainly due to 2012 launches: Peugeot 408, 508, 4008 and Citroën C4 Aircross, DS4 and DS5. Sales growth was particularly strong in the light commercial vehicle segment where Group registrations were up 18% in a market which grew by 4.5%.

Peugeot and Citroën continued to expand their networks which now cover over 90% of the territory and Russia's 25 largest cities. In addition, the Kaluga plant has now been fully operational since last July.

In Ukraine, the Group also consolidated its presence with a market share which grew from 2.9% to 3.4% in 2012.

In total, Group sales in the CIS (including Russia) stood at 88,000 vehicles over the year, a 110% increase since 2009.

Rest of the World

In the Rest of the World segment, Group sales were up 16.5% with exceptional performances in Mahgreb countries and, in particular, in Algeria where Group sales more than doubled (+45%) in a booming market, from 39,800 units in 2011 to 81,000 units in 2012.

Brand upscaling

Against the backdrop of a polarised European market in long-term decline, Peugeot and Citroën's upscaling strategy proved to be more relevant than ever.

Premium vehicles now account for 20% of Peugeot brand orders.

For its part, Citroën has sold a total of nearly 300,000 DS line vehicles (DS3, DS4 and DS5) since its launch in March 2010. In 2012, the Citroën DS accounted for 18% of all Citroën orders in Europe.

In Germany, the Citroën DS3 was voted "Best imported car" by Auto Zeitung readers.

From early 2013, the launch of the Citroën DS3 Cabrio will add to the DS line.

Reducing carbon emissions: PSA Peugeot Citroën is leading the race and is out in front of European standards

PSA Peugeot Citroën kept its place as European leader in terms of CO_2 emissions with average emissions of 122.5g/km CO_2* in 2012 compared with 127.5g/km CO_2 in 2011. The Group has thus already exceeded the targets set by Brussels for 2015 (130g/km CO_2).

38.7% of vehicles sold by the Group in Europe emit less than 111g/km CO_2, up from 30.3% in 2011.

The Group is continuing to reduce its vehicles' CO_2 emissions on the basis of four mutually-reinforcing pillars:

- optimised internal combustion engines with its family of three-cylinder petrol engines
- micro-hybrid technologies with broader deployment of second generation Stop & Start e-HDi on diesel Peugeot and Citroën ranges
- electric vehicles
- hybrid technologies with the launch of the Peugeot 3008, 508, 508 RXH and the Citroën DS5.

2013

In Europe, the automotive market is likely to experience a further dip of between 3 to 5% in 2013. Against this backdrop, the Peugeot and Citroën brands will step up their sales offensive with 17 launches worldwide, nine of which will be in Europe. The Group expects thereby to reduce the average age of its range to 3.5 years.

The Group will continue its upscaling strategy with numerous launches in 2013 such as the Citroën DS3 Cabrio, the Peugeot 208 GTI, 208 XY and 2008.

In China, with four launches for DPCA and the first locally produced vehicles from the Group's joint venture, Changan PSA Automobile (CAPSA), in the second half, the Group is in a strong position to continue its growth in a market which will remain steady in 2013.

In Latin America, after a year of transition and transformation, the production launch under way at the Porto Real plant for the Peugeot 208 and its subsequent sales launch in spring 2013, followed by other launches later in the year, will be sound assets which will enable the Group to boost its growth.

In Russia, in a market which is growing at a rate of around 2%, the Group will continue its growth strategy. This will be based on a young range, capitalising on the six models launched in 2012 and continuing this strategy in 2013 with the launch of the Peugeot 208 and 301 as well as that of the Citroën C-Elysée and C4 L.

In these developing areas, market growth, added to gains in market share, will enable PSA Peugeot Citroën to hit its target of making 50% of its sales outside Europe by 2015.

2.3. Capital expenditure and Research & Development

Innovation, research and development are the priorities for the PSA Peugeot Citroën Group. They represent a powerful lever for creating competitive advantage by addressing such major automotive industry challenges as changing standards and legislation, rising environmental awareness, emerging mobility and networking needs and meeting customer expectations for product appeal.

Thus, in 2012, capital expenditure (including capitalisable R&D costs) remained at €3,814 million (€861 million for Faurecia), compared with €3,713 million in 2011 (€681 million for Faurecia). Specifically, this amount reflects capacity extension at Wuhan III and Shenzhen in China, Porto Real in Brazil and Kaluga in Russia, as well as the development of the three-cylinder petrol engine used by the Peugeot 208.

In 2012, research and development focused in particular on:

- Solutions to reduce carbon emissions with measures to lower vehicle weight, make more energy efficient powertrains with a smaller carbon footprint and pave the way for alternative hybrid and electric powertrains. As Europe’s second largest carmaker, PSA Peugeot Citroën confirmed its progress, staying one step ahead in technology and environment through a new family of three-cylinder petrol engines and it remains the world leader in diesel hybrid vehicles, a field in which it has played a pioneering role. The 3008 HYbrid4, 508 HYbrid4, 508 RXH and DS5 HYbrid4 have already proved very successful with nearly 20,000 sales in 2012.

- The development of Peugeot and Citroën vehicles with the launch of 17 new models in 2013 so as to maintain an average age of these ranges at 3.5 years. The company will continue to introduce significant innovations via the new models.
- The emergence of the connected car with improved driver assistance to further increase safety and comfort, and connectivity solutions that integrate the new ways the customers use their vehicles nowadays.

Research and development led to the launch in 2012 of the Peugeot 208 and 301, the Citroën C- Elysée, two SUVs and the EB engine, and continued to expand internationally, notably in China, LATAM and Russia. This effort also resulted in the Group releasing four hybrid models in 2012, thus becoming Europe's second largest hybrid car maker, with a 14% annual market share growth.

R&D efforts were made visible at the Innovation Day event, held on 22 January 2013, when the Group unveiled several unique technologies, primarily including:

- The Hybrid Air technology, a petrol-compressed air hybrid system that marks a key step towards the 2l/100 km vehicle.
- Its new global modular platform EMP2 (Efficient Modular Platform 2) that provides efficient solutions to modularity, equipment and reduced CO2 emissions.
- SCR (Selective Catalytic Reduction), an innovative technology designed to treat nitrogen oxide (NOx) emissions from diesel vehicles, which will be launched in 2013.

2.4. Financial Position and Results

2.4.1. 2012 Group operating results

Following the sale by PSA Peugeot Citroën of its 75% interest in Gefco to JSC Russian Railways (RZD) (see paragraph 2.1.7.) and pursuant to IFRS 5 and IAS 27, the financial data for the Transportation and Logistics segment have been reclassified under "Discontinued operations" and the remaining 25% investment is recognised under " Investments in companies at equity".

For further information, please refer to Note 2 - Significant Events in the notes to the consolidated financial statements for the year ended 31 December 2012.

2.4.1.1. Revenue

The Group's operations are organised around four 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 Interior Systems, Automotive Seating, Automotive Exteriors and Emissions Control Technologies;
- 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 operations of Peugeot S.A., the Group's holding company, and Peugeot Motocycles.

The table below shows consolidated revenue by business.

(in millions of euros)	**2012**	**2011**	**%**
Automotive	38,299	42,710	-10.3%
Faurecia	17,365	16,190	+7.3%
Banque PSA Finance	1,910	1,902	+0.4%
Other Businesses and intersegment eliminations	(2,128)	(2,293)	-
TOTAL	**55,446**	**58,509**	**-5.2%**

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 2012, consolidated revenue was down 5.2% to €55,446 million from €58,509 million in 2011.

The Automotive Division reported a drop of €4,411 million, reflecting lower sales volumes in Europe. Faurecia's revenue increased by €1,175 million, while that of Banque PSA Finance rose by €8 million. The performances of each business are discussed in section 2.4.1.3.

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

(in millions of euros)	**2012**	**2011**
Consolidated revenue	55,446	58,509
Net contribution to consolidated revenue by region		
Europe	68.1%	72.9%
Russia	3.2%	2.5%
Asia	6.2%	4.7%
Latin America	9.6%	9.3%
Rest of the world	12.9%	10.6%
TOTAL	**100%**	**100%**

2.4.1.2. Recurring Operating Income

The following table shows recurring operating income (loss) by business.

(in millions of euros)	**2012**	**2011**
Automotive	(1,504)	(92)
Faurecia	514	651
Banque PSA Finance	391	532
Other Businesses and intersegment eliminations	23	2
TOTAL	**(576)**	**1,093**

The Group reported a recurring operating loss of €576 million in 2012, compared with income of €1,093 million in 2011. The decline stems primarily from the Automotive Division's worsening performance, with a recurring operating loss of €1,504 million that reflects lower demand in Europe, contracting unit sales and sustained price pressure. It is also a result of the discontinuation of spare parts sales in Iran since February, as well as the deconsolidation of Gefco. The 21% drop in Faurecia's performance, to €514 million, was also impacted by the crisis in Europe. BPF's operating income, which was down 26.5% at €391 million, was affected by the revision of its retail receivables statistical provisioning method in November, which resulted in an exceptional impact of €136 million.

2.4.1.3. Analysis of revenue and recurring operating income by division

Automotive Division

(in millions of euros)	**2012**	**2011**
Revenue	38,299	42,710
Recurring operating income (loss)	(1,504)	(92)
As a % of revenue	*-3.9%*	*-0.2%*

Revenue

In 2012, the global automotive market expanded by 6.1%. This growth was driven by booming markets in Russia and China which grew by 10.6% and 6.6% respectively, in the US and Japan (growth of 13% and 26% respectively) and by the Latin American and Indian markets which recorded growth of 5.6% and 12%.

In Europe, where the economic environment was very weak, the market recorded an 8.6% drop but with countries experiencing very mixed fortunes: France: -13.3%, Germany: -3.1%, United Kingdom: +3.8%, Spain: -14.9%, Italy: -20.9%, Portugal: -40%.

With its strong presence in Europe, particularly in France, Spain and Italy, PSA Peugeot Citroën experienced a 16.5% drop in global unit sales, to 2,965 million assembled vehicles and CKD units.

In 2012, unit sales of assembled vehicles fell by 14.8% in Europe and grew by 3.3% outside Europe. Sales outside Europe accounted for 38% of the total, up from 33% in 2011.

Unit sales of assembled vehicles were down 11.5% excluding China (operations in China are accounted for by the equity method). Sales of CKD units were down 68.3%. The increased sanctions against Iran made it impossible to finance Iran-bound sales of CKD units, which led the Group to suspend these sales in compliance with international regulations in February 2012.

Automotive Division revenue, at €38,299 million, was down 10.3% on 2011, in a European market which shrank by 8.6%.

Revenue from new vehicles fell by 12.4% to €27,765 million from €31,677 million in 2011, impacted mainly by the steep 11.4% contraction in volumes and by a negative 1.2% price effect over the year. A favourable +2.2% product mix effect, after an already strong +6.5% in 2011, was not enough to offset these factors. The exchange rate effect was mildly favourable over the year (+0.4%), offsetting a negative country mix (-0.4%).

Market share in Europe dipped by 0.6 points to 12.7% from 13.3% in 2011 but remained stable compared with the second half of 2011 (12.7%). This decline in performance was attributable, to a large extent, to an unfavourable market mix, with the most promising markets for the Peugeot and Citroën brands (France, Spain and Italy) all suffering from deep recession.

The proportion of sales made outside Europe continued to expand, rising to 38% over the period:

- The Chinese passenger car market grew by 6.6% in 2012. Group sales were up 9.2%, with growth outperforming the market. Underpinned by expanding distribution networks, the Group sold a total of 442,000 vehicles in China in 2012. Its market share, up by 0.1 points, stood at 3.5%.
- In 2012, the Russian market continued to expand rapidly. A total of 2.935 million vehicles were sold, 10.6% more than in 2011. The 78,000 vehicles sold by PSA Peugeot Citroën represented an increase of 4.9%. The Group's market share stood at 2.6%, down by 0.1 points. Sales were underpinned by network expansion and 2012 launches.
- Due to the improvement in the Brazilian economy in the second half, the Latin American market recorded 5.6% growth in 2012: Brazil: +6.1%, Argentina: -1.6%. Performance was impacted by technical difficulties at the Porto Real plant following capacity extension work and by the increase in Brazil's IPI tax on imported vehicles. In addition, volume growth was dampened by the renewal of the B segment line-up. Against this backdrop, the Group sold 283,000 vehicles in the region, down 13.0%. Market share narrowed from 5.5% to 4.8% in 2012. The Porto Real plant is now fully operational.

In this difficult 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 2012, Premium vehicles accounted for 18% of sales, practically unchanged from 2011.

Recurring operating income (loss)

The Automotive Division reported a recurring operating loss of €1,504 million in 2012, up from the €92 million loss recorded the previous year. The unfavourable operating environment accounted for €1,022 million of this decline, while the Group's underlying performance accounted for €391 million.

The change in the Automotive Division’s reported performance was due to the following factors:

Operating Environment

The worsening operating environment had a negative impact of €1,022 million.

- Shrinking market demand had a negative impact of €729 million.
- Higher raw materials costs and other external costs had a negative impact of €394 million. The increased cost of raw materials stood at €119 million.
- Other performance factors had a positive impact of €101 million, including in particular, changes in exchange rates which added €84 million, mainly due to the euro's depreciation against the pound sterling, and exceptional items (including the impact of Fukushima in 2011) which had a positive impact of €238 million.

Underlying Automotive Division performance

The Automotive Division's underlying performance had a negative impact of €391 million over the period.

- The Group exceeded its cost reduction target, with €1,181 million in savings in 2012.
- The Group continued to improve its product mix with a €321 million gain built on a high 2011.
- However, these positive effects did not fully offset the negative €559 million impact of losing market share in neither the deeply depressed European markets, nor the heavy €1,155 million impact from price pressure with, in particular, product enhancements driven by the highly competitive market.
- The guarantees had a negative impact of €179 million, reflecting mainly the reversal of a provision made in 2011.

Faurecia

(in millions of euros)	**2012**	**2011**
Revenue	17,365	16,190
Recurring operating income (loss)	514	651
As a % of revenue	*+3.0%*	*+4.0%*

Revenue

Product sales (parts and components delivered to automakers) totalled €13.30 billion, compared with €12.39 billion in 2011, reflecting a 7.3% increase (+1.4% at constant exchange rates and scope). They posted an 8.0% increase in the second half of 2012. The Saline plant in the USA, which was acquired from Ford and consolidated from June 2012, represents €281 million of the Group's sales.

Faurecia's total sales for 2012 stood at €17.36 billion (+2.0% at constant exchange rates and scope) compared to €16.19 billion in 2011, an increase of 7.3%. During the second half of 2012, total sales were up 7.0%.

Outside Europe, product sales grew by 30% and outpaced automotive production in all regions. This allowed the Group to accelerate the rebalancing of its product sales by region. For the year, North America accounted for 27% of product sales, with 10% in Asia and 5% in South America. Faurecia also continued to diversify its customer base: German automakers represent 39% of sales, followed by North American at 28%, French at 21% and Asian at 7%. The share of product sales outside Europe stood at 48% in the second half of 2012, an increase of 8 percentage points over the same period in 2011. Ford has become Faurecia's second-biggest customer, after Volkswagen.

By geographic region, product sales in 2012 break down as follows:

- in Europe[2], product sales totalled €7.41 billion, compared to €7.86 billion in 2011. This represents a decline of 6%, in line with the drop in automotive production. During the second half, product sales fell 7%, to €3.42 billion ;
- in North America, product sales reached €3.65 billion, a 41% increase (19% at constant exchange rates and scope) over the 2011 figure of €2.58 billion, outpacing the 17% rise in automotive production. This performance was buoyed by the acquisition of Saline and the development of Faurecia's commercial vehicles business with Cummins. Product sales in the second half of 2012 rose 44% to € 1.95 billion ;
- in Asia, product sales stood at €1.39 billion, versus €1.12 billion posted in 2011. This represents an increase of 24% (+14% at constant exchange rates and scope), with automotive production up 12%. Product sales in China increased 25% to €1.1 billion. In Asia, product sales in the second half rose 21% ;
- in South America, product sales came to €662 million, compared with €639 million in 2011. This represents an increase of 4% (+10% at constant exchange rates and scope), with automotive production declining by 1%. Product sales in the second half rose 16%.

Sales by business group

Growth was strongest in Interior Systems, reflecting market share gains in North America, and Emissions Control Technologies, where growth was particularly strong in Asia and in the commercial vehicles activity which demonstrated its strong development potential. Growth in Automotive Seating and Automotive Exteriors was more adversely affected by the drop in automotive production in Europe, although Automotive Exteriors had a good development in North America.

- Product sales for the Automotive Seating Business Group stood at €4.9 billion, compared to €4.8 billion in 2011, up 3%. Product sales rose by 1% in the second half.
- Product sales for the Interior Systems Business Group totalled €3.6 billion, compared with €3.1 billion in 2011, an increase of 17%. Product sales rose 25% in the last half of the year.
- Product sales excluding monoliths for the Emissions Control Technologies Business Group came to €3.2 billion, representing an increase of 10%. The increase in the second half was 6%.
- Product sales for the Automotive Exteriors Business Group totalled €1.6 billion. This was a 3% decline from 2011 levels. Product sales fell 1% in the second half.

Recurring operating income (loss)

Operating income for 2012 stood at €514 million, or 3.0% of total sales, compared with €651 million in 2011. Operating income in the second half of 2012 came to €211 million, equivalent to 2.5% of total sales. This drop was driven primarily by a rapid slowdown in European automotive production. In North America, strong growth in sales was not sufficiently translated into

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[2] Following Russia's inclusion in the Europe geographical region in 2012 (previously reported under "rest of world"), 2011 published data were restated to ensure comparability.

higher operating income as a result of exceptional items linked to the launch of new programs. Operating income remained high in Asia.

Banque PSA Finance

(in millions of euros)	2012	2011
Revenue	1,910	1,902
Net banking revenue	1,075	1,032
Recurring operating income (loss)	**391**	**532**
As a % of revenue	*20.5%*	*28.0%*

Revenue

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.

The Bank saw its penetration rate among the Group's customers rise by 2 points to a historic high of 29.8%, confirming its role in actively supporting the carmakers' sales. Developing synergies with the brands' marketing organisations is an essential factor in the Bank's sales strategy.

A total of 805,143 new and used vehicles were financed in 2012, 4.6% down on 2011, reflecting lower registrations across all markets.

A growing proportion of the Bank's revenue is generated outside Europe, with the year seeing solid contributions from Brazil, Argentina and Russia. Markets outside Europe accounted for 19.4% of new vehicle financing volumes in the year versus 18% the previous year.

New retail financing granted in 2012 totalled €8,461 million, down 3.7% from €8,790 million in 2011, reflecting the weak sales environment for the Peugeot and Citroën models and the unfavourable economic environment's front line impact on consumers.

At 31 December 2012, the retail loan book stood at €17,007 million, down from €17,474 million at 31 December 2011. The wholesale loan book at 31 December 2012 came to €6,054 million, down 11.5% from €6,840 million at 31 December 2011. Outstanding retail and wholesale loans totalled €23,061 million at 31 December 2012, down 5.2% on the €24,314 million recorded at the previous year-end.

The penetration rate for insurance and services offerings rose during the period, with 1.65 insurance/service contracts sold for every financing contract in 2012, up from 1.61 in 2011.

Banque PSA Finance's revenue for 2012 totalled €1,910 million, up 0.4% from the €1,902 million recorded in 2011.

(in millions of euros)	2012	2011
Outstanding loans (including securitised loans) by customer segment		
• Corporate Dealers	6,054	6,840
• Retail and Corporate & Equivalent	17,007	17,474
TOTAL BANQUE PSA FINANCE*	**23,061**	**24,314**

(in millions of euros)	2012	2011
Outstanding loans (including securitised loans)		
• France	8,572	8,868
• Rest of Europe	12,626	13,473
• Rest of the world	1,863	1,973
TOTAL BANQUE PSA FINANCE	**23,061**	**24,314**

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

Recurring operating income (loss)

Banque PSA Finance reported recurring operating income of €391 million in 2011 versus €532 million the previous year.

- Net banking revenue rose 4.2% to a new record high of €1,075 million from €1,032 million in 2011, despite the slowdown in Automotive Division sales. This change is mainly due to an increase in retail lending margins, reflecting

high production quality over the past years, and the maintenance of average net loans outstanding and lending margins on the Corporate Dealers segment.

- Net additions to provisions for loan losses for the year came at €290 million, or 1.23% of average net loans outstanding, compared with €115 million in 2011, or 0.49% of average net loans outstanding. Banque PSA Finance's net additions to provisions for retail loan losses (individual customers and small businesses) amounted to €260 million in 2012. This amount included an €136 million impairment loss recognised in the last quarter of 2012 as a result of reviewing the statistical provisioning method applicable to the retail loan portfolio. Net additions to provisions for loan losses in 2012 also included the €25 million impact of increased impairment rates, especially for Southern European countries, due to the change in the observation period for the loss rates used to calculate the expected losses. In 2011, net additions to provisions for retail loan losses stood at €107 million.
- General operating expenses totalled €394 million in 2012 versus €385 million in 2011. The increase was primarily due to costs incurred in connection with new development projects and the impact of a revised statutory tax on French financial institutions applicable to BPF's consolidated equity (€4 million).

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

2.4.2. Other Income Statement Items

2.4.2.1. Operating income (loss)

Non-recurring operating expenses amounted to €4,528 million in 2012 versus €463 million in 2011.

- Impairment losses on CGUs and other assets and net additions to provisions for Automotive Division onerous contracts totalled €3,864 million. These primarily comprised an impairment loss on the CGU's assets;
- Automotive Division's €3,009 million , against the backdrop of a deteriorating European market (see Note 8.1. to the consolidated financial statements for the year ended 31 December 2012), in connection to yen-denominated contracts for vehicles produced under cooperation agreements, provisions for inventories in Iran and the writedown of assets at the Aulnay plant;
- Restructuring costs came to €528 million in 2012, of which €440 million concerned the Automotive Division and €84 million Faurecia. The former relate primarily to France, in particular the plan to restructure the Automotive Division's production base and to redeploy its workforce (see paragraph 2.1.4.). Restructuring costs for Faurecia included €79 million for employee separations.

Non-recurring operating income stood at €406 million, compared with €46 million in 2011, consisting in particular of gains on real estate disposals.

For further information, please refer to the notes to the consolidated financial statements at 31 December 2012 (Note 8 - Non-recurring Income and Expenses).

As a result of these factors, the Group ended 2012 with a consolidated operating loss of €4 698 million, compared with operating income of €676 million in 2011.

(in millions of euros)	**2012**	**2011**
Automotive	(5,760)	(439)
Faurecia	426	593
Banque PSA Finance	390	532
Other Businesses and holding company	246	(10)
TOTAL PSA PEUGEOT CITROEN	**(4,698)**	**676**

2.4.2.2. Net financial income

Net financial expense came to €418 million in 2011 compared with €329 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 increase reflected the increase in finance costs following repayment of the loan from the French State in 2011, which generated a €73 million exceptional expense reversal in the first-half 2011 through two new PSA bond issues of €500 million in September 2011 and of €600 million in April 2012, for which expenses amounted to €60 million in 2012, Moreover, a new Faurecia bond issue of €250 million, together with an additional amount of €140 million on the November 2011 issue, led to expenses of €59 million.

For more information, refer to the notes to the consolidated financial statements at 31 December 2012 (Notes 9, 10 and 11).

2.4.2.3. Income tax expense

The current tax expense stands at €389 million in 2012 compared to €335 million in 2011. Deferred tax in 2012 is a charge of €383 compared to deferred tax income of €450 million in 2011. The deferred tax assets on deficits from the French tax consolidation which are not allocable at 50% to deferred tax liabilities were totally written down for €1,902 million. Secondly, €1,023 million of deferred tax liabilities were included in the result due to the €3,009 million depreciation in the Automotive division CGU's assets.

For more information, please refer to the consolidated financial statements for the six months ended 31 December 2012 (Note 12 - Income Taxes).

2.4.2.4. Share in net earnings of companies at equity

The net income of companies accounted at equity was €160 million for the 2012 fiscal year, compared to €172 million in 2011. The companies accounted at equity are firstly Dongfeng Peugeot Citroën Automobile (DPCA), Changan PSA Automobiles (CAPSA), and secondly cooperations with other car manufacturers, when they have a specific legal structure, as is the case for the joint ventures with Fiat, Toyota and Renault. On 31 October 2012, PSA Peugeot Citroën and BMW announced the end of their partnership in the BMW Peugeot Citroën Electrification joint venture. BMW is taking charge of the business unit's activities. The JV's contribution in 2012 was negative by €35 million, due to the full depreciation of the securities. Cooperation between the two groups on petrol engines will continue.

The DPCA contributed €171 million to income in 2012, compared with €150 million in 2011.

Toyota Peugeot Citroën Automobiles' contributed €15 million to the Group's result, compared to €8 million in 2011. The contribution from the companies created by the cooperation with Fiat was negative by €1 million, compared to the negative contribution of €3 million in 2011.

For more information about the Group's share in the net earnings of companies at equity, please refer to the notes to the consolidated financial statements for the six months ended 31.12.12 (Note 16 - Investments in Companies at Equity).

2.4.2.5. Consolidated profit (loss) from continuing operations

The Group ended the year with a consolidated loss of €5,728 million compared to a profit of €634 million in 2011.

2.4.2.6. Profit (loss) from discontinued operations

The Group ended the year with a profit from discontinued operations of €803 million, compared to a profit of €150 million in 2011, being mainly the capital gains from the deconsolidation of Gefco (see Note 2 of the consolidated Financial statements on 31 December 2012).

2.4.2.7. Consolidated profit (loss) for the period

The Group ended the year with a consolidated loss of €4,925 million compared with earning of €784 million in 2011.

2.4.2.8. Consolidated loss attributable to equity holders of the parent

The consolidated loss attributable to the parent company's equity holders -€5 010 million in 2012 compared to €588 million on 2011.

2.4.2.9. Earnings per Share

The basic loss per share amounted to €15.80 compared with basic earnings per share of €2.64 in 2011.
Diluted loss per €1 par value share was €15.60 versus earnings of €2.56 in 2011.

Please refer to the notes to the consolidated financial statements to 31 December 2012 (Note 13 - Earnings per Share).

2.5. Outlook

The 2013 European automotive market is expected to contract by a further 5% in this context, while the other key markets are expected to grow by around 8% in China, 2% in Latin America and 2% in Russia.

Free cash flow in 2012 was -€1,387 million. Operational free cash flow (excluding exceptional items and restructuring) amounted to -€3 billion, including -€2.5 billion in respect of the Automotive Division and -€0.5 billion for Faurecia.

In 2013, the Group aims to reduce the rate of operational free cash flow consumption by half and confirm its target of returning to equilibrium for free operational cash flow by the end of 2014.

3. CASH AND CAPITAL RESOURCES

3.1. Equity

Consolidated equity amounted to €10,557 million at 31 December 2012, down on the €14,494 million recorded at the previous year-end. This difference is mainly due to taking into account the result of the fiscal year which was particularly impacted by the depreciation of the Automotive Division’s assets.

At 31 December 2012, the share capital comprised 354,848,992 shares with a par value of one euro each. The increase compared with the number of shares outstanding at 31 December 2011 resulted from the issuance of 120,799,648 new shares as part of the capital increase. At the period-end, the Group held 12,788,628 treasury shares to cover its requirements for (i) a future liquidity contract, (ii) outstanding stock option plans, and (iii)) the partial issue of June 2009 Oceane convertible bonds . No shares were bought back in 2012, however 4,398,821 treasury shares were sold to General Motors as part of the strategic alliance with the US carmaker.

For further details of the capital increase, please refer to the *Significant events in 2012* 2.1.2 Rights Issue.

3.2. Net financial position of 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 €10,692 million compared with €9,779 million on 31 December 2011 (see Note 30 to the consolidated financial statements at 31 December 2012). The increase primarily reflected the €600 million bond issue by Peugeot S.A. and the two bond issues by Faurecia, for amounts of €140 million and €250 million. Manufacturing and sales company financial assets rose to €7,586 million at 31 December 2012 from €6,490 million at 31 December 2011.

As a result, the manufacturing and sales companies’ the net financial position was -€3,148 million on 31 December 2012 compared to -€3,359 million on 31 December 2011 (see Note 34 to the consolidated financial statements on 31 December 2012). Faurecia's net debt stands at €1,892 million, higher than the €1,391 million recognised in 2011. Automotive net debt (manufacturing and sales companies excluding Faurecia) was down by €712 million for the period to €1,256 million.

Funds from operations totalled €1,033 in 2012, down from €2,395 million in 2011 due to the Automotive Division's underperformance over the year.

The WCR had a negative impact of -€602 million, despite good stock control (+€339 million compared to 31 December 2011), which returned to 2010 levels. Trade receivables fell by -€9 million compared to 31 December 2011. Trade payables fell by -€835 million compared to 31 December 2011, reaching lower than normal levels due to production cuts. The Other Changes in Working Capital Requirements item fell by -€97 million compared to 31 December 2011.

Capital expenditure and capitalised research and development costs amounted to €3,814 million in 2012, due to the commitment to supporting the increase in production capacity in Russia, China and Latin America, as well as the Group's expansion in Europe and globally and product launches.

In addition, the Group made a number of financial investments totalling €69 million, primarily in the CAPSA joint venture in China.

Banque PSA Finance paid a total dividend of €533 million, including an exceptional dividend of €360 million.

The exceptional sale of real estate assets released an inflow of cash of €634million, whilst the sale of 75% of Gefco’s capital generated a net cash injection of €897 million.

Free cash flow[3] ended the year at -€1,387 million, versus -€1,763 million a year earlier.

The sale of Citer, which generated €448 million in cash, the €967 million in proceeds from the capital increase and the €89 million from the sale of preferential subscription rights on the financial market and from the sale of treasury shares to General Motors helped to reduce the Group’s net debt which was €3,148 million at the end of 2012.

The net debt-to-equity ratio stood at 29.8% at 31 December 2012, compared to 23% a year earlier.

3 Free cash flow of industrial and commercial companies: the dividends received from Banque PSA Finance have been included in Free Cash Flow since 2010. *In 2012 the exceptional dividend paid by Gefco was treated in a similar way.*This is equal to : operating flows - investment flows + net dividends received from the Group's companies..

3.3. Origin, Amount and Description of Consolidated Cash Flows

3.3.1. Consolidated Cash Flows

For more information, please refer to the consolidated financial statements - Consolidated Statements of Cash Flows for the year ended 31 December 2012.

3.3.2. Manufacturing and Sales Companies

The following table presents the manufacturing and sales companies' cash flows for 2012 and 2011:

	Manufacturing and sales companies	
(in millions of euros)	**2012**	**2011**
Net Profit	**(6,021)**	**280**
Working capital provided by operations	1,033	2,395
Change in working capital	(602)	(678)
Net cash from (used in) operating activities	**431**	**1,717**
Net cash used in investing activities	**(2,450)**	**(3,635)**
Net cash from/(used in) financing activities	**2,387**	**(2,663)**
Effect of changes in exchange rates	(6)	5
Net increase (decrease) in cash and cash equivalents from continuing operations	**362**	**(4,576)**
Net cash from discontinued operations	345	15
Cash and cash equivalents at beginning of year	4,692	9,253
Net cash and cash equivalents at end of period	**5,399**	**4,692**

Cash flows from operating activities of the manufacturing and sales companies

Funds from operations of the manufacturing and sales companies came to €1 033 million in 2012 compared with €2 395 million the previous year, representing 1.9% of their revenue versus 4.2% the year before. The generation of funds from operations was adversely affected by the Automotive Division's weaker performance in 2012. See section 2.4.1.3 Automotive Division.

The €602 million negative change in working capital mainly reflects the fall in trade payables of €835 million.

Consequently, funds from industrial and commercial companies present a positive balance of €431 million compared to €1,717 million in 2011.

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

(in thousands of new vehicles)	**2012**	**2011**	**2010**
The Group	178	234	222
Independent dealer network	238	259	223
TOTAL	**416**	**493**	**445**

The new vehicles inventory at December 2012 totalled 416,000 new vehicles, representing a ratio of 65 days' sales[4], in line with the announced objective. At 31 December 2011, there were 493,000 new vehicles in inventory, representing 69 days' sales.

Cash flows from manufacturing and sales company investment activities

The flows connected to investment in industrial and commercial activities stand at €2,450 million at the end of 2012, compared to €3,635 million at the end of 2011. In addition to those carried out by the Automotive Division, these include investments made by Faurecia, asset disposals and the sale of 75% of the capital interest in Gefco.

Capitalised development costs amounted to €1,262 million versus €1,227 million in 2011 (see Note 7 to the consolidated financial statements at 31 December 2012).

4 *Sales ratio* : ratio calculated on the basis of sales forecasts for the next 3 months

Cash Flows From Financing Activities of Manufacturing and Sales Companies

The flows from the financing activities of the manufacturing and sales companies total €2,387 million, as opposed to -€2 663 million to 31 December 2011. This change reflects the following factors:

- changes in other financial assets and liabilities totalling €675 million, including a €1,944 million increase in loans ;
- capital increase and premiums of €1,028 million;
- €89 million in proceeds from the sale of treasury shares to General Motors and preferential subscription rights on the market
- the BPF dividend of €532 million, and the Gefco dividend of €100 million ;

Net Cash and Cash Equivalents at End of Period - Manufacturing and Sales Companies

Given the flows from operations, investment flows, and flows from financial operations explained above, and after taking the negative foreign exchange rate conversions of €6 million into account, net cash and cash equivalents at the year end totals €5,399 million, compared with €4,692 million at 31 December 2011.

Liquidity reserves for the manufacturing and sales companies amounted to €10,574 million at end-2012 versus €9,302 million at end-2011, with €7,324 million in cash and current & non current financial assets, and €3,250 million in undrawn lines of credit.

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

At the year-end, the Bank had cash and cash equivalents of €1,669 million versus €1,154 million at year-end 2011 (see Note 35 to the consolidated financial statements at 31 December 2012), due in particular to net cash from operating activities of €1,050 million.

3.4. Liquidity and Funding

3.4.1. Manufacturing and sales companies

In the prevailing economic environment, the Group kept up its proactive and diversified financing strategy and conservative liquidity management in order to meet its general needs, particularly the financing of its activity and development projects. This strategy enabled the Group to refinance its 2013 debt maturities on favourable terms. The refinancing transactions strengthened the balance sheet by maintaining the average life of debt.

Refinancing transactions carried out during 2012 were as follows:

- On 11 April 2012, Peugeot S.A. issued €600 million of 5.625% bonds due July 2017;
- On 21 February 2012, Faurecia carried out a €140-million tap on its €350-million issue of 9.375% senior notes due December 2016;
- On 3 May 2012, Faurecia issued €250 million of 8.75% senior notes due June 2019;
- On 18 September 2012, Faurecia issued €250 million of Oceane 3.25% bonds due January 2018;

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 initially extended in July 2011 by one year to July 2014. In July 2012, Peugeot S.A. obtained a second one-year extension to July 2015 for a €2,225 million tranche. It was undrawn at 31 December 2012 (see Note 35.2). The drawdown of this line of credit is conditional on the ratio of the net debt of manufacturing and sales companies to equity being under one. Faurecia has undrawn confirmed lines of credit amounting to €850 million at 31 December 2012.

3.4.2. Banque PSA Finance

At 31 December 2012, 23% of funding was provided by bank facilities, 42% by the capital markets, 20% by loan securitisations placed on the financial markets and 15% by public sources such as the ECB (European Central Bank) and SFEF (Société de Financement de l'Economie Française, created during the recent crisis and tasked with raising funds through bond issuances in order to lend these to banks and financial institutions). At 31 December 2011, these sources had contributed 19%, 59%, 18% and 4% of bank funding respectively.

As part of the BPF's financing strategy implemented in 2012, Banque PSA Finance decided to increase recourse to securitisation and ECB REPOs to at least offset by end-2012 the disappearance of short-term financing on the capital markets as a result of the loss of the A2/P2 rating in July 2012.

At the same time, discussions were entered into with the French State to explore other avenues of financing for BPF: in particular, a French State guarantee for future bond issues of Banque PSA Finance under its EMTN programme. This was the only solution which would enable access to the financial markets without being affected by BPF's rating.

Under Article 85 of the Amending Finance Act of 29 December 2012, the Minister for the Economy is authorised to provide a State guarantee for a fee for securities issued between 1 January 2013 and 31 December 2016 by Banque PSA Finance in order to enable it to refinance itself. It is a guarantee for a maximum of €7 billion in capital, and does not represent a transfer of funds from the French State to Banque PSA Finance. It is only in the event of Banque PSA Finance defaulting that the Bank's counterparties could ask the State to honour the guarantee.

The French State notified the European Commission of this guarantee on 7 January 2013. The Act provides for an agreement to be signed by the French State, Peugeot SA and Banque PSA Finance, which will notably describe the commitments made by the Group to the French State in return for this guarantee.(cf Note 41 of the consolidated financial statements).

On February 11, 2013 the European Commission temporarily authorised the guarantee described in Note 37.1 for an initial amount of €1,200 million. A guarantee agreement shall be signed between the French State, Peugeot S.A. and Banque PSA Finance. This will set out the commitments made by the PSA Peugeot Citroën Group to the French State

Under this same agreement, Banque PSA Finances will undertake to pay the French State a commission on a monthly basis, equal to 260 base points calculated annually on the principal outstanding and interest incurred by the debt benefitting from the guarantee. The matter has been referred to the European Commission for definitive authorisation under state restructuring aid rules.

A second guarantee agreement corresponding this time to the residual amount of €5,800 million will be signed once definitive authorization has been received from the European Commission under state restructuring aid rules

BPF renegotiated with its banking pool in parallel to obtain similar commitment and financing periods to those expected via the State guarantee on new bond issues. Throughout 2012, Banque PSA Finance rolled over most of its drawn-down and revolving bilateral lines of credit on expiry. These rollovers enabled the Bank to maintain its bank financing. At 31 December 2012, drawdowns on the Bank's lines of credit amounted to €4,915 million, down from €4,058 million at 31 December 2011.

In late 2012, Banque PSA Finance carried out a review of its syndicated lines of credit to extend the maturity of its revolving back-up facilities in the amount of €3 billion to three years, and to set up a credit facility with a maximum five-year maturity. The first extension was agreed in late December 2012 and the second, carried out using a Forward Start Facility, was signed on 11 January 2013. The credit facility was also signed on this date, in the amount of €4,099 million, with a large international banking pool.

Borrowings under short and medium-term capital markets programmes fell from €12,926 million at 31 December 2011 to €9,080 million at 31 December 2012.

Borrowings under short-term programmes (Sofira commercial paper issues and Banque PSA Finance CD issues) dried up following the downgrading of BPF's short-term notes by the rating agencies to A3/P3, falling from €3,754 million at 31 December 2011 to €147 million at 31 December 2012.

Responding to market demand for medium-term paper, Banque PSA Finance carried out two EMTN issues and two private placements in 2012. In June, as part of the continued drive to diversify its sources of financing, the Bank successfully placed its first Swiss-franc denominated bond issue. This issue raised CHF 225 million (€188 million at date of issue). In all, the issues represented an aggregate €1,528 million with an average maturity of around three years.

Upon completion, EMTN, BMTN and similar outstandings stood at €8,846 million at 31 December 2012, up from €9,172 million at 31 December 2011.

In addition, Banque PSA Finance accelerated its securitisation programme in 2012, with five successful securitisation operations carried out in four markets (France, the United Kingdom, Spain and Italy) amounting to €3,101 million of senior notes.

The first Auto ABS securitisation transaction, compartment 2012-1, was agreed in July 2012 on Crédipar leasing receivables and carried out via the French compartmentalised securitisation fund (Fonds Commun de Titrisation à compartiments) 'Auto ABS FCT'. A second Auto ABS 2012-2 S.r.l transaction on Italian credit sales was carried out using an Italian entity in October 2012.

In November, an Auto ABS 2012-3 securitisation transaction was agreed on Spanish credit sales receivables and carried out using a Spanish asset securitisation fund (FTA).

In December, an Auto ABS French Loans Master securitisation transaction was agreed on Crédipar credit sales receivables and carried out using the new French master securitisation fund (Fonds Commun de Titrisation Master). An Auto ABS UK Loans PLC securitisation transaction on UK credit sales receivables was carried out using a UK securitisation entity.

Liquidity reserves

Banque PSA Finance constantly endeavours to strike the best possible balance between securing liquidity, which is an ongoing priority, and optimising its refinancing costs.

At 31 December 2012, 85% of refinancing had an initial maturity of twelve months or more (versus 80% at end-2011), ensuring continued solid coverage of potential liquidity risk.

Refinancing is arranged with maturities that comfortably cover the maturities of the retail financing portfolio. The average maturity of medium and long-term financing raised in 2012 is some 2.4 years.

Banque PSA Finance endeavours to maintain a certain level of cash reserves and undrawn lines of credit covering at least six months' financing needs. The 6-month target corresponds to the results of a stress test assuming continued financing of projected new lending without recourse to the financial markets. At 31 December 2012, the liquidity reserve amounted to €1,066 million. Banque PSA Finance has €6,726 million worth of undrawn committed credit facilities, including syndicated lines of credit amounting to €5,755 million.

At 31 December 2012, the syndicated back-up facilities expire on four dates: June 2013 (€1,755 million), June 2014 (€2,000 million), December 2014 (€277 million) and December 2015 (€1,723 million). These were obtained from syndicates of leading banks. These back-up facilities had not been drawn down at 31 December 2012.

The facilities in place at 31 December 2012 do not require BFP to comply with any financial ratios or other financial covenants, other than the customary negative pledge, cross default and similar clauses. They provide for the cancellation of the credit facilities if Peugeot S.A. does not directly or indirectly own a majority of Banque PSA Finance's outstanding shares.

The syndicated credit facilities were renegotiated and signed on 11 January 2013 in the reduced amount of €3,000 million (breaking down as €1,800 million expiring December 2015 and €1,200 million expiring January 2016), in light of the need to secure short-term borrowings at large discounts following the reduction in CD and commercial paper borrowings, BPF is required to respect additional covenants which provide that BPF must be able to provide a guarantee from the French State for its euro bond issues and must comply with a Common Equity Tier One ratio of at least 11%.

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CONSOLIDATED **STATEMENTS OF INCOME**

	2012			
(in million euros)	Manufacturing and sales companies	Finance companies	Eliminations	Total
Continuing operations				
Sales and revenue (Note 5)	**53 860**	**1 910**	**(324)**	**55 446**
Cost of goods and services sold	**(46 781)**	**(1 125)**	**324**	(47 582)
Selling, general and administrative expenses	**(5 999)**	**(394)**	**-**	(6 393)
Research and development expenses (Note 7)	**(2 047)**	**-**	**-**	(2 047)
Recurring operating income (loss)	**(967)**	**391**	**-**	**(576)**
Non-recurring operating income (Note 8)	406	-	-	406
Non-recurring operating expenses (Note 8)	(4 527)	(1)	-	(4 528)
Operating income (loss)	**(5 088)**	**390**	**-**	**(4 698)**
Interest income (Note 9)	72	-	-	72
Finance costs (Note 10)	(442)	-	-	(442)
Other financial income (Note 11)	318	3	-	321
Other financial expenses (Note 11)	(366)	(3)	-	(369)
Income (loss) before tax of fully consolidated companies	**(5 506)**	**390**	**-**	**(5 116)**
Income taxes (Note 12)	**(668)**	**(104)**	**-**	**(772)**
Share in net earnings of companies at equity (Note 16)	153	7	-	160
Consolidated profit (loss) from continuing operations	**(6 021)**	**293**	**-**	**(5 728)**
Attributable to equity holders of the parent	*(6 103)*	*281*		*(5 822)*
Discontinued operations				
Profit (loss) from discontinued operations	**803**	**-**	**-**	**803**
Consolidated profit (loss) for the year	**(5 218)**	**293**	**-**	**(4 925)**
Attributable to equity holders of the parent	(5 296)	281	5	(5 010)
Attributable to minority interests	78	12	(5)	85

(in euros)	
Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 13)	(18.13)
Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 13)	(15.60)
Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 13)	(18.13)
Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 13)	(15.60)

(in million euros)	2011 Manufacturing and sales companies	Finance companies	Eliminations	Total
Continuing operations				
Sales and revenue (Note 5)	**56 926**	**1 902**	**(319)**	**58 509**
Cost of goods and services sold	(48 190)	(985)	319	(48 856)
Selling, general and administrative expenses	(6 023)	(385)	-	(6 408)
Research and development expenses (Note 7)	(2 152)	-	-	(2 152)
Recurring operating income (loss)	**561**	**532**	**-**	**1 093**
Non-recurring operating income (Note 8)	46	-	-	46
Non-recurring operating expenses (Note 8)	(463)	-	-	(463)
Operating income (loss)	**144**	**532**	**-**	**676**
Interest income (Note 9)	113	-	-	113
Finance costs (Note 10)	(328)	-	-	(328)
Other financial income (Note 11)	211	2	-	213
Other financial expenses (Note 11)	(324)	(3)	-	(327)
Income (loss) before tax of fully consolidated companies	**(184)**	**531**	**-**	**347**
Income taxes (Note 12)	**295**	**(180)**	**-**	**115**
Share in net earnings of companies at equity (Note 16)	169	3	-	172
Consolidated profit (loss) from continuing operations	**280**	**354**	**-**	**634**
Attributable to equity holders of the parent	*93*	*345*		*438*
Discontinued operations				
Profit (loss) from discontinued operations	150	-	-	150
Consolidated profit (loss) 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 of continuing operations - attributable to equity holders of the parent (Note 13)	1.97
Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 13)	2.64
Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 13)	1.89
Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 13)	2.56

The 2011 financial statements for the manufacturing companies were restated pursuant to IFRS 5. The impact on the 2011 consolidated financial statements is presented in Note 2.

CONSOLIDATED STATEMENTS OF **INCOME AND EXPENSES**

(in million euros)	2012 Before tax	 Income tax benefit (expense)	 After tax
Consolidated profit (loss) for the period	**(4 153)**	**(772)**	**(4 925)**
Fair value adjustments to cash flow hedges	(2)	3	1
- of which, reclassified to the income statement	*42*	*(6)*	*36*
- of which, recognised in equity during the period	*(44)*	*9*	*(35)*
Gains and losses from remeasurement at fair value of available-for-sale financial assets	50	(2)	48
- of which, reclassified to the income statement	*2*	*-*	*2*
- of which, recognised in equity during the period	*48*	*(2)*	*46*
Exchange differences on translating foreign operations	(134)	-	(134)
- of which, reclassified to the income statement	*16*	*-*	*16*
- of which, recognised in equity during the period	*(150)*	*-*	*(150)*
Income and expenses recognised directly in equity, net [1]	**(86)**	**1**	**(85)**
- of which, companies at equity	*(19)*	*-*	*(19)*
Total recognised income and expenses, net	**(4 239)**	**(771)**	**(5 010)**
- of which, attributable to equity holders of the parent			*(5 089)*
- of which, attributable to minority interests			*79*

[1] *Items of oIncome and expenses recognised directly in equity may be reclassified to profit or loss.*

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

RECOGNISED DIRECTLY IN EQUITY

(in million euros)	2011 Before tax	 Income tax benefit (expense)	 After tax
Consolidated profit (loss) for the period	**669**	**115**	**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
- of which, reclassified to the income statement	10	-	*10*
- of which, recognised in equity during the period	-	-	-
Other components of comprehensive income of companies at equity	-	-	-
Income and expenses recognised directly in equity, net [(1)]	**(186)**	**42**	**(144)**
- of which, companies at equity	*98*	-	*98*
Total recognised income and expenses, net	**483**	**157**	**640**
- of which, attributable to equity holders of the parent			*444*
- of which, attributable to minority interests			*196*

[(1)] *Items of oIncome and expenses recognised directly in equity may be reclassified to profit or loss.*

CONSOLIDATED BALANCE SHEETS – ASSETS

	31 December 2012			
(in million euros)	Manufacturing and sales companies	Finance companies	Eliminations	Total
Continuing operations				
Goodwill (Note 14)	1 487	77	-	1 564
Intangible assets (Note 14)	4 047	86	-	4 133
Property, plant and equipment (Note 15)	12 423	15	-	12 438
Investments in companies at equity (Note 16)	1 490	46	-	1 536
Investments in non-consolidated companies (Note 17)	50	12	-	62
Other non-current financial assets (Note 18)	664	108	-	772
Other non-current assets (Note 19)	513	5	-	518
Deferred tax assets (Note 12)	498	76	-	574
Total non-current assets	**21 172**	**425**	**-**	**21 597**
Operating assets				
Loans and receivables - finance companies (Note 20)	-	23 146	(51)	23 095
Short-term investments - finance companies (Note 21)	-	867	-	867
Inventories (Note 22)	6 193	-	-	6 193
Trade receivables - manufacturing and sales companies (Note :	2 014	-	(187)	1 827
Current taxes (Note 12)	105	62	(17)	150
Other receivables (Note 24)	1 966	955	(122)	2 799
	10 278	**25 030**	**(377)**	**34 931**
Current financial assets (Note 25)	**1 501**	**-**	**-**	**1 501**
Cash and cash equivalents (Note 26)	**5 421**	**1 669**	**(279)**	**6 811**
Total current assets	**17 200**	**26 699**	**(656)**	**43 243**
Total assets of continuing operations	**38 372**	**27 124**	**(656)**	**64 840**
Total assets held for sale	**9**	**-**	**-**	**9**
Total assets	**38 381**	**27 124**	**(656)**	**64 849**

CONSOLIDATED BALANCE SHEETS – EQUITY AND LIABILITIES

	31 December 2012			
(in million euros)	Manufacturing and sales companies	Finance companies	Eliminations	Total
Equity (Note 27)				
Share capital				355
Treasury stock				(351)
Retained earnings and other accumulated equity, excluding minority interests				9 818
Minority interests				735
Total equity				**10 557**
Continuing operations				
Non-current financial liabilities (Note 30)	7 828	-	-	7 828
Other non-current liabilities (Note 31)	3 184	-	-	3 184
Non-current provisions (Note 28)	631	15	-	646
Deferred tax liabilities (Note 12)	585	327	-	912
Total non-current liabilities	**12 228**	**342**	**-**	**12 570**
Operating liabilities				
Financing liabilities (Note 32)	-	22 140	(279)	21 861
Current provisions (Note 28)	2 988	76	-	3 064
Trade payables	8 472	-	(9)	8 463
Current taxes (Note 12)	130	54	(17)	167
Other payables (Note 33)	4 475	1 091	(309)	5 257
	16 065	**23 361**	**(614)**	**38 812**
Current financial liabilities (Note 30)	**2 906**	**-**	**(42)**	**2 864**
Total current liabilities	**18 971**	**23 361**	**(656)**	**41 676**
Total liabilities of continuing operations [(1)]	**31 199**	**23 703**	**(656)**	**54 246**
Total liabilities related to discontinued operations	**46**	**-**	**-**	**46**
Total equity and liabilities				**64 849**

[(1)] *excluding equity*

(in million euros)	Manufacturing and sales companies	Finance companies	Eliminations	Total
		31 December 2011		
Continuing operations				
Goodwill (Note 14)	1 505	77	-	1 582
Intangible assets (Note 14)	5 378	91	-	5 469
Property, plant and equipment (Note 15)	14 059	15	-	14 074
Investments in companies at equity (Note 16)	1 410	62	-	1 472
Investments in non-consolidated companies (Note 17)	84	2	-	86
Other non-current financial assets (Note 18)	1 035	51	(25)	1 061
Other non-current assets (Note 19)	445	7	-	452
Deferred tax assets (Note 12)	1 370	62	-	1 432
Total non-current assets	**25 286**	**367**	**(25)**	**25 628**
Operating assets				
Loans and receivables - finance companies (Note 20)	-	24 387	(80)	24 307
Short-term investments - finance companies (Note 21)	-	877	-	877
Inventories (Note 22)	6 609	-	-	6 609
Trade receivables - manufacturing and sales companies (Note :	2 387	-	(167)	2 220
Current taxes (Note 12)	164	8	(2)	170
Other receivables (Note 24)	1 935	1 005	(145)	2 795
	11 095	**26 277**	**(394)**	**36 978**
Current financial assets (Note 25)	**265**	**-**	**-**	**265**
Cash and cash equivalents (Note 26)	**5 190**	**1 154**	**(224)**	**6 120**
Total current assets	**16 550**	**27 431**	**(618)**	**43 363**
Total assets of continuing operations	**41 836**	**27 798**	**(643)**	**68 991**
Total assets held for sale	**-**	**-**	**-**	**-**
Total assets	**41 836**	**27 798**	**(643)**	**68 991**

(in million euros)	Manufacturing and sales companies	Finance companies	Eliminations	Total
		31 December 2011		
Equity (Note 27)				
Share capital				234
Treasury stock				(502)
Retained earnings and other accumulated equity, excluding minority interests				14 104
Minority interests				658
Total equity				**14 494**
Continuing operations				
Non-current financial liabilities (Note 30)	7 639	-	-	7 639
Other non-current liabilities (Note 31)	2 865	-	-	2 865
Non-current provisions (Note 28)	696	16	-	712
Deferred tax liabilities (Note 12)	984	353	-	1 337
Total non-current liabilities	**12 184**	**369**	**-**	**12 553**
Operating liabilities				
Financing liabilities (Note 32)	-	22 543	(257)	22 286
Current provisions (Note 28)	2 242	57	-	2 299
Trade payables	9 675	-	(10)	9 665
Current taxes (Note 12)	88	34	(2)	120
Other payables (Note 33)	4 634	1 104	(304)	5 434
	16 639	**23 738**	**(573)**	**39 804**
Current financial liabilities (Note 30)	**2 210**	**-**	**(70)**	**2 140**
Total current liabilities	**18 849**	**23 738**	**(643)**	**41 944**
Total liabilities of continuing operations (1)	**31 033**	**24 107**	**(643)**	**54 497**
Total liabilities related to discontinued operations	**-**	**-**	**-**	**-**
Total equity and liabilities				**68 991**

(1) excluding equity

CONSOLIDATED STATEMENTS OF **CASH FLOWS**

(in million euros)	2012 Manufacturing and sales companies	Finance companies	Eliminations	Total
Consolidated profit (loss) from continuing operations	**(6 021)**	**293**	**-**	**(5 728)**
Adjustment for non-cash items:				
- Depreciation, amortisation and impairment (Note 35.5)	6 098	18	-	6 116
- Provisions	691	20	-	711
- Changes in deferred tax	420	(35)	-	385
- (Gains) losses on disposals and other	(312)	1	-	(311)
Share in net (earnings) losses of companies at equity, net of dividends received	(29)	(7)	-	(36)
Revaluation adjustments taken to equity and hedges of debt	154	-	-	154
Change in carrying amount of leased vehicles	32	-	-	32
Funds from operations [(1)]	**1 033**	**290**	**-**	**1 323**
Change in working capital (Note 35.2)	(602)	760	(64)	94
Net cash from (used in) operating activities	**431**	**1 050**	**(64)**	**1 417**
Proceeds from disposals of shares in consolidated companies	831	21	-	852
Proceeds from disposals of investments in non- consolidated companies	(1)	-	-	(1)
Acquisitions of shares in consolidated companies	(288)	-	-	(288)
Investments in non-consolidated companies	(4)	(10)	-	(14)
Proceeds from disposals of property, plant and equipment	666	7	-	673
Proceeds from disposals of intangible assets	12	-	-	12
Investments in property, plant and equipment	(2 267)	(12)	-	(2 279)
Investments in intangible assets	(1 442)	(8)	-	(1 450)
Change in amounts payable on fixed assets	40	-	-	40
Other	3	1	3	7
Net cash from (used in) investing activities	**(2 450)**	**(1)**	**3**	**(2 448)**
Dividends paid:				
- To Peugeot S.A. shareholders	-	-	-	-
- Intragroup	532	(532)	-	-
- To minority shareholders of subsidiaries	(37)	-	-	(37)
Dividends received from Gefco S.A.	100	-	-	100
Proceeds from issuance of shares	1 028	-	-	1 028
(Purchases) sales of treasury stock	89	-	-	89
Changes in other financial assets and liabilities (Note 35.4)	675	-	4	679
Other	-	-	-	-
Net cash from (used in) financing activities	**2 387**	**(532)**	**4**	**1 859**
Effect of changes in exchange rates	(6)	(2)	2	(6)
Net increase (decrease) in cash and cash equivalents from continuing operations	**362**	**515**	**(55)**	**822**
Net cash from discontinued operations[(2)]	345	-	(1)	344
Net cash and cash equivalents at beginning of year	**4 692**	**1 154**	**(223)**	**5 623**
Net cash and cash equivalents at end of year (Note 35.1)	**5 399**	**1 669**	**(279)**	**6 789**

[(1)] Interest received and paid by the manufacturing and sales companies is presented in Note 35.6. Income tax paid (net of refunds) during the year is presented in Note 12.3.

[(2)] The cash flows of the manufacturing and sales companies include the dividends paid by the Gefco group prior to the 20 September 2012 announcement that PSA Peugeot Citroën was entering into exclusive negotiations with RZD regarding a possible sale of shares.

(in million euros)	2011 Manufacturing and sales companies	Finance companies	Eliminations	Total
Consolidated profit (loss) from continuing operations	**280**	**354**	**-**	**634**
Adjustment for non-cash items:				
- Depreciation, amortisation and impairment (Note 35.5)	2 964	17	-	2 981
- Provisions	(208)	10	-	(198)
- Changes in deferred tax	(411)	(39)	-	(450)
- (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 carrying amount of leased vehicles	(41)	-	-	(41)
Funds from operations [(1)]	**2 395**	**339**	**-**	**2 734**
Change in working capital (Note 35.2)	(678)	(322)	(179)	(1 179)
Net cash from (used in) operating activities	**1 717**	**17**	**(179)**	**1 555**
Proceeds from disposals of shares in consolidated companies	-	-	-	-
Proceeds from disposals of investments in non- consolidated	1	-	-	1
Acquisitions of shares in consolidated companies	(61)	-	-	(61)
Investments in non-consolidated companies	(34)	-	-	(34)
Proceeds from disposals of property, plant and equipment	82	7	-	89
Proceeds from disposals of intangible assets	7	-	-	7
Investments in property, plant and equipment	(2 190)	(14)	-	(2 204)
Investments in intangible assets	(1 416)	(12)	-	(1 428)
Change in amounts payable on fixed assets	85	-	-	85
Other	(109)	-	-	(109)
Net cash from (used in) investing activities	**(3 635)**	**(19)**	**-**	**(3 654)**
Dividends paid:				
- To Peugeot S.A. shareholders	(250)	-	-	(250)
- Intragroup	155	(155)	-	-
- To minority shareholders of subsidiaries	(36)	(3)	-	(39)
Dividends received from Gefco S.A.	-	-	-	-
Proceeds from issuance of shares	1	-	-	1
(Purchases) sales of treasury stock	(199)	-	-	(199)
Changes in other financial assets and liabilities (Note 35.4)	(2 334)	-	78	(2 256)
Other	-	-	-	-
Net cash from (used in) financing activities	**(2 663)**	**(158)**	**78**	**(2 743)**
Effect of changes in exchange rates	5	(2)	2	5
Net increase (decrease) in cash and cash equivalents from continuing operations	**(4 576)**	**(162)**	**(99)**	**(4 837)**
Net cash from discontinued operations	15	-	3	18
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 35.1)	**4 962**	**1 154**	**(223)**	**5 623**

[(1)] Interest received and paid by the manufacturing and sales companies is presented in note 35.6. Income tax paid (net of refunds) during the year is presented in note 12.3.

The 2011 financial statements for the manufacturing companies were restated pursuant to IFRS 5. The impact on the 2011 consolidated financial statements is presented in note 2.

CONSOLIDATED STATEMENTS OF **CHANGES IN EQUITY**

(in million euros)	Share capital	Treasury stock	Retained earnings	Other accumulated equity – Excluding minority interests: Cash flow hedges	Available-for-sale financial assets	Translation adjustments	**Equity - Attributable to equity holders of the parent**	Equity - Minority interests	**Total equity**
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
Measurement of stock options and performance share grants	-	-	11	-	-	-	11	4	15
Minority shareholder puts	-	-	-	-	-	-		9	9
Changes in scope of consolidation and other	-	-	(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**
Income and expenses recognised directly in equity	-	-	(5 010)	(2)	48	(125)	(5 089)	79	(5 010)
Measurement of stock options and performance share grants	-	-	(5)	-	-	-	(5)	(1)	(6)
Minority shareholder puts	-	-	-	-	-	-	-	15	15
Effect of changes in scope of consolidation and other	-	-	(5)	-	-	-	(5)	10	5
Issuance of shares (Note 27)	121	-	845	-	-	-	966	-	966
Treasury stock	-	151	(62)	-	-	-	89	-	89
Conversion option embedded in convertible bonds (Note 30.1)	-	-	30	-	-	-	30	22	52
Dividends paid by Peugeot S.A. (€1.1 per €1 par value share)	-	-	-	-	-	-	-	-	-
Dividends paid by other Group companies	-	-	-	-	-	-	-	(48)	(48)
At 31 December 2012	**355**	**(351)**	**9 643**	**(42)**	**80**	**137**	**9 822**	**735**	**10 557**

Notes to the consolidated financial statements

at 31 December 2012

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Preliminary note

The consolidated financial statements for 2012 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on 6 February 2013, with Note 41 taking into account events that occurred in the period up to the Supervisory Board meeting on 12 February 2013.

Note 1 – Accounting Policies

The PSA Peugeot Citroën Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union on 31 December 2012, the balance sheet date.[1]
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 IFRS standards and interpretations published by the IASB and the IFRS Interpretation Committee whose application is compulsory in financial years beginning on or after 1 January 2012 have been adopted for use and are compulsory in the European Union, except for IAS 39 which has only been partially adopted for use in the European Union. There are no items in the PSA Peugeot Citroen Group's 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 compulsory standards and interpretations published by IASB and IFRIC.

New compulsory standards and interpretations

At 31 December 2012, the new compulsory standards in the European Union, applied for the first time by the PSA Peugeot Citroën Group, were as follows:

- *Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets.* This amendment requires additional disclosures for transfers of financial assets, such as securitisations and sales of receivables. This amendment had little material impact on the information already disclosed by the Group.

The Group is not affected by the other texts newly adopted for use in the European Union.

Early-adopted standards and interpretations

The Group did not early adopt any standards or interpretations that had been adopted for use in the European Union as of the balance sheet date but whose application was not compulsory until financial years beginning after 1 January 2012.

New standards and interpretations not early adopted

The following standards, adopted for use in the European Union, will be applicable by the Group from 1 January 2013:

- *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 recognised immediately in liabilities (see Note 29 "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;
- *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;
- *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;
- *Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities.*

[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)

The following standards, adopted for use in the European Union, will be applicable by the Group from 1 January 2014:

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

New standards and interpretations not yet adopted for use in the European Union

The potential impact of the main standards and interpretations published by the IASB and the IFRS Interpretation Committee that had not yet been adopted for use in the European Union at the balance sheet date is currently being assessed. It is primarily the new standards that may be applicable for financial years beginning on or after 1 January 2015 that could impact the Group's financial statements:

- *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.

The Group does not expect the other standards that may apply for financial years beginning on or after 1 January 2013 and on or after 1 January 2014 to have a material impact on the Group's financial statements.

There are currently no plans to early adopt these standards.

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 1.16.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 recognised 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 1.16.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 1.16.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 (see Note 29);
- provisions (particularly vehicle warranty provisions, restructuring provisions and provisions for onerous contracts, claims and litigation) (see Note 28 and Note 8.1);
- the recoverable amount and useful life of property, plant and equipment and intangible assets (see Note 8.1);
- the recoverable amount of finance receivables, inventories and other receivables (see Note 20.4, Note 22 and Note 23);
- the fair value of derivative financial instruments (see Note 36);
- deferred tax assets (see Note 12);
- sales incentives (see Note 1.6).

For the preparation of the 2012 annual financial statements, special attention was paid to the following items which are particularly exposed to estimation uncertainty in a crisis environment:
- The recoverable amount of Automotive Division intangible assets and property, plant and equipment (see Note 8.1);
- Provision for onerous contracts entered into pursuant to cooperation agreements (see Note 8.1);
- Deferred tax assets (see Note 12);
- Receivables – finance companies (see Note 20).

1.5. 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 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 1.13.A) and tooling in property, plant and equipment (see Note 1.14.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 1.16.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.

Warranties

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

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 1.13.A).
In accordance with this standard, all research costs and all development expenditure other than that described in Note 1.13.A are recognised as an expense for the period in which they are incurred.

1.9. Operating income (loss)

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 8):

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

1.10. Share in earnings of companies at equity

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

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

1.11. 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.

1.12. 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 1.15. 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.

1.13. 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 1.11).

(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 1.11). 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.

1.14. 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 1.11).

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.

1.15. 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 1.13.A(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).

1.16. 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 17), other non-current financial assets (Note 18), other non-current assets (Note 19), loans and receivables - finance companies (Note 20), short-term investments - finance companies (Note 21), trade receivables - manufacturing and sales companies (Note 23), other receivables (Note 24) current financial assets (Note 25), and cash and cash equivalents (Note 26).

In the absence of any financial asset meeting this definition, 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 30), financing liabilities (Note 32), other non-current liabilities (Note 31) and trade and other payables (Note 33).
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
Banque PSA Finance liquidity reserves are invested partly in fixed income securities indexed to Eonia. They are generally financed by debt indexed to Eonia. If not, they are swapped for the 3-month Euribor by means of economic hedges. In the interests of simplicity, these fixed income securities are accounted for using the fair value option, whereby changes in the fair value of the hedged securities are recognized directly in profit or loss, together with the offsetting change fair value of the economic hedges.

(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.
The Group uses the following criteria to assess whether it is prolonged or significant: an impairment loss is systematically recognised in profit or loss where the value falls by over 50% compared to the acquisition cost or over a minimum of three years. Furthermore, a special line-by-line analysis is carried out where the value falls over 30% compared to the acquisition cost or within a minimum of 1 year.

(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.

(3) Loans and receivables

(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 1.16.D- Derivative instruments).

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

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

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

(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 1.18.

(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 1.14.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.

1.17. 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.

1.18. 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.

1.19. 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.

1.20. 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.

1.21. 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 29.1). 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. 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 29.2);
- healthcare costs paid by certain subsidiaries in the United States (Note 29.3).

1.22. 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.

1.23. Treasury shares

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

1.24. Assets held for sale and discontinued operations

A non-current asset or disposal group (operations) is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable.
Assets held for sale and discontinued operations are measured at the lower of the carrying amount and the estimated selling price, less costs to sell. Such non-current assets are no longer depreciated from the date on which these assets or disposal group are considered by the Group to satisfy the criteria for classification as held for sale.
Such assets and related liabilities are presented on separate headings under other Group assets and liabilities: “Assets held for sale and discontinued operations” and “Liabilities related to assets held for sale and discontinued operations”.
The items in the income statement, statement of cash flows and other comprehensive income relating to assets held for sale are presented separately in the consolidated financial statements for all periods presented.

1.25. Consolidated statement of cash flows

The statement of cash flows is partitioned into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities depending on the nature of the transactions.
The Group’s main choices as regards presentation were as follows:

- Interest flows were kept under cash flows from operating activities;
- Payments received in connection with grants were allocated by function to cash flows from investing activities or cash flows from operating activities depending on the nature of the grant;
- The conversion options of convertible bonds (involving both optional and mandatory conversion) are presented on a capital increase line under cash flows from financing activities;
- Voluntary contributions paid into pension funds are recognised under cash flows from operating activities;
- Payments made on the deferred portion of a fixed asset purchase are presented under cash flows from investing activities for the period (“Change in amounts payable on fixed assets”);
- Tax payments are classified under cash flows from operating activities.

NOTE 2 - SIGNIFICANT EVENTS

2.1. ALLIANCE WITH GENERAL MOTORS

On 29 February 2012, PSA Peugeot Citroën announced the creation of a longterm and broad-scale global strategic alliance that will leverage the combined strengths and capabilities of the two companies, contribute to the profitability of both partners and strongly improves their competitiveness in Europe.
Under the terms of the agreement, GM and PSA Peugeot Citroën will share selected vehicle platforms, modules and components, in order to leverage volumes, reduce the cost of developing new technologies and CO^2 emissions, as well as gain efficiencies. Sharing of platforms not only enables the development of global applications, it also permits both companies to execute large-scale Europe-specific programs in a more cost effective manner.

As part of this Alliance, PSA Peugeot Citroën carried out a €999 million rights issue (see Note 27). Following this transaction, which includes no specific provision regarding the governance of PSA Peugeot Citroën, GM acquired a seven percent equity stake in PSA Peugeot Citroën, making it the second largest shareholder behind the Peugeot family group.

On 20 December 2012, PSA Peugeot Citroën (PSA) and General Motors (GM) confirmed the signing of agreements covering three vehicle projects as well as a purchasing joint venture in Europe.

2.2. RESTRUCTURING OF THE AUTOMOTIVE DIVISION'S FRENCH PRODUCTION BASE

On 12 and 25 July 2012, the Group presented the Central Works Council at Peugeot Citroën Automobiles with a plan to restructure the Automotive Division's French production base and to redeploy the workforce, together with the support mechanisms offered to employees. The impact on the financial statements can be found in Note 8.

2.3. FRENCH STATE GUARANTEE FOR THE FINANCING OF BANQUE PSA FINANCE

The Amending Finance Act of 29 December 2012 authorised the French State to provide up to €7 billion in guarantees for the refinancing of Banque PSA Finance. Subject to approval from the European Commission, the parties intend to sign an agreement covering an independent first demand guarantee whose principal provisions can be found in Note 37.1

2.4. ASSET DISPOSALS

The asset disposal plan announced in early 2012 resulted in the following disposals in 2012.

Disposal of 75% of Gefco S.A.

On 20 December 2012, PSA Peugeot Citroën disposed of 75% of Gefco S.A. to JSC Russian Railways (RZD) for €800 million, following the distribution of a €100 million extraordinary dividend by Gefco S.A. to the Group.

Pursuant to IFRS 5 and IAS 27, the loss of exclusive control resulted in the recognition of an €806 mllion gain on the basis of an outright disposal including a profit from discontinued operations of €55 million. The 25% interest retained is recognised under investments in companies at equity at a fair value of €141 million. Financial data for the Transportation and Logistics segment were reclassified under "discontinued operations". This reclassification mainly impacted the data in the consolidated statement of income and statement of cash flows. The impact is presented in the tables below:

Consolidated Statement of Income

(in million euros)	2011 Reported Financial	IFRS 5	Impact	2012 Impact
Continuing operations				
Sales and revenue	**59 912**	**58 509**	**(1 403)**	**(1 469)**
Cost of goods and services sold	(49 684)	(48 856)	828	1 006
Selling, general and administrative expenses	(6 761)	(6 408)	353	355
Research and development expenses	(2 152)	(2 152)	-	-
Recurring operating income (loss)	**1 315**	**1 093**	**(222)**	**(108)**
Total non-recurring operating income	46	46	-	(2)
Total non-recurring operating expenses	(463)	(463)	-	6
Operating income (loss)	**898**	**676**	**(222)**	**(104)**
Income (loss) before tax of fully consolidated companies	**564**	**347**	**(217)**	**(68)**
Income tax expense	**47**	**115**	**68**	**(36)**
Share in net earnings of companies at equity	173	172	(1)	-
Consolidated profit (loss) from continuing operations	**784**	**634**	**(150)**	**(104)**
Profit (loss) from discontinued operations	**-**	**150**	**150**	**104**

Consolidated Statement of Cash Flows

(in million euros)	31 December 2011 Reported Financial	IFRS 5	Impact	31 December 2012 Impact
Net cash from (used in) operating activities	**1 752**	**1 555**	**(197)**	**77**
Net cash from (used in) investing activities	**(3 732)**	**(3 654)**	**78**	**81**
Dividends paid:		-	-	
- Intragroup	-	-	-	-
- To minority shareholders of subsidiaries	(40)	(39)	1	5
Dividends received from Gefco S.A.	-	-	-	100
Changes in other financial assets and liabilities	(2 283)	(2 256)	27	(501)
Net cash from (used in) financing activities	**(2 771)**	**(2 743)**	**28**	**(396)**
Effect of changes in exchange rates	3	5	2	-
Net increase (decrease) in cash and cash equivalents from continuing operations	**(4 748)**	**(4 837)**	**(89)**	**(238)**
Net cash and cash equivalents of discontinued operations at beginning of year	-	18	18	238
Net cash and cash equivalents at beginning of year	**10 442**	**10 442**	**-**	**-**
Net cash and cash equivalents at end of year	**5 694**	**5 623**	**(71)**	**-**

The IFRS 5 reclassification had little material impact on the balance sheet.

Other disposals

The Group also completed the following transactions:

• Disposal of the car rental business in France and Spain, through the sale of Citer and its subsidiaries, resulting in a €448 million reduction in Group debt. It did not have any material impact on the consolidated loss for the period or on consolidated equity.

• Sale of several properties in Europe, including in particular the Peugeot SA headquarters and Citroën showroom in Paris. The sale proceeds from these transactions totalled €565 million, representing a gain of €389 million and a combined cash injection of €642 million. The latter amount includes €77 million from the sale-and-leaseback of the Citroën showroom, which continues to be carried on the balance sheet, with a financial liability recognised for the same amount.

2.5. IMPAIRMENT LOSSES ON AUTOMOTIVE DIVISION ASSETS AND DEFERRED TAXES

The Group's changing economic circumstances resulted in the recognition of a €3,009 million impairment loss on Automotive Division assets (see Note 8.1). In addition, deferred taxes were reviewed, resulting in an €879 million net expense being recognised in 2012 (see Note 12.2).

NOTE 3 - SCOPE OF CONSOLIDATION

3.1. NUMBER OF CONSOLIDATED COMPANIES

	31 December 2012	31 December 2011
Fully consolidated companies		
Manufacturing and sales companies	318	358
Finance companies	45	43
	363	**401**
Companies at equity		
Manufacturing and sales companies	47	53
Finance companies	1	1
	48	**54**
Consolidated companies at 31December 2012	**411**	**455**

The Group owns 57.18% of Faurecia's capital and 72.60% 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.

3.2. CHANGES DURING THE YEAR

	2012
Consolidated companies at 1 January 2012	**455**
Newly-consolidated companies:	26
- Automotive companies	*1*
- Automotive equipment companies	*19*
- Finance and insurance companies	*5*
- Other companies	*1*
Companies sold or removed from the scope of consolidation	(49)
- of which Transportation and Logistics companies	*(39)*
Merged companies and other	(21)
Consolidated companies at 30 December 2012	**411**

Significant transactions for the year

The impact of the disposal of Gefco S.A. and of its subsidiaries can be found in Note 2.

NOTE 4 - SEGMENT INFORMATION

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

4.1. BUSINESS SEGMENTS

The Group's operations are organised around four 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 comprising Interior Systems, Automotive Seating, Automotive Exteriors and Emissions Control Technologies;
• The Finance Division, corresponding to the Banque PSA Finance group, which provides retail financing to customers of the Peugeot and Citroën brands and whoelsale financing to the two brands' dealer networks;
• Other Businesses, which include the operations of Peugeot S.A., the Group's holding company, 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.

2012 *(in million euros)*	Automotive	Automotive Equipment	Finance Companies	Other Businesses	Eliminations & Reconciliations	Total
Sales and revenue						
- third parties	38 295	15 460	1 586	105	-	55 446
- intragroup, intersegment	4	1 905	324	97	(2 330)	-
Total	**38 299**	**17 365**	**1 910**	**202**	**(2 330)**	**55 446**
Recurring operating income (loss)	**(1 504)**	**514**	**391**	**21**	**2**	**(576)**
Total non-recurring operating income	155	15	-	236	-	406
Restructuring costs	(440)	(84)	-	(4)	-	(528)
Impairment losses on CGUs	(3 864)	-	-	(9)	-	(3 873)
Other non-recurring operating expenses	(107)	(19)	(1)	-	-	(127)
Operating income (loss)	**(5 760)**	**426**	**390**	**244**	**2**	**(4 698)**
Interest income		10	-		62	72
Finance costs		(183)	-		(259)	(442)
Other financial income		9	3		309	321
Other financial expenses		(32)	(3)		(334)	(369)
Net financial income (loss)	**-**	**(196)**	**-**	**-**	**(222)**	**(418)**
Income tax expense		(67)	(104)		(601)	(772)
Share in net earnings of companies at equity	129	24	7	-	-	160
Consolidated profit (loss) from continuing operations		187	293	-		(5 728)
Profit (loss) from discontinued operations [(1)]	8	(3)	-	806	-	803
Consolidated profit (loss) for the year		**184**	**293**			**(4 925)**
Capital expenditure (excl. sales with a buyback commitment)	**2 886**	**813**	**20**	**10**		**3 729**
Depreciation and amortisation	**(2 370)**	**(498)**	**(18)**	**-**		**(2 886)**

[(1)] *relates to the Transportation and Logistics business segment*

In 2012, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €1,075 million. Net provision expense (cost of risk) for the year amounted to €290 million, including the effect of the most recent estimates of impairment losses on retail loans of €136 million (see Note 20.4).

2011 *(in million euros)*	Automotive	Automotive Equipment	Finance Companies	Other Businesses	Eliminations & Reconciliations	Total
Sales and revenue						
- third parties	42 706	14 092	1 583	128	-	58 509
- intragroup, intersegment	4	2 098	319	82	(2 503)	-
Total	**42 710**	**16 190**	**1 902**	**210**	**(2 503)**	**58 509**
Recurring operating income (loss)	**(92)**	**651**	**532**	**8**	**(6)**	**1 093**
Total 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 (loss)	**(439)**	**593**	**532**	**(4)**	**(6)**	**676**
Interest income		10	-		103	113
Finance costs		(104)	-		(224)	(328)
Other financial income		7	2		204	213
Other financial expenses		(31)	(3)		(293)	(327)
Net financial income (loss)	**-**	**(118)**	**(1)**	**-**	**(210)**	**(329)**
Income tax expense		(96)	(180)		391	115
Share in net earnings of companies at equity	141	34	3	(6)	-	172
Consolidated profit (loss) from continuing operations		413	354			634
Profit (loss) from discontinued operations [1]		-	-	150		150
Consolidated profit (loss) for the year		**413**	**354**			**784**
Capital expenditure (excl. sales with a buyback commitment)	**2 971**	**629**	**26**	**6**		**3 632**
Depreciation and amortisation	**(2 413)**	**(460)**	**(17)**	**(1)**		**(2 891)**

[1] *relates to the Transportation and Logistics business segment*

In 2011, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €1,032 million. Net provision expense (cost of risk) for the year amounted to €115 million.

4.2. 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.

2012 *(in million euros)*	Europe	Russia	Asia	Latin America	Rest of the World	Total
Sales and revenue	37 761	1 778	3 416	5 308	7 183	55 446
Non-current assets (excl. deferred tax assets and financial instruments)	14 201	480	280	1 508	466	16 935

2011 *(in million euros)*	Europe	Russia	Asia	Latin America	Rest of the World	Total
Sales and revenue	42 613	1 483	2 763	5 420	6 230	58 509
Non-current assets (excl. deferred tax assets and financial instruments)	17 464	387	236	1 459	373	19 919

NOTE 5 - SALES AND REVENUE

(in million euros)	**2012**	2011
Sales of vehicles and other goods	52 442	55 254
Service revenues	1 418	1 672
Financial services revenue	1 586	1 583
Total	**55 446**	**58 509**

Sales of goods consist mainly of sales of vehicles and automobile parts, sub-assemblies and components.
Service revenues primarily comprise auto repairs and servicing by captive dealers, and vehicle leasing services as described in Note 15.2.
Financial services revenue corresponds for the most part to interest income, insurance premiums and other gross revenues.

NOTE 6 - 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)	**2012**	2011
Automotive Division	(5 769)	(5 921)
Automotive Equipment Division	(2 929)	(2 633)
Finance companies	(147)	(142)
Other businesses	(87)	(102)
Total	**(8 932)**	**(8 798)**

Details of stock option and performance share costs are provided in Notes 27.3.D and 27.4. Pension and other post-employment benefit costs are presented in Note 29.1.F.

Depreciation and amortisation expense

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

(in million euros)	**2012**	2011
Capitalised development expenditure	(936)	(844)
Other intangible assets	(78)	(70)
Specific tooling	(640)	(658)
Other property, plant and equipment	(1 232)	(1 319)
Total	**(2 886)**	**(2 891)**

NOTE 7 - RESEARCH AND DEVELOPMENT EXPENSES

(in million euros)	**2012**	2011
Total expenditure	(2 373)	(2 535)
Capitalised development expenditure [(1)]	1 262	1 227
Non-capitalised expenditure	**(1 111)**	**(1 308)**
Amortisation of capitalised development expenditure (Note 15.1)	(936)	(844)
Total	**(2 047)**	**(2 152)**

[(1)] *In addition to this expenditure, borrowing costs are capitalised pursuant to IAS 23 "Borrowing Costs" (revised) (see Note 14.1).*

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

NOTE 8 - NON-RECURRING OPERATING INCOME AND EXPENSES

(in million euros)	**2012**	2011
Net gains on disposals of real estate assets (Note 2)	389	40
Other non-recurring operating income	17	6
Total non-recurring operating income	**406**	**46**
Impairment loss on Automotive Division CGUs and provisions for Automotive Division onerous contracts (Note 8.1)	(3 864)	(146)
Impairment loss on Other businesses CGUs	(9)	(5)
Restructuring costs (Note 8.3)	(528)	(310)
Other non-recurring operating expenses	(127)	(2)
Total non-recurring operating expenses	**(4 528)**	**(463)**

8.1. IMPAIRMENT TEST ON AUTOMOTIVE DIVISION CGUs AND PROVISIONS FOR AUTOMOTIVE DIVISION ONEROUS CONTRACTS

The results of the impairment tests performed in June 2012 on the assets of the Automotive Division CGU and each Vehicle CGU were updated at 31 December 2012.

Automotive Division CGU

In light of changes observed in the automotive markets in the second half of 2012, the Group has revised a number of assumptions used for impairment testing.

The December 2012 impairment test on the Automotive Division CGU was based on the 2013-2017 medium-term plan as well as a prudent estimate of the annual recurring operating income used to calculate the terminal value. This was based on an estimate of the operating income consistent with the Automotive Division’s historical mid-cycle performance. In addition, the terminal value was calculated using a 1% growth rate to perpetuity.

The market forecasts used the Group's most recent estimates, which are based on external forecasts. They are based on European market levels at close to those of 2012 over the long term. Concerning the alliance with General Motors, the projections reflect the schedule of new vehicle launches, as well as the estimated synergies anticipated in the areas of purchasing and capital expenditure. The effects of the alliance with General Motors will be gradually felt over the course of the plan, and more particularly in the final years, as well as on the terminal value, which represents a substantial part of the CGU's value.

The discount rate applied was 9.5% for 2013 - 2017 and 10.5% for the terminal value. The 9.5% is within the reference range for the sector. The rate is 1% higher than the rate used at 30 June 2012 in order to reflect the growing share of activity carried out outside Europe and the increase in the risk premium attributed by the automotive sector markets. The growth rate to perpetuity used to calculate the terminal value is 2% higher than the rate used at 30 June 2012.

These approaches are based on the Group's best estimates in what is an uncertain economic environment. The impairment test found that the discounted cash flows were €3,009 million under the carrying amount of Automotive Division assets. An impairment loss for this amount was recognised under non-recurring operating income. €10 million was set against the full amount of goodwill at the Automotive Division, €1,642 million against intangible assets and €1,357 million against property, plant and equipment. Following impairment, the carrying amount of the intangible assets and property, plant and equipment of the Automotive Division amounted to €13 907 million.

The sensitivity to changes in the main assumptions is as follows: impairment would increase by €462 million with a 0.5% higher discount rate, €337 million with a perpetual growth rate limited to 0.5%, €1,037 million as a result of a 0.5% reduction in the operating margin in the reference year used to calculate the terminal value and €1,671 million if these three factors were combined.

Vehicle CGUs and other automotive assets

In addition, the other impairment losses on CGUs and the provisions for onerous contracts of the Automotive Division totalled €855 million.

Concerning the assets allocated to Vehicle CGUs, except for the Vehicle CGUs referred to below, impairment tests at 31 December 2012 did not identify any impairment losses other than those found in the course of the aforementioned test.

As in the financial statements at 30 June 2012, following the decision of the June 2012 meeting of the Supervisory Board to present a plan to shut down production, for the purposes of the test at 31 December 2012 it was decided that the Aulnay plant should no longer be included in the overall cash flow analyses but should be tested separately. Based on the test results, the plant's manufacturing assets, excluding the land and certain tooling, were written down for an amount of €128 million.

For the Vehicle CGUs corresponding to vehicles produced under cooperation agreements, in addition to testing of assets for impairment, provisions for long-term contract losses were recorded for any projected losses arising from purchase commitments.

Updated information about volumes and margins for these vehicles and projected exchange rates for the yen and other purchasing currencies led to the assets being written down by a further €162 million over the year and to the recognition of an additional €437 million worth of provisions for losses on onerous contracts.

A +/- 5% increase or decrease in the projected yen/euro exchange rate would have the effect of reducing the charge for the year by €47 million or increasing it by €77 million.

In addition, other assets were written down by €128 million.

8.2. IMPAIRMENT TEST ON FAURECIA GROUP CGUs AND OTHER ASSETS

Faurecia Group CGUs

In accordance with the principle set out in Note 1.15, 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 (2013-2016 plan for 2012 impairment tests, as revised at end-2012 based on the latest 2013 budget assumptions). The volume assumptions used to prepare the 2013-2016 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. 2016 margin was projected at 4.6%.

The calculation was performed by extrapolating to perpetuity projected cash flows for the last year of the Medium-Term Plan (2016) 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 the two previous years.

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 6.5%, the average cost of capital used to discount future cash flows was set at 9.5% after tax (9.5% in 2011).

The test performed at end-2012 confirmed that the goodwill allocated to the four CGUs was fairly stated in the balance sheet. The balance sheet values are presented in Note 14.2.

The sensitivity of the impairment test to changes in the assumptions used to determine at end-2012 the value in use of the CGUs accounting for the bulk of goodwill 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	1 331	(191)	(157)	(206)	(511)
Interior Systems	958	(131)	(107)	(168)	(374)
Emissions Control Technologies	668	(108)	(90)	(233)	(395)
Automotive Exteriors	328	(43)	(35)	(70)	(135)

[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-2012 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. The test carried out at end-2012 made it possible to confirm the carrying amount of the goodwill allocated to this CGU. The balance sheet value is presented in Note 14.2.

The sensitivity of the impairment test to changes in the assumptions used to determine the value in use of Faurecia goodwill at end- 2012 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
	1 778	(387)	(233)	(286)	(809)

[(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 2012 was €743 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 in the consolidated balance sheet is valued at €804 million (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 2012.

8.3. RESTRUCTURING COSTS

A. Analysis by type

(in million euros)	**2012**	2011
Early-termination plan costs	(2)	3
Workforce reductions	(518)	(308)
Cost of production shutdowns and other closure costs [(1)]	(8)	(5)
Total	**(528)**	**(310)**

[(1)] *Excluding impairment losses presented in Note 8.1*

B. Analysis by business segment

(in million euros)	**2012**	2011
Automotive Division	(440)	(247)
Automotive Equipment Division	(84)	(56)
Finance companies	-	-
Other businesses	(4)	(7)
Total	**(528)**	**(310)**

Automotive Division

Automotive Division restructuring costs amounted to €440 million and mainly involved France.

On 12 and 25 July 2012, the Group presented the Central Works Council at Peugeot Citroën Automobiles with a plan to restructure the Automotive Division's French production base and to redeploy the workforce, together with the support mechanisms offered to employees. This plan consists of:

- shutting down production at Aulnay and regenerating the site to preserve its industrial heritage;
- adjusting the production facilities in Rennes in advance of future investment; and
- redeploying the Group's overhead staff.

They include inplacement and support for employees accepting voluntary redundancy, and encompass 8,000 employees. At 31 December 2012, a net expense of €450 million had been recognised in respect of the plan (€544 million in restructuring provisions offset by €94 million released from pension provisions).

Automotive Equipment Division (Faurecia Group)

In 2012, Faurecia group restructuring costs totalled €84 million, including €79 million in provisions for redundancy costs for 1,713 employees, mainly in Germany and France.
They totalled €56 million in 2011.

C. Employees affected by the restructuring plans

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. This represents the difference between the estimated total number of employees affected by these plans and the estimated number at the previous year-end.

NOTE 9 - INTEREST INCOME

Interest income on loans corresponds to interest for the period determined as per the method set out in Note 1.16.B (3)(c).

(in million euros)	**2012**	2011
Interest income on loans	9	7
Interest income on cash equivalents	52	104
Remeasurement of short-term investments classified as financial assets at fair value through profit or loss	11	2
Net gain (loss) on interest rate instruments designated as hedges of short-term investments	-	-
Total	**72**	**113**

NOTE 10 - FINANCE COSTS

Interest on other borrowings corresponds to interest accrued according to the method set out in Note 1.16.C.

(in million euros)	**2012**	2011
Interest on borrowings [(1)]	(374)	(243)
Interest on bank overdrafts	(30)	(32)
Interest on finance lease liabilities	(15)	(20)
Foreign exchange gain (loss) on financial transactions	(16)	(25)
Other	(7)	(8)
Total	**(442)**	**(328)**

[(1)] *Interest on borrowings does not include €180 million in borrowing costs capitalised in 2012 in accordance with IAS 23 - "Borrowing Costs" (€122 million in 2011).*

NOTE 11 - OTHER FINANCIAL INCOME AND EXPENSES

(in million euros)	**2012**	2011
Expected return on pension funds	159	145
Other financial income	162	68
Financial income	**321**	**213**
Interest cost on employee benefit obligations	(174)	(177)
Ineffective portion of the change in fair value of financial instruments	5	-
Other financial expenses	(200)	(150)
Financial expenses	**(369)**	**(327)**

NOTE 12 - INCOME TAXES

12.1. INCOME TAXES OF FULLY-CONSOLIDATED COMPANIES

(in million euros)	**2012**	2011
Current taxes		
Corporate income taxes	(389)	(335)
Deferred taxes		
Deferred taxes arising in the year	1 551	412
Impairment losses on deferred tax assets	(1 934)	38
Total	**(772)**	**115**

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. Tax rate in France

The French statutory income tax rate is 34.43%, including supplementary contributions.

The Amending Finance Act of 21 December 2011 raising this tax rate to 36.10% applies up to 2014. The cap on offsetting tax loss carryforwards against taxable profit for the year was reduced from 60% to 50% in 2012.

At 31 December 2012, deferred tax liabilities falling due in 2014 and deferred tax assets for tax loss carryforwards available for offsetting against these liabilities (subject to the 50% cap) were remeasured at the new rate. The impact is not material.

C. Impairment losses on deferred taxes

Deferred taxes are determined as described in Note 1.19.
Deferred taxes were tested for impairment on the basis of five-year tax estimates, consistent with the impairment testing of the Automotive Division CGU.

Given that it is unlikely they will be recovered by the Peugeot S.A. French tax group within this timeframe:
• €1,902 million in the deferred taxes corresponding to tax loss carryforwards that cannot be offset more than 50% against deferred tax liabilities was impaired;
• €1,023 million in deferred tax liabilities were reclassified to the income statement as a result of the impairment loss recorded on the Automotive Division CGU.
The net impact on income of these two items is €879 million.
In addition, the €576 million in additional losses generated during the year were not recognised in income.

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

(in million euros)	**2012**	2011
Income (loss) before tax of fully-consolidated companies	(5 116)	347
French statutory income tax rate for the period	*36.1%*	*36.1%*
Theoretical tax expense for the period based on the French statutory income tax rate	**1 847**	**(125)**
Tax effect of the following items:		
• Permanent differences	(28)	4
• Income taxable at reduced rates	34	61
• Tax credits	10	110
• Profit in France not subject to the surtax	(93)	(28)
• Effect of differences in foreign tax rates and other	(32)	55
Income tax before impairment losses on the French tax group	**1 738**	**77**
Effective tax rate applicable to the Group	***34.0%***	*22.2%*
• Unrecognised assets on losses generated in 2012	(576)	-
• Impairment losses on the Peugeot S.A. French tax group	(1 902)	-
• Other impairment losses	(32)	38
Income tax expense	**(772)**	**115**

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

12.3. CHANGES IN BALANCE SHEET ITEMS

2012 (in million euros)	At 1 January	Expense	Equity	Payments	Translation adjustments & other changes	At 31 December
Current taxes						
Assets	170					150
Liabilities	(120)					(167)
	50	**(389)**	**-**	**320**	**2**	**(17)**
Deferred taxes						
Assets before offsetting of French tax group loss	*2 747*					*936*
Offsetting of French tax group loss	*(1 315)*					*(362)*
Net assets	1 432					574
Liabilities	(1 337)					(912)
	95	**(383)**	**1**	**-**	**(51)**	**(338)**

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**

12.4. DEFERRED TAX ASSETS AND LIABILITIES

(in million euros)		**2012**	2011
Tax credits		**4**	**10**
Deferred tax assets on tax loss carryforwards	**Gross** [(1)]	3 822	3 260
	Valuation allowances (Note 12.1.C)	(1 975)	(78)
	Previously unrecognised deferred tax assets [(2)]	(1 309)	(764)
	Deferred tax asset offset (French tax group) [(3)]	(362)	(1 315)
	Other deferred tax assets offset	(56)	(71)
	Total deferred tax assets on tax loss carryforwards	**120**	**1 032**
Other deferred tax assets		**450**	**390**
Deferred tax assets		**574**	**1 432**
Deferred tax liabilities before offsetting[(4)]		(1 274)	(2 652)
Deferred tax liabilities offset (French tax group) [(1)]		362	1 315
Deferred tax liabilities		**(912)**	**(1 337)**

[(1)] The gross amount of deferred tax assets corresponding to tax loss carryforwards represents all deferred tax assets corresponding to tax losses that can be carried forward, regardless of whether they were recognised on the balance sheet at 31 December 2012.

[(2)] Of the impaired unrecognised deferred tax assets, €608 million related to the French tax group, including €32 million recognised directly in equity, and €701 million to Faurecia.

[(3)] Offsetting consists of presenting on the face of the balance sheet the net deferred tax position of the French tax group, with deferred tax assets covered by deferred tax liabilities, taking into account the legal restrictions on the use of tax loss carryforwards (see Note 12.1).

[(4)] The main temporary differences that generate deferred tax liabilities arise from the capitalisation of development costs and differences in amortisation or depreciation methods or periods.

NOTE 13 - 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:

13.1. BASIC EARNINGS PER SHARE

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

The average number of shares outstanding is calculated by taking into account the number of shares issued and cancelled during the period and changes in the number of shares held in treasury stock.

	2012	2011
Consolidated basic earnings of continuing operations - attributable to equity holders of the parent *(in million euros)*	(5 822)	438
Consolidated basic earnings - attributable to equity holders of the parent *(in million euros)*	(5 010)	588
Average number of €1 par value shares outstanding	321 185 403	222 761 913
Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (in euros)	***-18.13***	*1.97*
Basic earnings per €1 par value share (in euros)	***-15.60***	*2.64*

13.2. DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by the treasury stock method. This consists of taking into account the exercise of stock options, performance share grants to employees and the conversion of Oceane convertible bonds when it is not accretive.

There were no dilutive potential shares in 2011 or 2012 resulting from the Peugeot S.A. Oceane convertible bonds, the 2010 performance share plan or the stock option plans.

The following table shows the effects of the calculation:

A - Effect on the average number of shares

	2012	2011
Average number of €1 par value shares outstanding	321 185 403	222 761 913
Dilutive effect, calculated by the treasury stock method, of:		
- Stock option plans (Note 27.3)	-	-
- Outstanding Oceane convertible bonds (Note 30.1)	-	-
Dilutive effect of Peugeot S.A. performance share grants (Note 27.4)	-	-
Diluted average number of shares	**321 185 403**	**222 761 913**

B - Effect of Faurecia dilution on consolidated earnings of continuing operations - attributable to equity holders of the

(in million euros)	**2012**	2011
Consolidated profit (loss) from continuing operations - attributable to equity holders of the parent	(5 822)	438
Dilutive effect of Faurecia Oceane bond conversions, stock options and performance share grants	(2)	(17)
Consolidated profit (loss) from continuing operations (after Faurecia dilution effect)	**(5 824)**	**421**
Diluted earnings of continuing operations - attributable to equity holders of the parent per €1 par value share (in euros)	*-18.13*	*1.89*

C - Effect of Faurecia dilution on consolidated earnings - attributable to equity holders of the parent

(in million euros)	**2012**	2011
Consolidated profit (loss) attributable to equity holders of the parent	(5 010)	588
Dilutive effect of Faurecia Oceane bond conversions, stock options and performance share grants	(2)	(17)
Consolidated profit (loss) after Faurecia dilution	**(5 012)**	**571**
Diluted earnings attributable to equity holders of the parent per €1 par value share (in euros)	*-15.60*	*2.56*

The Faurecia Oceane convertible 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 2011 and 2012 due to the plans' terms.

NOTE 14 - GOODWILL AND INTANGIBLE ASSETS

14.1. CHANGES IN CARRYING AMOUNT

31 December 2012 *(in million euros)*	Goodwill	Development expenditure	Software and other	Intangible assets
At beginning of period	**1 582**	**4 958**	**511**	**5 469**
Purchases/additions [(1)]	-	1 370	89	1 459
Additions	-	(936)	(78)	(1 014)
Impairment losses [(2)]	(10)	(1 593)	(84)	(1 677)
Disposals	-	-	(8)	(8)
- Full consolidation of Sevelnord	*-*	*8*	*-*	8
- Reclassification of Gefco under discontinued operations	*(48)*	*-*	*(78)*	(78)
- Other	*40*	*(19)*	*23*	4
Change in scope of consolidation and other [(3)]	(8)	(19)	(55)	(74)
Translation adjustment	-	(31)	1	(30)
At period-end	**1 564**	**3 757**	**376**	**4 133**

[(1)] *Including borrowing costs of €111 million capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" (see Note 1.11).*

[(2)] *Including €10 million on goodwill and €1,642 million in impairment losses on other assets of the Automotive Division CGU (see Note 8.1).*

[(3)] *Including -€48 million in goodwill and -€78 in software and other of the Gefco group reclassified under discontinued operations pursuant to IFRS 5.*

31 December 2011 *(in million euros)*	Goodwill	Development expenditure	Software and other	Intangible assets
At beginning of period	**1 505**	**4 519**	**427**	**4 946**
Purchases/additions [(1)]	-	1 326	126	1 452
Amortisation for the year	-	(844)	(82)	(926)
Impairment losses	-	(27)	-	(27)
Disposals	-	(2)	(9)	(11)
Change in scope of consolidation and other [(2)]	75	(1)	49	48
Translation adjustment	2	(13)	-	(13)
At period-end	**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 1.11).*

[(2)] *Including €48 million in goodwill and €37 million in intangible assets (contractual customer relationships and brands) recognised on the acquisition of the Mercurio group in May 2011.*

14.2. BREAKDOWN OF GOODWILL

(in million euros)	**31 December 2012**	31 December 2011
Net		
Faurecia	187	187
Faurecia businesses:		
- Automotive Seating	792	793
- Emissions Control Technologies	339	340
- Automotive Exteriors	123	96
- Interior Systems	46	32
Peugeot Automotiv Pazarlama AS (Popas)	-	9
Crédipar	75	75
Bank PSA Finance Rus	2	2
Gefco Automotive (Mercurio group)	-	48
Total	**1 564**	**1 582**

Impairment tests on goodwill allocated to the Automotive Equipment CGUs are discussed in Note 8.

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

15.1. BREAKDOWN OF PROPERTY, PLANT AND EQUIPMENT

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

31 December 2012 (in million euros)	Land and buildings	Plant and equipment	Lesed vehicles [2]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
Net							
At beginning of period	**3 133**	**6 101**	**2 693**	**99**	**273**	**1 775**	**14 074**
Purchases/additions [1]	268	687	-	11	59	1 361	2 386
Depreciation for the year	(264)	(1 531)	(14)	(7)	(56)	-	(1 872)
Impairment losses [2]	(66)	(1 523)	-	-	(2)	(2)	(1 593)
Disposals	(237)	(21)	-	(9)	(8)	-	(275)
Transfers and reclassifications	62	1 032	-	5	36	(1 135)	-
Change in scope of consolidation and other [3]	63	293	(101)	(69)	(3)	(370)	(187)
Translation adjustment	(24)	(72)	9	-	(2)	(6)	(95)
At period-end	**2 935**	**4 966**	**2 587**	**30**	**297**	**1 623**	**12 438**
Gross value	*7 133*	*30 166*	*3 015*	*109*	*853*	*1 625*	*42 901*
Accumulated depreciation and impairment	*(4 198)*	*(25 200)*	*(428)*	*(79)*	*(556)*	*(2)*	*(30 463)*

[1] Including property, plant and equipment acquired under finance leases for €108 million. Borrowing costs capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" amounted to €69 million (see Note 1.11).

[2] Including €1,357 million in impairment losses on assets of the Automotive Division CGU (see Note 8.1).

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

31 December 2011 (in million euros)	Land and buildings	Plant and equipment	Lesed vehicles [2]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
Net							
At beginning of period	**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 period-end	**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 property, plant and equipment acquired under finance leases for €63 million. Borrowing costs capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" amounted to €40 million (see Note 1.11).

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

15.2. 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 break down as follows:

(in million euros)	31 December 2012	31 December 2011
Vehicles sold with a buyback commitment	2 547	2 290
Vehicles under short-term leases	40	403
Total, net	**2 587**	**2 693**

NOTE 16 - 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.

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

(in million euros)	**2012**	2011
At beginning of period	**1 472**	**1 056**
Dividends and profit transfers [(1)]	(124)	(103)
Share of net earnings	160	173
Newly consolidated companies	18	249
Capital increase (reduction)	22	-
Changes in scope of consolidation and other [(2)]	7	(1)
Translation adjustment	(19)	98
At period-end	**1 536**	**1 472**
O/w Dongfeng Peugeot Citroën Automobile goodwill	73	73
O/w Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill	5	7
O/w Mercurio group goodwill	-	2
O/w Gefco goodwill	57	

[(1)] Dividends and profit transfers in 2012 included €94 million in net dividends paid to the Group by DPCA, of which €10 million withheld.

[(2)] The movements during the year related to:

- *The consolidation of the 25% interest in Gefco still held by the Group following the disposal of control of this subsidiary (see Note 2.4);*
- *The deconsolidation of the Sevelnord shares, which is now wholly consolidated following the 26 July 2012 agreement with the Fiat group regarding the acquisition of Fiat's interest in that company. This deal did not have a material impact on income.*

16.2. SHARE IN NET ASSETS OF COMPANIES AT EQUITY

(in million euros)	Latest % interest	**31 December 2012**	31 December 2011
Renault cooperation agreement			
Française de Mécanique	50%	10	15
Société de Transmissions Automatiques	20%	2	2
Fiat cooperation agreement			
Sevelnord	50%	-	97
Gisevel	50%	-	-
Sevelind	50%	-	8
Sevel SpA	50%	71	71
BMW cooperation agreement			
BMW Peugeot Citroën Electrification BV [(1)]	0%	-	13
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50%	136	132
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile [(2)]	50%	822	752
Dongfeng Peugeot Citroën Automobile Finance Company Ltd [(2)]	50%	45	62
Changan cooperation agreement			
Changan PSA Automobiles Co., Ltd (CAPSA)	50%	214	234
Other			
Gefco group companies (Note 2)		141	6
Faurecia's companies at equity		78	64
Other excluding Faurecia and Gefco [(2)]		10	9
Total		**1 529**	**1 465**

[(1)] On 31 October 2012, PSA Peugeot Citroën and BMW group decided to terminate their partnership in the form of the BMW Peugeot Citroën Electrification joint venture. These shares were written down (see Note 16.3).

[(2)] Including goodwill (see Note 16.1)

The share in net assets of companies at equity breaks down into €1,536 million (€1,472 million at 31 December 2011) for companies with positive net equity, reported under "Investments in companies at equity" less €7 million (€7 million at 31 December 2011) for companies with negative net equity, reported under "Non-current provisions".

The main companies under joint control and classified as joint ventures under IFRS 11 are DPCA and CAPSA.
TPCA, Française de Mécanique and Sevel Italie are classified as joint operations.

16.3. SHARE IN NET EARNINGS OF COMPANIES AT EQUITY

(in million euros)	Latest % interest	2012	2011
Renault cooperation agreement			
Française de Mécanique	50%	(5)	(3)
Société de Transmissions Automatiques	20%	-	-
Fiat cooperation agreement			
Sevelnord	50%	-	(1)
Gisevel	50%	-	-
Sevelind	50%	(1)	(2)
Sevel SpA	50%	-	-
BMW cooperation agreement			
BMW Peugeot Citroën Electrification BV	0%	(35)	-
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50%	15	8
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile	50%	171	150
Dongfeng Peugeot Citroën Automobile Finance Company Ltd	50%	7	3
Changan cooperation agreement			
Changan PSA Automobiles Co., Ltd (CAPSA)	50%	(18)	(11)
Other			
Gefco group companies		-	-
Faurecia's companies at equity		24	34
Other excluding Faurecia and Gefco		2	(5)
Total		**160**	**173**

16.4. KEY FINANCIAL DATA OF COMPANIES AT EQUITY - ATTRIBUTABLE TO THE GROUP

A. Aggregate data

(in million euros)	31 December 2012	31 December 2011
Property, plant and equipment	1 640	1 407
Working capital [(1)]	(565)	(273)
Other capital employed [(2)]	591	378
Capital employed	**1 666**	**1 512**
Long and medium-term debt	(208)	(174)
Other financial items	71	127
Net financial position	**(137)**	**(47)**
Total equity (Note 16.2)	**1 529**	**1 465**
Capital expenditure	**408**	**233**

[(1)] Changan PSA Automobiles Co., Ltd's capital was not fully paid up at 31 December 2012. The portion not paid up (€75 million) is included in working capital.

[(2)] At 31 December 2012, the main balance sheet items included in "Other capital employed" concern intangible assets for €517 million (€322 million at 31 December 2011) and provisions for €61 million (€57 million at 31 December 2011).

B. Key financial data by company

(a) Capital employed

(in million euros)	Latest % interest	**31 December 2012**	31 December 2011
Renault cooperation agreement			
Française de Mécanique	50%	93	113
Société de Transmissions Automatiques	20%	1	2
Fiat cooperation agreement			
Sevelnord	50%	-	97
Gisevel	50%	-	-
Sevelind	50%	-	8
Sevel SpA	50%	264	261
BMW cooperation agreement			
BMW Peugeot Citroën Electrification BV	0%	-	-
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50%	154	151
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile	50%	634	497
Dongfeng Peugeot Citroën Automobile Finance Company Ltd	50%	45	62
Changan cooperation agreement			
Changan PSA Automobiles Co., Ltd (CAPSA)	50%	252	260
Other			
Gefco group companies		169	5
Faurecia's companies at equity		52	52
Other excluding Faurecia and Gefco		2	4
Total		**1 666**	**1 512**

(b) Net financial position

(in million euros)	Latest % interest	**31 December 2012**	31 December 2011
Renault cooperation agreement			
Française de Mécanique	50%	(83)	(98)
Société de Transmissions Automatiques	20%	1	-
Fiat cooperation agreement			
Sevelnord	50%	-	-
Gisevel	50%	-	-
Sevelind	50%	-	-
Sevel SpA	50%	(193)	(190)
BMW cooperation agreement			
BMW Peugeot Citroën Electrification BV	0%	-	13
Toyota cooperation agreement			
Toyota Peugeot Citroën Automobiles	50%	(18)	(19)
Dongfeng cooperation agreement			
Dongfeng Peugeot Citroën Automobile	50%	188	255
Dongfeng Peugeot Citroën Automobile Finance Company Ltd	50%	-	-
Changan cooperation agreement			
Changan PSA Automobiles Co., Ltd (CAPSA)	50%	(38)	(26)
Other			
Gefco group companies		(28)	1
Faurecia's companies at equity		26	12
Other excluding Faurecia and Gefco		8	5
Total		**(137)**	**(47)**

NOTE 17 - INVESTMENTS IN NON-CONSOLIDATED COMPANIES

The recognition and measurement principles are described in Note 1.16.B (2) (a).

The main changes in 2012 were as follows:

(in million euros)	Latest % interest	31 December 2012	31 December 2011
Football Club de Sochaux Montbeliard	100%	19	19
Non consolidated dealers (Automotive)	-	11	9
Faurecia group portfolio	-	14	38
Other investments	-	18	9
Gefco group portfolio	-	-	11
Total		**62**	**86**
Gross		99	120
Impairments		(37)	(34)

NOTE 18 - 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 1.16.B.

31 December 2012		Financial assets classified as			
(in millions of euros)	Loans and receivables	"Available-for-sale"	"At fair value through profit or loss"	Derivative instruments	Total
Gross					
At beginning of period	**272**	**122**	**547**	**235**	**1 176**
Purchases/additions	95	5	63	-	163
Disposals	(2)	(4)	(6)	(304)	(316)
Remeasurement at fair value	-	48	12	69	129
Transfers to current financial assets [1]	(19)	-	(239)	-	(258)
Translation adjustment and changes in scope of consolidation	(2)	-	(3)	-	(5)
At period-end	**344**	**171**	**374**	**-**	**889**
Provisions					
At beginning of period	**(115)**	**-**	**-**	**-**	**(115)**
Net charge for the year	(2)	-	-	-	(2)
Translation adjustment and changes in scope of consolidation	-	-	-	-	-
At period-end	**(117)**	**-**	**-**	**-**	**(117)**
Carrying amount at 1 January	157	122	547	235	1 061
Carrying amount at 31 December	**227**	**171**	**374**	**-**	**772**

[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 2011.*

The carrying amount of available-for-sale financial assets included an unrealised gain of €83 million at the balance sheet date (€35 million at 1 January).

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

[(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 2011.*

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).

NOTE 19 - OTHER NON-CURRENT ASSETS

(in million euros)	31 December 2012	31 December 2011
Excess of payments to external funds over pension obligations (Note 29)	154	76
Units in the FMEA funds	74	105
Derivative instruments [(1)]	2	-
Guarantee deposits and other	288	271
Total	**518**	**452**

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

The Group has invested in the two "Fonds de Modernisation des Equipementiers Automobiles" (FMEA - tier 1 and tier 2). The Group has committed €204 million to these two funds, €124 million of which has been paid to date. These units have been classified as "available-for-sale" in accordance with IAS 39 and are therefore measured at fair value (see Note 1.16.B (2) (c)). They are reported as non-current assets because of the lock-up applicable to the Group's investment.

In light of the difficulties experienced by automotive equipment manufacturers, the FMEA units were written down by €42 million at 31 December 2012 based on the valuation published by the fund manager, *Caisse des Dépôts et Consignations* .

The Group considers that an impairment loss lasting more than three years qualifies as "prolonged" (see Note 1.16.(B) (2)). As it believes that this will be the case for the FMEA units, the impairment loss was recognised through profit and loss.

NOTE 20 - LOANS AND RECEIVABLE - FINANCE COMPANIES

The recognition and measurement principles are described in Note 1.16.B (3) (a).

20.1. ANALYSIS

(in million euros)	**31 December 2012**	31 December 2011
"Retail, Corporate and Equivalent"		
Credit sales	9 777	10 171
Long-term leases	4 703	4 727
Leases subject to buyback commitments	2 280	2 301
Other receivables	152	183
Ordinary accounts and other	95	92
Total net "Retail, Corporate and Equivalent"	**17 007**	**17 474**
Corporate Dealers		
Wholesale Finance Receivables	5 007	5 879
Other receivables	733	627
Other	314	334
Total net "Corporate Dealers"	**6 054**	**6 840**
Remeasurement of interest rate hedged portfolios	85	73
Eliminations	(51)	(80)
Total	**23 095**	**24 307**

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

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

Retail, Corporate and Equivalent finance receivables included €6,742 million in securitised automotive receivables that were still carried on the balance sheet at 31 December 2012 (€4,008 million at 31 December 2011).

The Banque PSA Finance group carried out several securitisation transactions in 2012 through special purpose entities.

On 12 July 2012, Crédipar sold receivables worth €1,080 million, consisting of future payments on finance leases and leases with purchase options, to the 2012-1 compartment of FCT Auto ABS. The fund issued €724 million worth of AAA/AAA-rated A bonds and €356 million worth of B bonds.

On 17 October 2012, Banque PSA Finance's Italian branch sold €621 million worth of automotive loans to the 2012-2 compartment of the Italian entity Auto ABS S.r.l. The fund issued €537 million worth of AA/AA-rated A bonds and €94 million worth of B bonds.

On 23 November 2012, Banque PSA Finance's Spanish branch sold €800 million worth of automotive loans to the 2012-3 compartment of FTA Auto ABS. The fund issued €668 million worth of AA-/AA(low)-rated A bonds and €132 million worth of B bonds.

On 29 November 2012, Crédipar sold €296 million in automotive loans to FCT Auto ABS French Loans Master. The fund issued €267 million worth of AAA/Aaa-rated A bonds and €29 million worth of B bonds.

On 6 December 2012, the UK subsidiary of Banque PSA Finance sold €1,331 million in automotive loans to Auto ABS UK Loans PLC. The fund issued €905 million worth of AAA-rated A bonds and €426 million worth of B bonds.

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 32 "Financing liabilities - finance companies".

20.2. 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 2012**	31 December 2011
	3 600	4 467

20.3. MATURITIES OF LOANS AND RECEIVABLES

31/12/2012 *(in million euros)*	Credit sales	Leases with a buyback commitment	Long-term leases	Wholesale finance receivables	Other [1]	Total
Unallocated	478	151	177	200	354	**1 360**
Less than three months	1 048	204	604	3 969	148	**5 973**
Three to six months	918	185	507	575	80	**2 265**
Six months to one year	1 902	361	900	347	131	**3 641**
One to five years	5 558	1 507	2 821	14	383	**10 283**
Beyond five years	292	5	1	-	77	**375**
Total gross loans and receivables outstanding	**10 196**	**2 413**	**5 010**	**5 105**	**1 173**	**23 897**
Guarantee deposits	-	-	(135)	(74)	-	(209)
Allowances	(375)	(86)	(93)	(24)	(49)	(627)
Total net loans and receivables outstanding	**9 821**	**2 327**	**4 782**	**5 007**	**1 124**	**23 061**

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

31/12/2011 *(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 three months	1 010	185	693	3 483	114	**5 485**
Three to six months	756	180	665	1 013	49	**2 663**
Six months to one year	1 957	360	869	1 328	164	**4 678**
One to five years	6 232	1 520	2 545	12	368	**10 677**
Beyond five 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	-	-	(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".*

20.4. ALLOWANCES FOR CREDIT LOSSES

Net retail, corporate and equivalent loans and receivables outstanding

(in million euros)	**31 December 2012**	31 December 2011
Performing loans with no past due balances	16 207	16 397
Performing loans with past due balances	698	775
Non-performing loans	706	689
Total gross Retail, Corporate and Equivalent loans and receivables outstanding	**17 611**	**17 861**
Items taken into account in amortised cost calculations	**92**	**86**
Guarantee deposits	**(115)**	**(60)**
Allowances for performing loans with past due balances	*(47)*	*(48)*
Allowances for non-performing loans	*(534)*	*(365)*
Allowances	**(581)**	**(413)**
Total net Retail, Corporate and Equivalent loans and receivables outstanding	**17 007**	**17 474**
Allowances booked during the period	(276)	(155)
Allowances released during the period (utilisations)	108	145

Net Corporate Dealer loans and receivables outstanding

(in million euros)	**31 December 2012**	31 December 2011
Performing loans with no past due balances	5 912	6 772
Performing loans with past due balances	40	21
Non-performing loans	264	166
Total gross Corporate Dealer loans and receivables outstanding	**6 216**	**6 959**
Items taken into account in amortised cost calculations	**(10)**	**(10)**
Guarantee deposits	**(94)**	**(72)**
Allowances	**(58)**	**(37)**
Total net Corporate Dealer loans and receivables outstanding	**6 054**	**6 840**
Allowances booked during the period	(35)	(28)
Allowances released during the period (utilisations)	15	27

The statistical provisioning method applicable to the Banque PSA Finance retail portfolio was reviewed to take into account in particular of the deteriorating markets in which PSA Peugeot Citroën operates, especially in Southern Europe.

After applying the new estimates to outstanding loans, Banque PSA Finance decided, in line with its prudent management policy, to further impair the Retail loan book by €136 million. This additional impairment loss, classified as a change in estimate under IFRS, was recognised in cost of risk under the 2012 recurring operating income of Banque PSA Finance. This impairment loss was mainly on loans originated prior to 2009.

NOTE 21 - SHORT-TERME INVESTMENTS - FINANCE COMPANIES

The recognition and measurement principles applicable to short-term investments of the finance companies are described in Note 1.16.B (1) (b).

(in million euros)	**31 December 2012**	31 December 2011
Short-term investments	867	877
Total	**867**	**877**

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

NOTE 22 - INVENTORIES

	31 December 2012			31 December 2011		
(in million euros)	Gross	Allowance	Net	Gross	Allowance	Net
Raw materials and supplies	955	(165)	790	875	(168)	707
Semi-finished products and work-in-progress	1 049	(24)	1 025	955	(37)	918
Goods for resale and used vehicles	1 356	(208)	1 148	1 218	(159)	1 059
Finished products and replacement parts	3 478	(248)	3 230	4 145	(220)	3 925
Total	**6 838**	**(645)**	**6 193**	**7 193**	**(584)**	**6 609**

NOTE 23 - TRADE RECEIVABLES - MANUFACTURING AND SALES COMPANIES

(in million euros)	**31 December 2012**	31 December 2011
Trade receivables	2 166	2 557
Allowances for doubtful accounts	(152)	(170)
Total - manufacturing and sales companies	**2 014**	**2 387**
Elimination of transactions with the finance companies	(187)	(167)
Total	**1 827**	**2 220**

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 20.2).

At 31 December 2012, receivables totalling €678 million sold under the programmes described in Note 30.5 had been derecognised in line with the principles set out in Note 1.18. A further €186 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 2012**	31 December 2011
Receivables sold and derecognised	678	530
- of which Faurecia group	*177*	*261*
Receivables sold but not derecognised	186	161
- of which Faurecia group	*105*	*102*

NOTE 24 - OTHER RECEIVABLES

24.1. MANUFACTURING AND SALES COMPANIES

(in million euros)	**31 December 2012**	31 December 2011
State, regional and local taxes excluding income tax [(1)]	1 210	1 198
Personnel-related payables	50	54
Due from suppliers	245	200
Derivative instruments [(2)]	65	80
Prepaid expenses	200	190
Miscellaneous other receivables	196	213
Total	**1 966**	**1 935**

[(1)] In 2012, the Group sold €113 million worth of 2011 French research tax credits as well as the balance (€15 million) for 2010 (see Note 30.5).

[(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 included €42 million at 31 December 2011 in receivables that are matched by payables due to the finance companies (no reciprocal amounts at 31 December 2012).

24.2. FINANCE COMPANIES

(in million euros)	**31 December 2012**	31 December 2011
Taxes payable other than income taxes	65	66
Derivative instruments [(1)]	329	394
Deferred income and accrued expenses	257	223
Miscellaneous other receivables	304	322
Total	**955**	**1 005**

[(1)] This item corresponds to the fair value of instruments purchased by the Group to primarily hedge interest rate risks on financing liabilities and receivables.

NOTE 25 - CURRENT FINANCIAL ASSETS

The recognition and measurement principles applicable to current financial assets are described in Note 1.16.B for loans and receivables, Note 1.16.B for financial assets at "fair value through profit or loss", and Note 1.16.D for derivative instruments.

2012 *(in millions of euros)*	Loans and receivables	Financial assets classified as "at fair value through profit or loss"	Derivative instruments	Total
At beginning of period	**238**	**-**	**27**	**265**
Purchases/additions	794	475	-	1 269
Disposals	(157)	(84)	-	(241)
Remeasurement at fair value	-	-	(26)	(26)
Transfers (see Note 18) [(1)]	15	297	-	312
Translation adjustment and changes in scope of consolidation	(78)	-	-	(78)
At period-end	**812**	**688**	**1**	**1 501**
Manufacturing and sales companies				*1 501*

[(1)] Transfers of financial assets classified as at "fair value through profit or loss", corresponding to short-term investments with maturities of under one year.

Loans and receivables include €475 million in debt securities issued with an original maturity of four months, and with a residual maturity of two months at 31 December 2012.

2011 *(in millions of euros)*	Loans and receivables	Financial assets classified as "at fair value through profit or loss"	Derivative instruments	Total
At beginning of period	**282**	**-**	**24**	**306**
Purchases/additions	115	-	-	115
Disposals	(164)	-	-	(164)
Remeasurement at fair value	-	-	3	3
Transfers (Note 18)	2	-	-	2
Translation adjustment and changes in scope of consolidation	3	-	-	3
At period-end	**238**	**-**	**27**	**265**
Manufacturing and sales companies				*265*

NOTE 26 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined in Note 1.16.B (1) (a) and include:

26.1. MANUFACTURING AND SALES COMPANIES

(in million euros)	31 December 2012	31 December 2011
Mutual fund units and money market securities	4 137	3 832
Cash and current account balances	1 284	1 358
Total - manufacturing and sales companies	**5 421**	**5 190**
o/w deposits with finance companies	*(279)*	*(224)*
Total	**5 142**	**4 966**

Cash includes the proceeds from borrowings arranged to meet future financing needs.

At 31 December 2012, cash equivalents mainly included certificates of deposit for €100 million, money market funds for €2,850 million, overnight money market notes for €987 million.
All of these instruments comply with the Committee of European Securities Regulators' (CESR) definition of Short-Term Money Market Funds.

26.2. FINANCE COMPANIES

(in million euros)	31 December 2012	31 December 2011
Due from credit institutions [(1)]	1 651	1 131
Central bank current account balances and items received for collection	18	23
Total	**1 669**	**1 154**

[(1)] At 31 December 2012, this item included ordinary accounts in debit for €600 million corresponding mainly to the final customer direct debits for the period (€427 million at 31 December 2011), €649 million in mutual funds (€300 million at 31 December 2011) and €402 million in loans and advances at overnight rates (€404 million at 31 December 2011).

Cash and cash equivalents include Banque PSA Finance's liquidity reserves, which amounted to €1,066 million at 31 December 2012 (€724 million at 31 December 2011), €649 million invested in mutual funds (€300 million at 31 December 2011), €402 million in interbank loans (€404 million at 31 December 2011) and €15 million in central bank deposits (€20 million at 31 December 2011).

NOTE 27 - EQUITY

27.1. CAPITAL MANAGEMENT POLICY

The capital management policy relates to equity as defined under IFRS. It is designed to optimise the Group's cost of capital and ensure that it has secure long-term capital resources. Managing capital essentially involves deciding the level of capital to be held currently or in the future and setting dividend policies.

Equity breaks down into portions attributable to minority interests and to equity holders of the parent company.

Equity attributable to equity holders of the parent is equal to the share capital of Peugeot S.A. less any treasury 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.
The undrawn confirmed lines of credit are subject to compliance with a financial covenant based on equity (see Note 37).
Banque PSA Finance complies with the capital adequacy ratio and other capital requirements imposed under banking regulations.

Peugeot S.A. shares are held in treasury for the following purposes:
- to reduce the company's share capital;
- to award shares to employees, directors and officers of the Company or of companies or groupings that are affiliated with it when the stock options are exercised;
- to allot shares in connection with equity transactions.

Furthermore, the Group may carry out capital increases when holders of Peugeot S.A. OCEANE bonds present their bonds for conversion. (See Note 27.2). There was no capital increase as a result of the conversion of OCEANE bonds in 2012.

27.2. ANALYSIS OF SHARE CAPITAL AND CHANGES IN THE YEAR

The share capital amounted to €354,848,992 at 31 December 2012, represented by shares with a par value of €1 each. It is fully paid-up. Shares may be held in registered or bearer form, at the shareholder's discretion. In accordance with article 11 of the bylaws, shares registered in the name of the same holder for at least four years carry double voting rights.

Rights issue

On 6 March 2012, Peugeot S.A. carried out a capital increase for cash (rights issue) with preferential subscription rights. The final gross proceeds totalled €999 million, corresponding to the issue of 120,799,648 new shares, each with a par value of €1. The total premium amounted to €878 million, before deducting related costs. These totalled €33 million.

Following the rights issue, the Peugeot family remained PSA Peugeot Citroën's leading shareholder with 25.2% of the capital and 37.9% of exercisable voting rights. The family exercised 32,875,655 preferential subscription rights, representing an investment of approximately €140 million.

As part of its strategic alliance with the Group, General Motors became PSA Peugeot Citroën's second largest shareholder with 7.0% of the capital obtained by purchasing and exercising preferential subscription rights sold by Peugeot SA and the Peugeot family group, and by purchasing 4,398,821 treasury shares sold by Peugeot SA.
In all, Peugeot SA sold €81 million worth of treasury shares to General Motors and 70 million pre-emptive subscription rights on the market. The sale proceeds, in the amount of €151 million, were recognised directly in equity.

Under the terms of the agreement between General Motors and Peugeot SA, General Motors has given an undertaking not to raise its interest in Peugeot SA before 2022.

(in euros)	**31 December 2012**	31 December 2011
Share capital at beginning of period	234 049 344	234 049 225
Rights issue	120 799 648	
OCEANE bonds	-	119
Share capital at end of period	**354 848 992**	**234 049 344**

At 31 December 2012, the Peugeot family group held 25.5% of Peugeot S.A.'s shares and 38.1% 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 37.0%.

27.3. 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
2004 Plan	24/08/2004	24/08/2007	23/08/2012	182	40.68	1 004 000
2005 Plan	23/08/2005	23/08/2008	22/08/2013	169	44.76	953 000
2006 Plan	23/08/2006	23/08/2009	22/08/2014	92	35.16	983 500
2007 Plan	22/08/2007	22/08/2010	21/08/2015	169	51.65	1 155 000
2008 Plan	22/08/2008	22/08/2011	19/08/2016	194	28.27	1 345 000

No plan was awarded between 2009 and 2012.

On 31 December 2012, the share price was €5.47.

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)	2012	2011
Total at 1 January	**4 698 000**	**5 392 107**
Adjustment to the number of options granted as a result of the capital increase	797 810	-
Options granted	-	-
Options exercised	-	-
Cancelled options	(56 800)	(16 000)
Expired options	(1 067 040)	(678 107)
Total at 31 December	**4 371 970**	**4 698 000**
o/w exercisable options	4 423 770	4 698 000

Options outstanding at the year-end are as follows:

(number of options)	31 December 2012	31 December 2011
2004 Plan	-	912 000
2005 Plan	1 005 030	865 000
2006 Plan	1 003 615	870 500
2007 Plan	1 067 625	922 500
2008 Plan	1 295 700	1 128 000
Total at 31 December	**4 371 970**	**4 698 000**

C. Weighted average value of options and underlying shares

(in euros)	2012		2011	
	Exercise price	Share price	Exercise price	Share price
Value at 1 January	**46.3**		**45.4**	
New options	39.6			
Options granted	-	-	-	-
Options exercised	-	-	-	-
Cancelled options	37.4	25.3	47.0	13.3
Expired options	40.7	24.3	39.1	20.8
Value at 31 December	**39.4**		**46.3**	

D. Personnel costs arising from stock option plans

In line with the principles described in Note 1.22, 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)	2012			2011
	Peugeot S.A.	Faurecia	Total	Total
2007 Plan	-	-	-	1
2008 Plan	-	-	-	3
Total	**-**	**-**	**-**	**4**

27.4. 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 2010, 2011 and 2012. Since the cumulative targets were not achieved, no share was allocated.

No performance shares were granted to members of the Managing Board under the plan.

B. Personnel costs arising from the performance share plan

Since the performance targets were not achieved, the personnel costs arising from the performance share plan recognised at 31 December 2011, were fully written back for €4.1 million at 31 December 2012.

■ Faurecia performance share plan

In 2010, Faurecia used the authorisation given at the Extraordinary Shareholders' Meeting of 8 February 2010 to establish a 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 vesting period. The amount recognised in income for the period is €2.7 million (compared with an expense of €9.6 million in 2011).

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.

Following the achievement of the performance target in the first plan, 465,400 shares were granted and 2,910,200 are still to be granted. The performance target in the second plan established by the Board on 21 July 2010 was not achieved.

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

In 2012, the Faurecia Board of Directors granted a maximum of 1,027,650 performance shares at its 23 July 2012 meeting.

27.5. PEUGEOT S.A. SHARES

The Group may use the buyback authorisations given at Shareholders' Meetings to buy back Peugeot S.A. shares. No shares were bought back in 2012. However, the Group sold 4,398,821 treasury shares to General Motors.

Changes in treasury stock are presented in the following table:

A. Number of shares held

(number of shares)	Authorisations	**2012 Transactions**	2011 Transactions
At beginning of period		**17 187 450**	**7 187 450**
Share buybacks			
AGM of 31 May 2011	16 000 000	-	10 000 000
AGM of 25 April 2012	22 696 289	-	n/a
Share cancellations			
AGM of 31 May 2011	10% of capital	-	
AGM of 25 April 2012	10% of capital	-	n/a
Share sales [(1)]		- 4 398 821	-
On exercise of stock options		-	-
Conversion of Oceane bonds		- 1	-
At end of period		**12 788 628**	**17 187 450**
Allocation			
• Shares held for allocation to a future liquidity contract		300 000	300 000
• Shares held for allocation on conversion of 23 June 2009 OCEANE bonds		8 064 858	10 908 807
• Shares held for allocation on exercise of outstanding stock options (Note 27.3.B)		4 371 970	4 698 000
• Shares held for allocation on exercise of future stock options		-	462 543
• Shares held for allocation under the performance share plans		-	807 900
• Unallocated shares		51 800	10 200
		12 788 628	**17 187 450**

[(1)] *Treasury shares sold to General Motors*

B. Change in value

(in million euros)	**2012**	2011
At beginning of period	(502)	(303)
Acquired	-	(199)
Sale of shares to General Motors net of the preferential subscription rights purchased	81	-
Preferential subscription rights sold on the market	70	-
At period-end	**(351)**	**(502)**
Average price per share (in euros)	27.42	

The share price on 31 December 2012 was €5.47.

27.6. 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 2012**	31 December 2011
Peugeot S.A. legal reserve	28	28
Other Peugeot S.A. statutory reserves and retained earnings	9 598	7 962
Reserves and retained earnings of subsidiaries, excluding minority interests	192	6 114
Total	**9 818**	**14 104**

Other Peugeot S.A. statutory reserves and retained earnings include:

(in million euros)	**31 December 2012**	31 December 2011
Reserves available for distribution:		
Without any additional corporate tax being due	8 530	6 894
after deduction of additional tax [(1)]	1 068	1 068
Total	**9 598**	**7 962**
Tax on distributed earnings	**169**	**169**

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

27.7. MINORITY INTERESTS

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

NOTE 28 - CURRENT AND NON-CURRENT PROVISIONS

28.1. NON-CURRENT PROVISIONS

A. Analysis by type

(in million euros)	**31 December 2012**	31 December 2011
Pensions (Note 29.1)	509	557
Early-termination plan	1	5
Other employee benefit obligations	119	126
Other	17	24
Total	**646**	**712**

B. Movements for the year

(in million euros)	**2012**	2011
At beginning of period	**712**	**727**
Movements taken to profit or loss		
Additions	168	180
Releases (utilisations)	(88)	(78)
Releases (unused provisions)	(106)	(45)
	(26)	**57**
Other changes		
Translation adjustment	(2)	(1)
Change in scope of consolidation and other	(38)	(71)
At end of period	**646**	**712**

Provision releases mainly concern pensions. These releases primarily stem from the workforce adjustment plans (see Note 8.3).

28.2. CURRENT PROVISIONS

A. Analysis by type

(in million euros)	**31 December 2012**	31 December 2011
Warranties [(1)]	689	698
Commercial and tax claims and litigation [(2)]	443	460
Restructuring plans	847	448
Long-term contract losses	587	322
Sales with a buyback commitment	194	133
Other	304	238
Total	**3 064**	**2 299**

[(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 24).

[(2)] *Provisions for tax claims concern a number of claims primarily outside France.*

B. Movements for the year

(in million euros)	2012	2011
At beginning of period	**2 299**	**2 464**
Movements taken to profit or loss		
Provisions [1]	2 112	1 369
Releases (utilisations)	(1 134)	(1 071)
Releases (unused provisions) [2]	(170)	(457)
	808	**(159)**
Other changes		
Translation adjustment	(38)	(19)
Change in scope of consolidation and other	(5)	13
At end of period	**3 064**	**2 299**

[1] *The main provisions for restructuring plans in 2012 are discussed in Note 8.3.*

[2] *The decline in warranty costs resulting from improvements to vehicle quality led to a €71 million reduction in the related provisions in 2012 (€210 million reduction in 2011).*

NOTE 29 - PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

29.1. 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. The Group’s only obligation under defined contribution plans is to pay fixed contributions into the fund concerned. The payments are recognised in income for the year. 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 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 2,730 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 covers 1,900 former employees not receiving benefits and 16,000 retired employees at end-2012, as well as the closed Citroën supplementary plan (ACC) that covered 6,600 retired employees at end-2012.

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. Since 1 January 2010, a new plan has been in place for new members of the Group's management bodies with the same benefits, on the basis of a reference salary determined on the basis of the fixed salary over the final three years of employment before retirement from the Group, plus a percentage equal to the average of the ratios of bonuses to fixed salary over the final eight years of employment before retirement from the Group.

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 2012, 20,800 beneficiaries were covered by these plans, including 1,200 active employees, 8,100 former employees not yet retired and 11,500 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		
2012	**3.00 %**	**4.25 %**
2011	4.50 %	4.90 %
Inflation rate		
2012	**1.80 %**	**2.70 %**
2011	1.80 %	2.90 %
Expected return on external funds		
2012	**na** [1]	**na** [1]
2011	4.80 %	5.50 %

[1] *Pursuant to IAS 19 (Revised) the return on hedging assets is calculated using a standard rate, not an expected rate, from 1 January 2013.*

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

Prime corporate bonds are defined as bonds awarded one of the top two ratings by a recognised rating agency (for example, bonds rated AA or AAA by Moody's or Standard & Poor's).
Pending an opinion from the IFRS Interpretations Committee, the Group continues to use the reference group of prime corporate bonds.

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 2012, 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) in France or the UK would lead to the following increases or decreases in projected benefit obligations:

	Discount rate +0.25%	Inflation rate +0.25%
France	**-2.42%**	**2.99%**
United Kingdom	**-3.74%**	**3.25%**

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 2012 of €11 million for French plans and €17 million for UK plans.

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

C. Information on external funds

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

The breakdown of external funds is as follows:

	31 December 2012		31 December 2011	
	Equities	Bonds	Equities	Bonds
France	20 %	80 %	31 %	69 %
United Kingdom	40 %	60 %	38 %	62 %

In 2012, the actual return on external funds managed by the Group in France and by the pension trusts in the United Kingdom was +12.6% for the French funds and +7.9% for the UK funds. 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. The remaining third is actively managed and invested in UK stocks. Bond funds track the main bond indices. This includes inflation-indexed gilt 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 2012, no decision had been made as to the amount of contributions to be paid in 2013.
In 2013, 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 £68 million (€82 million) in 2012. It is estimated at £37 million (€46 million) for 2013, although this sum may change in light of the negotiations planned for 2013.

D. Movement for the year

■ **Excluding minimum funding requirement (IFRIC 14)**

(in million euros)	2012 France	2012 United Kingdom	2012 Other	2012 Total	2011 France	2011 United Kingdom	2011 Other	2011 Total
Projected benefit obligation								
At beginning of period: Present value	**(1 587)**	**(1 621)**	**(579)**	**(3 787)**	**(1 649)**	**(1 478)**	**(483)**	**(3 610)**
Service cost	(50)	(15)	(18)	(83)	(48)	(15)	(15)	(78)
Interest cost	(70)	(80)	(24)	(174)	(77)	(80)	(24)	(181)
Benefit payments for the year	96	71	31	198	94	63	29	186
Unrecognised actuarial gains and (losses):								
- amount	(249)	(101)	(98)	(448)	53	(62)	(1)	(10)
- as a % of projected benefit obligation	*15.7 %*	*6.2 %*	*16.9 %*	*11.8 %*	*3.2 %*	*4.2 %*	*0.2 %*	*0.3 %*
Past service cost	-	-	-	-	-	-	-	-
Translation adjustment	-	(38)	2	(36)	-	(49)	(3)	(52)
Effect of changes in scope of consolidation and other [(1)]	11	2	26	39	-	-	(82)	(82)
Effect of curtailments and settlements	102	-	6	108	40	-	-	40
At period-end: Present value	**(1 747)**	**(1 782)**	**(654)**	**(4 183)**	**(1 587)**	**(1 621)**	**(579)**	**(3 787)**
External fund								
At beginning of period: Fair value	**1 101**	**1 735**	**301**	**3 137**	**1 173**	**1 533**	**196**	**2 902**
Expected return on external funds	49	98	12	159	51	86	10	147
Unrecognised actuarial gains and (losses):								
- amount	53	7	2	62	(32)	6	(11)	(37)
- as a % of external funds	*4.8 %*	*0.4 %*	*0.7 %*	*2.0 %*	*2.7 %*	*0.4 %*	*5.6 %*	*1.3 %*
Translation adjustment	-	40	-	40	-	53	2	55
Employer contributions	3	82	21	106	4	120	19	143
Benefit payments for the year	(92)	(71)	(21)	(184)	(95)	(63)	(23)	(181)
Effect of changes in scope of consolidation and other [(1)]	(7)	2	(8)	(13)	-	-	108	108
Effect of curtailments and settlements	-	-	(2)	(2)	-	-	-	-
At period-end: Fair value	**1 107**	**1 893**	**305**	**3 305**	**1 101**	**1 735**	**301**	**3 137**
Deferred items								
At beginning of period	**199**	**(58)**	**28**	**169**	**243**	**(115)**	**18**	**146**
Deferred items arising in the year	196	93	97	386	(21)	56	12	47
Amortisation of unrecognised deferred items	(15)	3	(2)	(14)	(21)	2	(2)	(21)
- actuarial gains and losses	*(11)*	*3*	*(1)*	*(9)*	*(13)*	*2*	*(2)*	*(13)*
- past service cost	*(4)*	*-*	*(1)*	*(5)*	*(8)*	*-*	*-*	*(8)*
Translation adjustments and other	-	(2)	(1)	(3)	-	(1)	-	(1)
Effect of curtailments and settlements	(3)	-	-	(3)	(2)	-	-	(2)
At period-end	**377**	**36**	**122**	**535**	**199**	**(58)**	**28**	**169**

[(1)] *Of which €39 million for Gefco, -€18 million for Sevelnord and €4 million for Citer and Atesa.*

E. Reconciliation of balance sheet items

(in million euros)	31 December 2012 France	United Kingdom	Other	Total	31 December 2011 France	United Kingdom	Other	Total
Present value of projected benefit obligation	**(1 747)**	**(1 782)**	**(654)**	**(4 183)**	**(1 587)**	**(1 621)**	**(579)**	**(3 787)**
Fair value of external funds	1 107	1 893	305	3 305	1 101	1 735	301	3 137
Plan surplus (deficit)	**(640)**	**111**	**(349)**	**(878)**	**(486)**	**114**	**(278)**	**(650)**
Unrecognised deferred items								
• Actuarial gains and losses	319	36	122	477	132	(58)	28	102
• Past service cost	58	-	-	58	67	-	-	67
Net (liability) asset recognised in the balance sheet before minimum funding requirement (IFRIC 14)	**(263)**	**147**	**(227)**	**(343)**	**(287)**	**56**	**(250)**	**(481)**
Minimum funding requirement liability (IFRIC 14)	-	(12)	-	(12)	-	-	-	-
Net (liability) asset recognised in the balance sheet	**(263)**	**135**	**(227)**	**(355)**	**(287)**	**(56)**	**(250)**	**(481)**
Of which, liability	(264)	(18)	(227)	(509)	(287)	(19)	(251)	(557)
Of which, asset	1	153	-	154	1	75	-	76
Of which, unfunded plans	*1.9 %*	*0.0 %*	*14.5 %*	*3.1 %*	*0.9 %*	*0.0 %*	*9.4 %*	*1.7 %*

The present value of the projected benefit obligation of French companies includes benefit obligations towards members of the managing bodies (described in Note 40), totalling €68 million for supplementary pension benefits and €1 million for retirement bonuses. The service cost related to these two plans amounted to €8 million for 2012.
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 corresponding to unvested rights is being recognised in profit or loss on a straight-line basis over the vesting period. The remaining (vested) portion was recognised in 2010.

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)	2012	2011	2010	2009	2008	2007
Projected benefit obligation	(4 183)	(3 787)	(3 610)	(3 514)	(3 228)	(3 768)
Fair value of external funds	3 305	3 137	2 902	2 691	2 409	3 023
Plan surplus (deficit)	(878)	(650)	(708)	(823)	(819)	(745)
Experience adjustments						
• France	(9)	29	50	(18)	(22)	41
• United Kingdom	-	(22)	13	4	(6)	29
• Other countries	8	(2)	1	7	3	7
Total experience adjustments to projected benefit obligations	**(1)**	**5**	**64**	**(7)**	**(25)**	**77**

F. Expenses 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 and changes in the minimum funding requirement liability recognised in accordance with IFRIC 14 (see Note 1.21) are reported under "Non-recurring operating income" or "Non-recurring operating expenses".

Pension expenses break down as follows:

	2012				2011			
(in million euros)	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Service cost	(50)	(15)	(18)	(83)	(48)	(15)	(15)	(78)
Amortisation of deferred items	(15)	3	(2)	(14)	(21)	2	(2)	(21)
• *actuarial gains and losses*	*(11)*	*3*	*(1)*	*(9)*	*(13)*	*2*	*(2)*	*(13)*
• *service cost*	*(4)*	*-*	*(1)*	*(5)*	*(8)*	*-*	*-*	*(8)*
Interest cost	(70)	(80)	(24)	(174)	(77)	(80)	(24)	(181)
Expected return on external funds	49	98	12	159	51	86	10	147
Effect of curtailments and settlements [(1)]	99	-	4	103	38	-	-	38
Total (before minimum funding requirement liability)	**13**	**6**	**(28)**	**(9)**	**(57)**	**(7)**	**(31)**	**(95)**
Change in minimum funding requirement liability (IFRIC14)	-	(12)	-	(12)	-	-	-	-
Total	**13**	**(6)**	**(28)**	**(21)**	**(57)**	**(7)**	**(31)**	**(95)**

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

Workforce adjustment measures led to an additional €103 million in pension obligations being reversed (€38 million in 2011) under the plan to restructure the Automotive Division's manufacturing base in France announced in July 2012 (see Note 8.3).

G. Projected benefit payments in 2013

Pension benefits payable in 2013 are estimated at €184 million.

H. Impact of the application of the amendment to IAS 19 applicable to the 2013 consolidated financial statements

Its impact is described in Note 1. It will result in provisions being funded for the full amount of the projected benefit obligation less the fair value of plan assets, representing a €187 million increase at 1 January 2012.

29.2. LONG-SERVICE AWARDS

The Group estimates its liability for long-service awards payable to employees who fulfil certain seniority criteria, notably in France. The value of this liability is calculated using the same method and assumptions used to measure supplementary pension benefits and retirement bonuses described in Note 29.1.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 2012**	31 December 2011
French companies	46	43
Foreign companies	27	26
Total	**73**	**69**

29.3. 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 liability is provided for in full as follows:

(in million euros)	**31 December 2012**	31 December 2011
	21	33

NOTE 30 - 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 1.16.C. Derivatives are accounted for as set out in Note 1.16.D.

	Carrying amount at 31 December 2012 Amortised cost or fair value		Carrying amount at 31 December 2011 Amortised cost or fair value	
(in million euros)	Non-current	Current	Non-current	Current
Convertible bonds [(1)]	907	15	679	13
Other bonds	4 616	960	4 413	79
Employee profit-sharing fund	4	2	17	4
Finance lease liabilities	243	90	242	155
Other long-term borrowings	2 037	719	2 282	228
Other short-term financing and overdraft facilities	-	1 072	-	1 655
Derivative instruments	21	6	6	6
Total financial liabilities	**7 828**	**2 864**	**7 639**	**2 140**

[(1)] The amortised cost of Oceane convertible bonds corresponds to the debt component. The equity component - corresponding to the conversion option - is recognized separately in equity.

30.1. REFINANCING TRANSACTIONS

The financial risk management policy is set out in Note 37.1.

A. Main refinancing transactions carried out in 2012

- Peugeot S.A. bond issues

On 11 April 2012, Peugeot S.A. issued €600 million worth of 5.625% bonds due in July 2017, under the EMTN programme. This issue enabled PSA to pre-refinance its 2013 debt maturities on favourable terms, extending the average life of its debt and thereby strengthening its balance sheet.

The €600 million worth of 2003 fixed-rate bonds due in 2033, had been converted into variable-rate by means of interest-rate swaps. This swap was unwound in 2012, bringing in cash proceeds of €304 million.

- Faurecia bond issues

On 21 February 2012, Faurecia increased its €350 million 9.375% bond issue due December 2016 that was carried out on 3 November 2011, through a €140 million tap issue.

On 3 May 2012, Faurecia issued €250 million worth of 8.75% bonds due June 2019.

- Peugeot S.A. syndicated credit facility

On 9 July 2010, Peugeot S.A rolled over in advance a €2,400 million three-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.

In July 2012, PSA obtained a second one-year extension to July 2015 for a €2,225 million tranche, with the remainder still due 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 December 2016.

Following the exercise of the first extension option in 2012, the first tranche is now split into a €41 million tranche expiring in December 2014, a €649 million tranche expiring in December 2015, benefiting from a second option to extend the due date to December 2016.

B. Characteristics of the Peugeot S.A. and Faurecia Oceane convertible bonds:

- Peugeot S.A. Oceane convertible bonds

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 2012, 1,311 bonds had been converted. The debt component of the issue amounted to €504 million.

- Faurecia Oceane convertible bonds

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 2012, 1,615 bonds had been converted into 1,617 new Faurecia shares. The debt component of the issue amounted to €199 million.

On 18 September 2012, Faurecia issued €250 million worth of Oceane bonds convertible or exchangeable for new or existing shares. The 12,833,675 bonds are due on 1 January 2018 and pay interest at an annual nominal rate of 3.25%.
At 31 December 2012, no bond had been converted. The debt component of the issue amounted to €201 million.

30.2. CHARACTERISTICS OF BONDS AND OTHER BORROWINGS

(in million euros)	Carrying amount at 31 December 2012		Issuing currency	Due
	Non-current	Current		
Manufacturing and sales companies (excl. Faurecia)				
2009 convertible bond issue - €575m	504	13	EUR	T1/2016
Faurecia				
2009 convertible bond issue - €211m	199	-	EUR	T1/2015
2012 convertible bond issue - €250m	201	2	EUR	T1/2018
2012 redeemable bond issue - €9m	3	-	EUR	T4/2016
Total convertible bond issues	**907**	**15**		
Manufacturing and sales companies (excl. Faurecia)				
2003 bond issue - €600m	897	10	EUR	T3/2033
2009 bond issue - €750m	746	29	EUR	T3/2014
2010 bond issue - €500m	498	14	EUR	T2/2015
2010 bond issue - €500m	-	503	EUR	T4/2013
2010 bond issue - €500m	496	5	EUR	T4/2016
2011 bond issue - €350m	-	353	EUR	T4/2013
2011 bond issue - €150m	150	1	EUR	T4/2016
2011 bond issue - €500m	497	26	EUR	T1/2016
2012 bond issue - €600m	595	16	EUR	T3/2017
Faurecia				
2011 bond issue - €490m	490	2	EUR	T4/2016
2011 bond issue - €250m	247	1	EUR	T2/2019
Total bond issues	**4 616**	**960**		
Manufacturing and sales companies (excl. Faurecia) – euro-denominated loans				
EIB loan [(1)] - €400m	-	398	EUR	T2/2013
EIB loan [(1)] - €250m	250	-	EUR	T4/2014
EIB loan [(1)] - €200m	154	43	EUR	T3/2017
EIB loan [(1)] - €125m	88	25	EUR	T4/2017
FDES loan [(1)] - Zero coupon	24	-	EUR	T1/2020
Borrowings - Spain	189	-	EUR	2013 to 2026
Borrowings - Russia	256	7	EUR	2017 to 2019
Other borrowings	39	-		
Manufacturing and sales companies (excl. Faurecia) – foreign currency loans				
Borrowings - Brazil	413	168	BRL	2013 to 2024
Borrowings - Russia	57	1	RUB	2019
Other borrowings	77	22	nc	nc
Faurecia				
Syndicated loan - France [(2)]	18	-	EUR	T4/2014
Syndicated loan - France [(2)]	282	-	EUR	T4/2015
Syndicated loan - France [(2)]	-	-	EUR	T4/2016
Other borrowings	190	55	EUR	nc
Total other long-term borrowings	**2 037**	**719**		

[(1)] *EIB: European Investment Bank; FDES: French social and economic development fund.*
[(2)] *These contracts include covenants, certain of which concern financial ratios. These clauses are presented in Note 37.1.A.*

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

(in million euros)	Issuing currency	Carrying amount at 31 December 2012	Carrying amount at 31 December 2011
Commercial paper	EUR	224	269
Short-term loans	N/A	402	694
Bank overdrafts	N/A	392	266
Payments issued [(1)]	N/A	22	426
Factoring liabilities on assets that have not been derecognised	N/A	32	-
Total		**1 072**	**1 655**

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

30.4. 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 2012	31 December 2011
2012	-	167
2013	105	58
2014	43	43
2015	42	38
2016	13	11
2017	12	-
2018	12	-
Subsequent years	129	106
	356	**423**
Less interest portion	(23)	(26)
Present value of future lease payments	**333**	**397**
Of which short-term	90	155
Of which long-term	243	242

30.5. SALES OF RECEIVABLES

The Automotive Division and Faurecia meet part of their financing needs by selling receivables to financial institutions (see Note 23). The sold receivables are derecognised when they meet the criteria specified in IFRS (see Note 1.18).

(in million euros)	31 December 2012			31 December 2011		
	Total receivables sold to non-Group financial institutions	Portion sold but not derecognised	Portion sold and derecognised	**Total receivables sold to non-Group financial**	Portion sold but not derecognised	Portion sold and derecognised
Maximum authorised facilities	**1 501**			**1 215**		
- of which Faurecia group	*710*			*749*		
Receivables sold to non-Group financial	**864**	186	678	**691**	161	530
- of which Faurecia group	*282*	*105*	*177*	*363*	*102*	*261*
Financed portion [(1)]	***799***	*121*	*678*	***596***	*66*	*530*
- of which Faurecia group	*266*	*89*	*177*	*327*	*66*	*261*
Portion not financed (including guarantee deposit)	***65***	*65*		***95***	*95*	
- of which Faurecia group	*16*	*16*		*36*	*36*	

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

In 2012, Peugeot S.A. and Faurecia sold and derecognised their 2011 French research tax credits, as well as the 2010 balance for Peugeot S.A., for a total of €128 million. The cash proceeds received at 31 December 2012 amounted to €117 million.

The sale of receivables constitutes usual short-term financing.
No transaction was carried out in December 2012 outside of the sale of receivables programme.

NOTE 31 - OTHER NON-CURRENT LIABILITIES

(in million euros)	**31 December 2012**	31 December 2011
Liabilities related to vehicles sold with a buyback commitment	3 166	2 842
Derivative instruments [(1)]	12	15
Other	6	8
Total	**3 184**	**2 865**

(1) This item includes the non-current portion of currency and commodity derivatives.

NOTE 32 - FINANCING LIABILITIES - FINANCE COMPANIES

Financing liabilities are accounted for as described in Note 1.16.C.

(in million euros)	**31 December 2012**	31 December 2011
Bonds issued by securitisation funds (Note 30.1)	4 246	3 963
Other bond debt	413	413
Other debt securities (Note 30.2)	8 891	12 690
Bank borrowings (Note 30.3)	8 103	4 995
	21 653	**22 061**
Customer deposits	487	482
	22 140	**22 543**
Amounts due to Group manufacturing and sales companies	(279)	*(257)*
Total	**21 861**	**22 286**

32.1. 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 2012 with external investors are described in Note 20 "Loans and receivables - Finance companies".
These transactions are reported under "Bonds issued by securitisation funds" for €4,246 million at 31 December 2012 (€3,963 million at 31 December 2011).

32.2. OTHER DEBT SECURITIES

"Other debt securities" consist mainly of EMTN/BMTNs for €8,099 million (€8,425 million at 31 December 2011) and certificates of deposit and commercial paper for €147 million (€3,754 million at 31 December 2011).

In 2012, 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 2012, €700 million at a fixed rate of 6% due in July 2014;
- In June 2012, CHF 225 million at a fixed rate of 3.25% (€188 million at the issue date) due in September 2015;
- In June 2012, €600 million at a fixed rate of 4.875% due in September 2015.

In all, Banque PSA Finance raised over €1,488 million (based on issue date values) on the EMTN market.

32.3. BANK BORROWINGS

In 2012, Banque PSA Finance borrowed €2,900 million from the European Central Bank (ECB), in particular under the ECB's long-term refinancing operation (LTRO).
Banque PSA Finance has a €923 million syndicated line of credit expiring in January 2013, arranged with a bank syndicate in 2011. At 31 December 2012, €473 million of this had been drawn down.

In 2011, Banque PSA Finance also arranged confirmed bilateral lines of credit expiring in over a year, drawn down or "back up", for circa €2 billion. The "back-up" bilateral lines totalled €1,742 million at 31 December 2012, of which €1,325 million had been drawn down. The undrawn portion corresponds to long-term financing commitments received from banks.

32.4. ANALYSIS BY MATURITY

31 December 2012 *(in million euros)*	Bonds issued by securitisation funds	Bonds	Other debt securities	Bank borrowings	**Total**
Less than three months	555	-	1 321	5 142	**7 018**
Three months to one year	465	413	1 450	1 074	**3 402**
One to five years	3 226	-	5 930	1 887	**9 424**
Beyond five years	-	-	190	-	**1 809**
Total	**4 246**	**413**	**8 891**	**8 103**	**21 653**

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

32.5. ANALYSIS BY REPAYMENT CURRENCY

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

	31 December 2012		31 December 2011	
(in million euros)	Other debt securities	Bank borrowings	Other debt securities	Bank borrowings
EUR	10 755	7 065	15 203	3 499
GBP	899	302	-	712
USD	947	-	966	-
JPY	44	-	100	-
BRL	540	320	777	381
CHF	316	2	-	17
CZK	-	58	-	78
Other	49	356	20	308
Total	**13 550**	**8 103**	**17 066**	**4 995**

32.6. LINES OF CREDIT

(in million euros)	**31 December 2012**	31 December 2011
Undrawn confirmed lines of credit	**6 726**	**7 955**

Of which the following loans and facilities to be drawn down in the order below:
• €417 million undrawn on the long-term bilateral back up lines of credit, out of a total available of €1,742 million;
• €450 million undrawn on a €923 million line of credit due in January 2013;
• €1,755 million due in July 2013;
• €2,000 million due in June 2014;
• €277 million due in December 2014;
• €1,723 million due in December 2015.

On 11 January 2013, Banque PSA Finance signed a new five-year €4,100 million syndicated line of credit with a due date on early 2018 (see Note 37.1.A).

NOTE 33 - OTHER PAYABLES

33.1. MANUFACTURING AND SALES COMPANIES

(in million euros)	**31 December 2012**	31 December 2011
Taxes payable other than income taxes	706	837
Personnel-related payables	961	1 051
Payroll taxes	454	468
Payable on fixed asset purchases	421	284
Customer prepayments	747	704
Derivative instruments [1]	71	164
Deferred income	638	446
Miscellaneous other payables [2]	477	680
Total	**4 475**	**4 634**

[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 37, "Management of financial risks".

[2] At 31 December 2012, this item in particular included €75 million due on the shares in Changan PSA Automobiles Co., Ltd which has not yet been paid up.

33.2. FINANCE COMPANIES

(in million euros)	**31 December 2012**	31 December 2011
Personnel-related payables and payroll taxes	118	101
Derivative instruments [1]	116	186
Deferred income and accrued expenses	465	415
Miscellaneous other payables	392	402
Total	**1 091**	**1 104**

[1] This item corresponds to the fair value of instruments purchased by the Group to hedge interest rate risks on financing liabilities and receivables. These instruments are analysed by maturity in Note 37, "Management of financial risks"

NOTE 34 - NET FINANCIAL POSITION OF MANUFACTURING AND SALES COMPANIES

34.1. ANALYSIS

(in million euros)	**31 December 2012**	31 December 2011
Financial assets and liabilities of the manufacturing and sales companies		
Cash and cash equivalents	5 421	5 190
Other non-current financial assets	664	1 035
Current financial assets	1 501	265
Non-current financial liabilities	(7 828)	(7 639)
Current financial liabilities	(2 906)	(2 210)
(Net debt) Net financial position of the manufacturing and sales companies	**(3 148)**	**(3 359)**
Of which external loans and borrowings	(3 385)	(3 538)
Of which financial assets and liabilities with finance companies	237	179

€1,353 million (€887 million at 31 December 2011) and €550 million (€165 million at 31 December 2011) in current and non-current financial assets were included in the calculation of liquidity reserves, representing a total of €1,903 million (€1,052 million at 31 December 2011) (see Note 34.4).

The reduction in net debt reflects a €307 million change in net cash (see Note 34.2), €448 million in cash proceeds from the disposal of Citer and its subsidiaries, and €70 million negative effect in non-cash movements.

34.2. CHANGE IN NET DEBT

Net cash from operating activities for the year totalled negative €431 million, representing funds from operations of €1,033 million less the negative impact of a €602 million increase in working capital. Changes in working capital are discussed in Note 35.2.

Investments for the year in property, plant and equipment and intangible assets amounted to €3,369 million. Other financing needs stood at €326 million for the year and mainly concerned investing activities.

Cash inflows for the year were as follows:

- €711 million from asset disposals (the main transactions are described in Note 2);
- €1,028 million from the rights issue (see Note 27);
- €532 million in dividends from Banque PSA Finance, including a €360 million extraordinary dividend;
- €54 million from the sale of treasury stock to General Motors, and €35 million from the sale of preferential subscription rights on the market (see Note 27);
- the disposal of 75% of the shares in Gefco S.A. for €797 million and an exceptional dividend of €100 million;
- €307 million increase in net debt.

The financial risk management policy is described in Note 37.1.

34.3. SYNDICATED LINES OF CREDIT

The Group's manufacturing and sales companies have the following additional borrowing capacity under revolving lines of credit expiring at various dates through to 2016:

(in million euros)	**31 December 2012**	31 December 2011
Peugeot S.A. and GIE PSA Trésorerie[1]	2 400	2 400
Faurecia [2]	850	660
Undrawn confirmed lines of credit	**3 250**	**3 060**

[1] This €2,400 million line of credit that, at 31 December 2011, was due to expire in July 2014 had a €2,225 million tranche extended to July 2015, with the remaining €175 million continuing to be due in July 2014. This line of credit was undrawn at 31 December 2012.
The drawdown of this line of credit is conditional on the ratio of the net debt of manufacturing and sales companies to equity being under one.

[2] Faurecia's additional borrowing capacity, distinct frome those of Peugeot S.A., stems from a €1,150 million syndicated line of credit that was not fully drawn down at 31 December 2012:

- *€23 million undrawn out of an available total of €41 million due in December 2014;*
- *€367 million undrawn out of an available total of €649 million due in December 2015;*
- *€460 million due in December 2016.*

34.4. LIQUIDITY RESERVES

The liquidity reserves are made up of available cash and other readily available sources of cash.

(in million euros)	**31 December 2012**	31 December 2011
Cash and cash equivalents (Note 26.1)	5 421	5 190
Current & non current financial assets (Note 34.1)	1 903	1 052
Total	**7 324**	**6 242**
Lines of credit (undrawn) – excluding Faurecia (Note 34.3)	2 400	2 400
Lines of credit (undrawn) – Faurecia (Note 34.3)	850	660
Total liquidity reserves	**10 574**	**9 302**

The liquidity reserves cover all currently anticipated financing needs for the manufacturing and sales companies over the coming twelve months.

NOTE 35 - NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(in million euros)	**2012**	2011
Cash and cash equivalents (Note 26.1)	5 421	5 190
Payments issued (Note 30.3)	(22)	(426)
Net cash and cash equivalents - manufacturing and sales companies	**5 399**	**4 764**
Net cash and cash equivalents - finance companies (Note 26.2)	**1 669**	**1 154**
Elimination of intragroup transactions	*(279)*	*(224)*
Total	**6 789**	**5 694**

35.2. ANALYSIS OF THE CHANGE IN WORKING CAPITAL

A. Manufacturing and sales companies

(in million euros)	**2012**	2011
(Increase) decrease in inventories	339	(661)
(Increase) decrease in trade receivables [(1)]	(9)	(319)
Increase (decrease) in trade payables	(835)	97
Change in income taxes	102	12
Other changes	(199)	187
	(602)	**(684)**
Net cash flows with Group finance companies	*(92)*	*(3)*
Total	**(694)**	**(687)**

[(1)] *Including a €126 million decrease in receivables related to sales of receivables to non-Group financial institutions (€228 million in 2011). (See Note 23)*

B. Finance companies

(in million euros)	**2012**	2011
Increase (decrease) in finance receivables	1 151	(976)
Increase (decrease) in short-term investments	(64)	(85)
(Increase) decrease in financing liabilities	(322)	915
Change in income taxes	(33)	(8)
Other changes	28	(168)
	760	**(322)**
Net cash flows with Group manufacturing and sales companies	*28*	*(174)*
Total	**788**	**(496)**

35.3. ANALYSIS OF THE CHANGE IN BALANCE SHEET ITEMS OF MANUFACTURING AND SALES COMPANIES

2012 *(in million euros)*	At 1 January	Cash flows from operating activities	Cash flows from investing activities	Changes in scope of consolidation and other	Translation adjustment	Revaluations taken to equity	At 31 December
Inventories	(6 609)	339	-	(29)	106	-	(6 193)
Trade receivables [(1)]	(2 387)	(12)	-	317	68	-	(2 014)
Trade payables	9 675	(818)	-	(306)	(79)	-	8 472
Income taxes	(76)	103	-	(10)	8	-	25
Other receivables	(1 935)	(109)	(1)	56	25	(2)	(1 966)
Other payables	4 634	(182)	40	50	(62)	(5)	4 475
	3 302	**(679)**	**39**	**78**	**66**	**(7)**	**2 799**
Net cash flows with Group finance companies	*106*	(92)	-	30	1	-	*45*
Total	**3 408**	**(771)**	**39**	**108**	**67**	**(7)**	**2 844**

[(1)] *Including a €78 million decrease in receivables related to sales of receivables to non-Group financial institutions (see Note 23).*

The change in working capital in the consolidated statement of cash flows at 31 December 2012 (€602 million negative effect) corresponds to cash flows from operating activities (€680 million negative effect), exchange differences (€76 million negative effect) and other movements (€154 million) including the impact of the payment for the investment in Changan PSA Automobiles Co. Ltd. recognised in 2012, having no impact on the statement of cash flows.

Cash flows from operating activities of manufacturing and sales companies	**(679)**
Exchange differences	*(76)*
Other changes	*153*
Change in working capital in the statement of cash flows	**(602)**

2011 (in million euros)	At 1 January	Cash flows from operating activities	Cash flows from investing activities	Changes 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.*

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 manufacturing and sales companies	**(414)**
Exchange differences	*(51)*
Other changes	*(219)*
Change in working capital in the statement of cash flows	**(684)**

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

(in million euros)	**2012**	2011
Increase in borrowings	1 943	2 223
Repayment of borrowings and conversion of bonds	(599)	(4 439)
(Increase) decrease in non-current financial assets	187	(237)
(Increase) decrease in current financial assets	(505)	35
Increase (decrease) in current financial liabilities	(351)	57
	675	**(2 361)**
Net cash flows with Group finance companies	4	*78*
Total	**679**	**(2 283)**

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

(in million euros)	**2012**	2011
Depreciation and amortisation expense (Note 6)	(2 886)	(2 891)
Impairment of goodwill (Note 14.1)	(10)	
Impairment of capitalised development costs (Note 14.1)	(1 593)	(27)
Impairment of intangible assets (Note 14.1)	(84)	
Impairment of property, plant and equipment (Note 15)	(1 593)	(57)
Negative goodwill recognised on a bargain purchase (Note 8)	67	-
Other	(17)	(6)
Total	**(6 116)**	**(2 981)**

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

(in million euros)	**2012**	2011
Interest received	51	106
Interest paid	(474)	(536)
Net interest received (paid)	**(423)**	**(430)**

NOTE 36 - FINANCIAL INSTRUMENTS

A. Financial instruments reported in the balance sheet

(in million euros)	31 December 2012		Analysis by class of instrument				
	Carrying amount	Fair value	s 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	62	62	-	62	-	-	-
Other non-current financial assets	772	772	374	171	227	-	-
Other non-current assets	518	518	-	79	437	-	2
Loans and receivables - finance companies	23 095	22 896	-	-	23 095	-	-
Short-term investments - finance companies	867	867	867	-	-	-	-
Trade receivables - manufacturing and sales companies	1 827	1 827	-	-	1 827	-	-
Other receivables	2 799	2 799	-	-	2 419	-	380
Current financial assets	1 501	1 501	688	-	812	-	1
Cash and cash equivalents	6 811	6 811	6 811	-	-	-	-
Assets	**38 252**	**38 053**	**8 740**	**312**	**28 817**	**-**	**383**
Non-current financial liabilities [(1)]	7 828	7 708	-	-	85	7 722	21
Other non-current liabilities (Note 31)	18	18	-	-	6	-	12
Financing liabilities - finance companies	21 861	22 410	-	-	-	21 861	-
Trade payables	8 463	8 463	-	-	8 463	-	-
Other payables	5 257	5 257	-	-	5 085	-	172
Current financial liabilities	2 864	2 892	-	-	-	2 858	6
Liabilities	**46 291**	**46 748**	**-**	**-**	**13 639**	**32 441**	**211**

[(1)] The fair values of the OCEANE convertible bonds respectively issued by Peugeot S.A. (€602 million) and Faurecia (€468 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 2011		Analysis by class of instrument				
	Carrying amount	Fair value	s 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 31)	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 respectively 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.

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 very 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, etc) 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 1.16.

• 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 1.16.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 1.16.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 units are measured at fair value. This corresponds to their net asset value at the balance sheet date (Note 1.16.B (2) (c)). This net asset value reflects the fair value of the investments made by the fund. In the first 12 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. They are generally hedged against interest rate risks. The hedged portion is remeasured at fair value in accordance with hedge accounting principles. The margin on the outstanding principal is thus 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 their carrying amount, after deducting accumulated impairment if any (Note 1.18), 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 the 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. The portion affected by changes in interest rates is remeasured at fair value. 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 2012	Instruments recognised at fair value		
(in million euros)	Derivative instruments	Instruments at fair value through profit or loss	Available-for sale financial assets
Level 1 fair value inputs: quoted prices in active markets			
Investments in non-consolidated companies	-	-	-
Other non-current financial assets	-	263	171
Other non-current assets	-	-	-
Short-term investments - finance companies	-	-	-
Other receivables	-	-	-
Current financial assets	-	213	-
Cash and cash equivalents	-	5 539	-
Level 2 fair value inputs: based on observable market data			
Investments in non-consolidated companies	-	-	-
Other non-current financial assets	-	111	-
Other non-current assets	2	-	-
Short-term investments - finance companies	-	867	-
Other receivables	380	-	-
Current financial assets	1	475	-
Cash and cash equivalents [(1)]	-	1 272	-
Level 3 fair value inputs: not based on observable market data			
Investments in non-consolidated companies	-	-	62
Other non-current financial assets	-	-	-
Other non-current assets	-	-	79
Short-term investments - finance companies	-	-	-
Other receivables	-	-	-
Current financial assets	-	-	-
Cash and cash equivalents	-	-	-
Total financial assets measured at fair value	**383**	**8 740**	**312**

[(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)	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 prices in active markets			
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 2012 (in million euros)	Derivative instruments	Instruments at fair value through profit or loss	Other payables
Level 1 fair value inputs: quoted prices in active markets			
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	(21)	-	-
Other non-current liabilities	(12)	-	-
Other payables	(172)	-	-
Current financial liabilities	(6)	-	-
Level 3 fair value inputs: not based on observable market data			
Non-current financial liabilities [1]	-	-	85
Other non-current liabilities	-	-	-
Other payables	-	-	-
Current financial liabilities	-	-	-
Total financial liabilities measured at fair value	**(211)**	**-**	**85**

[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 2011 (in million euros)	Derivative instruments	Instruments at fair value through profit or loss	Other payables
Level 1 fair value inputs: quoted prices in active markets			
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”.

Analysis of financial assets measured using level 3 fair value inputs

(in million euros)	2012	2011
Fair value of financial assets at 1 January (level 3 inputs)	195	161
Gain or loss recorded under "Income and expenses recognised directly in equity"	2	1
Gain or loss recorded in profit or loss for the period	(42)	-
Purchases / financial assets consolidated for the first time	(3)	31
Sales / financial assets excluded from the scope of consolidation	(11)	-
Reclassification to another level in the fair value hierarchy	-	-
Translation adjustment	-	2
Fair value of financial assets at 31 December (level 3 inputs)	**141**	**195**

C. Effect of financial instruments on profit or loss

	2012	Analysis by class of instrument				
(in million euros)		s 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	9	-	-	9	-	-
Total interest expense	(419)	-	-	-	(419)	-
Remeasurement [(1)]	(22)	65	-	(6)	6	(87)
Disposal gains and dividends	(205)	-	5	(210)	-	-
Net impairment	(36)	-	(4)	(32)	-	-
Total - manufacturing and sales companies	**(673)**	**65**	**1**	**(239)**	**(413)**	**(87)**
Finance companies						
Total interest income	1 608	-	-	1 608	-	-
Total interest expense	(702)	-	-	-	(702)	-
Remeasurement [(1)]	61	19	-	12	(42)	72
Net impairment	(290)	-	-	(290)	-	-
Total - finance companies	**677**	**19**	**-**	**1 330**	**(744)**	**72**
Net gain (loss)	**4**	**84**	**1**	**1 091**	**(1 157)**	**(15)**

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

(in million euros)	2011	Analysis by class of instrument				
		s 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 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 37 - MANAGEMENT OF FINANCIAL RISKS

37.1. FINANCIAL RISK MANAGEMENT POLICY

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

A. Liquidity risk

■ Management of liquidity risk: manufacturing and sales companies

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

Pursuant to this policy, the Group:
- issues bonds under an EMTN programme;
- has recourse to bank borrowings in France and abroad;
- sells receivables;
- arranges confirmed lines of credit for liquidity reserves;
- and, where necessary, carries out capital increases and issues convertible bonds.

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

At 31 December 2012, the net debt of the manufacturing and sales companies was €3,148 million compared to €3,359 million at 31 December 2011. The breakdown of the net debt can be found in Note 34.1, and changes thereto in Note 34.2. The repayment schedule of financial liabilities is set out in the table below.

In June 2010, Peugeot S.A. put in place a €5 billion EMTN programme, €3 100 million of which had been drawn down at end-December 2012. At 31 December 2012, the Group had liquidity reserves of €10,574 million (see Note 34.4) compared to €9,302 million at end-December 2011.

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

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

(in million euros)	Assets	Liabilities	Undiscounted contractual cash flows				
			0-3 months	3-6 months	6-12 months	2-5 years	> 5 years
Financial liabilities							
Bonds - principal repayments							
Manufacturing and sales companies - excluding Faurecia		(5 232)	-	-	(850)	(3 575)	(600)
Faurecia		(1 140)	-	-	-	(710)	(500)
Other long-term debt - principal repayments							
Manufacturing and sales companies - excluding Faurecia		(2 199)	(19)	(474)	(171)	(1 200)	(390)
Faurecia		(545)	-	-	(55)	(467)	(23)
Total bonds and other borrowings							
Manufacturing and sales companies - excluding Faurecia		(7 431)	(19)	(474)	(1 021)	(4 775)	(990)
Faurecia		(1 685)	-	-	(55)	(1 177)	(523)
Bond interest							
Manufacturing and sales companies - excluding Faurecia		(121)	(13)	(63)	(213)	(663)	(576)
Faurecia		(5)	(18)	(34)	(34)	(309)	(11)
Interest on other long-term debt							
Manufacturing and sales companies - excluding Faurecia		(12)	(6)	(6)	(19)	(65)	(4)
Faurecia		-	-	-	-	-	-
Total interest on bonds and other borrowings							
Faurecia		(5)	(18)	(34)	(34)	(309)	(11)
Other short-term debt		(1 114)	(1 114)	-	-	-	-
Finance lease liabilities		(333)	-	-	(105)	(110)	(141)
Employee profit-sharing fund		(6)	-	-	(2)	(4)	-
Derivative instruments							
Derivative instruments							
- of which fair value hedges	-	-	-	-	-	-	-
- of which cash flow hedges	-	(13)	(2)	(3)	(4)	(4)	-
- of which trading instruments [(1)]	-	-	-	-	-	-	-
Currency derivatives							
- of which fair value hedges	1	(6)	(6)	-	-	-	-
- of which cash flow hedges	10	(12)	4	(3)	(9)	(52)	(3)
- of which trading instruments [(2)]	51	(26)	18	(1)	(3)	-	-
Commodity derivatives							
- of which cash flow hedges	6	(45)	(1)	(8)	(10)	(20)	-
TOTAL	**68**	**(10 676)**	**(1 138)**	**(523)**	**(1 243)**	**(6 451)**	**(1 668)**

[(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.*

Contractual repayment schedule of long-term borrowings (principal)

(in million euros)	2013	2014	2015	2016	2017	2 to 5 years	> 5 years	Total
Long-term borrowings excluding Faurecia	(1 514)	(1 192)	(841)	(1 951)	(791)	(4 775)	(990)	(7 279)
Long-term borrowings Faurecia	(55)	(101)	(513)	(549)	(14)	(1 177)	(523)	(1 755)
Total long-term borrowings of manufacturing and sales companies	**(1 569)**	**(1 293)**	**(1 354)**	**(2 500)**	**(805)**	**(5 952)**	**(1 513)**	**(9 034)**

Covenants

None of the borrowings of the manufacturing and sales companies excluding Faurecia are subject to specific acceleration clauses based on minimum credit ratings. In some cases, the borrowings of manufacturing and sales companies are subject to clauses whereby the borrower gives the lenders certain guarantees that are commonly required within the automotive industry. They include:
• Negative pledge clauses whereby the borrower undertakes not to grant any collateral to any third parties.
These clauses nevertheless carry certain exceptions:
• "material adverse changes" clauses, which apply in the event of a major negative change in economic conditions;
• "pari passu" clauses, which ensure that lenders enjoy at least the same treatment as other creditors;
• "cross-default" clauses, whereby if one loan goes into default other loans become repayable immediately;
• clauses whereby the borrower undertakes to provide regular information to the lenders;
• clauses whereby the borrower undertakes to comply with applicable legislation;
• change of control clauses.

In addition, EIB loans are dependent on the Group carrying out the projects being financed and, in some cases, require the Group to pledge a minimum amount of financial assets.
The OCEANE convertible bonds are subject to standard clauses, such as the requirement to maintain a listing for Peugeot S.A. shares.
All of these clauses were complied with in 2012.

The drawdown of this syndicated line of credit is subject to the ratio of the net debt of manufacturing and sales companies to equity being under one.

The €1,150 million syndicated line of credit arranged in December 2011 by Faurecia contains covenants setting limits on debt and requiring Faurecia to comply with certain financial ratios. Updates on these ratios are provided every six months. All of the covenants were complied with at 31 December 2012.

The ratios are as follows:

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

** Consolidated net debt*

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

The OCEANE convertible bonds are subject to standard clauses, such as the requirement to maintain a listing for Faurecia shares.

■ Management of liquidity risk: finance companies

The financing strategy of Banque PSA Finance is defined under the direction of the governing bodies of Banque PSA Finance.
Banque PSA Finance's capital structure and equity ratio comply with the latest regulatory requirements, reflecting the quality of the bank's assets.
Its financing is ensured by a broad range of liquidity sources, matching of maturities of assets and liabilities, and hedging all of its exposure to currency and interest rate risks.

Refinancing is arranged with maturities that comfortably cover the maturities of the retail financing portfolio. In addition to the financing that has been drawn down, undrawn lines of credit amounting to €6,309 million have been arranged with syndicates of leading banks, expiring at five different dates through 2015. The bank also has undrawn bilateral lines of credit amounting to €417 million as well as liquidity reserves totalling €1,066 million at 31 December 2012.
In all, as in prior years, these facilities are sufficient to cover over six months of loan origination at constant sales levels.

Financing strategy put in place in 2012

Banque PSA Finance had increased recourse to securitisation and to ECB financing totalling €3 174 million and €2 900 million respectively in 2012, following the loss of the A2/P2 rating at end-July 2012 and the difficulty accessing short-term financing on the capital markets.
Against this background, the following agreements have been put in place.

€7 billion guarantee from the French State

Under Article 85 of the Amending Finance Act of 29 December 2012, the Minister for the Economy is authorised to provide a State guarantee for a fee for securities issued between 1 January 2013 and 31 December 2016 by Banque PSA Finance in order to enable it to refinance itself. It is a guarantee for a maximum of €7 billion in capital, and does not represent a transfer of funds from the French State to Banque PSA Finance. It is only in the event of Banque PSA Finance defaulting that the Bank's counterparties could ask the State to honour the guarantee. An initial guarantee agreement for an amount of €1,200 million will be signed once temporary authorization is received from the European Commission under state rescue aid rules. The French State notified the European Commission of this guarantee on 7 January 2013. The Act provides for an agreement to be signed by the French State, Peugeot SA and Banque PSA Finance, which will notably describe the commitments made by the Group to the French State in return for this guarantee.

A second guarantee agreement corresponding this time to the residual amount of €5,800 million will be signed once definitive authorization has been received from the European Commission under state restructuring aid rules.

Renewal of bank facilities

On 11 January 2013, Banque PSA Finance signed a new five-year €4,100 million syndicated line of credit, involving 18 banks in eight different countries.

As part of the restructuring and extension of its backup facilities, Banque PSA Finance also agreed that day the extension of a €1,200 million revolving line of credit, that will now expire in January 2016. Furthermore, Banque PSA Finance exercised its option to extend the €2,000 million syndicated line of credit, arranged in December 2011 and expiring in December 2014, with €1,800 million now expiring in December 2015, and the remainder expiring in December 2014.

These agreements contain acceleration clauses on top of the pre-existing covenants: a prohibition on providing PSA with more than €500 million in financing, a Common Equity Tier One ratio of at least 11% and the need to retain the French State guarantee for bond issues over the next three years. Were the French State guarantee not to be approved by the European Union competition authorities by 31 August 2013, the bank facilities would have to be renegotiated and in the event of a failure to reach a new deal, the facilities would be cancelled and any draw-downs repaid starting in December 2013 and until early 2016.

Finally, Banque PSA Finance also obtained commitments to renew the bulk of the bilateral bank facilities.

The renewal of these bank facilities, combined with the securitisation drive undertaken in the second half of 2012 and the planned issue of bonds guaranteed by the French State, satisfy the refinancing needs of Banque PSA Finance for at least the coming twelve months.

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. As a result, the future contractual interest payments are not included in the schedule. The derivative instruments used to hedge contractual future interest payments are not analysed by period.

Banque PSA Finance *(in million euros)*	31 December 2012	Not analysed	0-3 months	3-6 months	6-12 months	2-5 years	> 5 years
Assets							
Cash	1 669	-	1 669	-	-	-	-
Short-term investments - finance companies	867	1	844	7	15	-	-
Derivative instruments [(1)]	329	329	-	-	-	-	-
Other non-current financial assets	108	108	-	-	-	-	-
Loans and receivables - finance companies	23 146	608	5 973	2 265	3 641	10 284	375
Total cash flows from assets	**26 119**	**1 046**	**8 486**	**2 272**	**3 656**	**10 284**	**375**
Liabilities							
Derivative instruments [(1)]	(116)	(116)	-	-	-	-	-
Financing liabilities	(22 140)	-	(7 501)	(620)	(2 784)	(11 044)	(191)
Total cash flows from liabilities	**(22 256)**	**(116)**	**(7 501)**	**(620)**	**(2 784)**	**(11 044)**	**(191)**

[(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.

These clauses nevertheless comprise exceptions allowing the Group to carry out securitisation programmes or to give assets as collateral;

• "material adverse changes" clauses, which apply in the event of a major negtive change in economic and financial conditions;

• "pari passu" clauses, which 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 applicable legislation;

• clauses whereby no change in control of the company is authorised.

Many of BPF's agreements include four specific acceleration clauses requiring it to maintain a banking licence and to thereby comply with the capital ratios applicable to all French banks. And, from 2013, the need to retain the optional guarantee from the French State for bond issues and a Common Equity Tier One ratio of at least 11%.

All applicable clauses were complied with in 2012.

B. Interest rate risks

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

The gross borrowings of manufacturing and sales companies - excluding Automotive Equipment companies - consist mainly of fixed- and adjustable-rate long-term loans. New borrowings obtained since 2009 have been kept at fixed rate in order to retain the benefit of record low fixed interest rates. The GIE's bond maturing in 2033 had initially been converted to variable rate by means of derivatives qualifying for hedge accounting under IFRS. This hedging was terminated in November 2012, generating a €304 million cash payment for the GIE.
The proportion of the manufacturing and sales companies' borrowings - excluding Automotive Equipment companies - at variable rates of interest is now 11%, based on the principal borrowed.

Faurecia independently manages its interest rate risk on a centralised basis. This is organised by Faurecia's Finance and Treasury Department, which reports to its executive management. Hedging decisions are made by a Market Risk Committee that meets on a monthly basis. Issues of conventional and convertible bonds in 2012 were at fixed rate, increasing the proportion of fixed-rate debt compared to the previous year. Nevertheless, with a significant portion of the debt (syndicated line of credit, short-term borrowings, commercial paper) being variable rate, the hedging policy aims to limit the effect on Faurecia's profit of an increase in short-term rates. This hedging is mainly implemented through the use of interest rate swaps, primarily in euros. Substantially all variable rate interest payable in 2013 and 2014 is hedged, and to a lesser extent in 2015.

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 2012 *(in million euros)*		Intraday to 1 year	2 to 5 years	Beyond 5 years	Total
Total assets	Fixed rate	1 074	100	177	**1 351**
	Variable rate	5 859	-	-	**5 859**
Total liabilities	Fixed rate	(1 246)	(4 615)	(1 810)	**(7 671)**
	Variable rate	(2 618)	(1)	-	**(2 619)**
Net position before hedging	Fixed rate	**(172)**	**(4 515)**	**(1 633)**	**(6 320)**
	Variable rate	**3 241**	**(1)**	**-**	**3 240**
Derivative financial instruments	Fixed rate	(223)	(567)	(166)	**(956)**
	Variable rate	223	567	166	**956**
Net position after hedging	Fixed rate	**(395)**	**(5 082)**	**(1 799)**	**(7 276)**
	Variable rate	**3 464**	**566**	**166**	**4 196**

31 December 2011 *(in million euros)*		Intraday to 1 year	2 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 instruments	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**

Management of interest rate risks: finance companies

Banque PSA Finance's fixed-rate loans to customers of the Automotive Division are refinanced mainly through adjustable rate borrowings. Banque PSA Finance's policy aims to offset the impact of changes in interest rates using appropriate financial 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 three-month benchmark using appropriate hedging instruments.

Refinancing costs for new retail loans may be capped through the occasional use of options. Given the historically low interest rates and the lack of consensus as to rate rises over the coming year, no optional hedging was put in place in 2012 for Banque PSA Finance.

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

31 December 2012 *(in million euros)*		Intraday to 1 year	2 to 5 years	Beyond 5 years	**Total**
Total assets	Tx Fixe	7 074	10 395	-	**17 469**
	Tx Variable	8 236	-	-	**8 236**
Total liabilities	Tx Fixe	(2 181)	(5 561)	(178)	**(7 920)**
	Tx Variable	(13 395)	(23)	-	**(13 418)**
Net position before hedging	Tx Fixe	**4 893**	**4 834**	**(178)**	**9 549**
	Tx Variable	**(5 159)**	**(23)**	**-**	**(5 182)**
Derivative financial instruments [1]	Tx Fixe	(3 732)	(462)	178	**(4 016)**
	Tx Variable	4 375	23	-	**4 398**
Net position after hedging	Tx Fixe	**1 161**	**4 372**	**-**	**5 533**
	Tx Variable	**(784)**	**-**	**-**	**(784)**

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

Sensitivity tests show that a 100 bp increase or decrease by 1% in average interest rates would have had an impact on income before tax of less than €4 million in 2012 (€5 million in 2011).

C. Counterparty and credit risks

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 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 Federation Bancaire Française (FBF) agreements and contracts with the most frequently used counterparties provide for weekly margin calls.

Credit and counterparty risks: 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 1.16.B)

Wholesale lending decisions for fleet customers and dealers are made based on a detailed risk assessment in accordance with strict rules on lending limits, either by the local Banque PSA Finance credit committees, or by the Group credit committee. The level of credit lines is dependent on the item to be financed, the client's risk rating and lastly the general level of risk borne by the approving Credit Committee.

Banque PSA Finance's Corporate Lending Department is responsible for controlling the credit risk of these activities throughout the credit cycle. It uses 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 local 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 reviews of requests, acceptances and payment incidents. For partnership subsidiaries, customer selection is the responsibility of the partner which uses the decision-making tools that it has developed. Nevertheless, teams at Banque PSA Finances's headquarters monitor the level of risk of requests and acceptance closely on an on-going basis, as well as the characteristics of files with past due instalments.

A dedicated headquarters-based collections unit leads the activities of all the finance companies in this area, manages their shared collection systems and coordinates the results. It also oversees two collection call centres.

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

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

(in million euros)	**31 December 2012**	31 December 2011
Up to 90 days past due	319	358
90 to 180 days past due	2	7
180 days to 1 year past due	1	1
More than 1 year past due	1	1
Total	**323**	**367**

Loans to corporate dealers and corporate and equivalent financing for which one or more instalments 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 €2,110 million compared to €1,609 million in 2011.

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.

D. Currency risk

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

The goal is to minimise Automotive Division exchange differences by systematically hedging as soon as the foreign currency invoice is booked.
At Group level, currency risks are managed by requiring manufacturing companies to bill sales companies in the latter's local currency (except in rare cases or where this is not allowed under local regulations). Currency risks on these intragroup billings are also hedged using forward foreign exchange contracts. In most cases, foreign currency intragroup loans of Automotive Division companies are also hedged.

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

At 31 December 2012, the Automotive Division had cash flow hedges on the following currencies: GBP, CHF, SEK and NOK.

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.

The historical Value at Risk (VaR) method is used to identify and manage market risks. The historical VaR uses volatilities and exchange rates for the various currencies since the beginning of 2008. VaR represents the maximum possible loss on the portfolio, based on the confidence level. The confidence levels measured are 95% and 99%. For both of these confidence levels, applying historical VaR to the portfolio at 31 December 2012 would not have had a material impact on Group earnings. This method assumes that future VaR will follow the same trend as historical VaR. It does not provide an indication of the losses that would be incurred under an extreme stress scenario.

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 2012 *(in million euros)*	GBP	JPY	USD	PLN	CHF	ARS	RUB	CZK	Other
Total assets	262	68	644	31	22	132	196	127	218
Total liabilities	(161)	(124)	(2)	(18)	-	(4)	(298)	(145)	(77)
Future transactions [1]	73	(8)	37	(55)	134	-	-	(27)	70
Exposure to fixed charge coverage commitments	-	(509)	-	-	-	-	-	-	-
Net position before hedging	**174**	**(573)**	**679**	**(42)**	**156**	**128**	**(102)**	**(45)**	**211**
Derivative financial instruments	(184)	224	(635)	21	(156)	(126)	99	23	(285)
Net position after hedging	**(10)**	**(349)**	**44**	**(21)**	**-**	**2**	**(3)**	**(22)**	**(74)**

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

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)
Future transactions [1]	(5)	-	146	(114)	-	-	-	(118)	(70)
Exposure to fixed charge coverage commitments	-	(722)	-	-	-	-	-	-	-
Net position before hedging	**(280)**	**(764)**	**560**	**(75)**	**33**	**168**	**151**	**(48)**	**(52)**
Derivative financial instruments	285	42	(533)	52	(27)	(167)	(277)	12	(17)
Net position after hedging	**5**	**(722)**	**27**	**(23)**	**6**	**1**	**(126)**	**(36)**	**(69)**

[1] *This item mainly includes hedges of Faurecia's exposure 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 2012 (see table below) would have the following direct impact on income before tax and equity:

(in million euros)	PLN/EUR	CZK/EUR	JPY/EUR	USD/CAD	USD/EUR	USD/DZD	JPY/RUB	Other
Hypothetical fluctuation against the euro	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0%
Impact on income before tax	1	1	-	4	-	8	3	5
Impact on equity	3	1	17	-	-	-	-	-

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

31 December 2012 *(in million euros)*	RUB/UAH	USD/CAD	USD/BRL	USD/ARS	USD/DZD	UAH/USD	RUB/USD	JPY/RUB
Total assets	-	84	37	92	-	-	-	-
Total liabilities	(2)	-	(52)	(87)	(162)	(12)	(2)	(63)
Future transactions [(1)]	-	(19)	-	-	-	-	-	-
Net position before hedging	**(2)**	**65**	**(15)**	**5**	**(162)**	**(12)**	**(2)**	**(63)**
Derivative financial instruments	-	(65)	15	-	-	-	-	-
Net position after hedging	**(2)**	**-**	**-**	**5**	**(162)**	**(12)**	**(2)**	**(63)**

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

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)
Future 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 on forecast transactions for the next six months.*

■ Management of 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. The hedging is achieved using cross currency swaps, currency swaps and forward foreign exchange contracts.

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

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

31 December 2012 *(in million euros)*	GBP	JPY	HUF	PLN	CHF	RUB	CZK	USD	Other
Total assets	2 341	-	4	146	363	153	70	-	99
Total liabilities	(1 087)	(44)	-	-	(188)	-	(54)	(947)	(60)
Net position before hedging	**1 254**	**(44)**	**4**	**146**	**175**	**153**	**16**	**(947)**	**39**
Derivative financial instruments	(1 254)	44	(4)	(146)	(175)	(153)	(16)	947	(38)
Net position after hedging	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**

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)	100	(99)	(375)	(130)	(11)	966	(96)
Net position after hedging	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**3**

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.

E. Commodity risk

The Automotive Division's exposure to commodity risks is tracked jointly by the Purchasing Department and PSA International S.A. (PSAI) which is responsible for hedging the Group's currency and commodity risks, while Faurecia's risks are managed independently. The Automotive Division’s commodity risks are reviewed at quarterly intervals by a Metals Committee chaired by the Group’s Chief Financial Officer. This Committee monitors hedging gains and losses, reviews each 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.

Since 2009, 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 2012, hedging volumes were higher than in previous years with hedging extending to the first half of 2015.

In 2012, commodity hedges concerned purchases of aluminium, copper, lead, platinum, palladium and rhodium.

For the Automotive Division, in the event of a 28% rise (fall) in base metal prices (aluminium, copper and lead) and a 19% rise (fall) in precious metal prices (platinum, palladium and rhodium), the impact of the commodity hedges held at 31 December 2012 would have been a €133 million increase (decrease) in consolidated equity at 31 December 2012 (versus €139 million at 31 December 2011). 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 commodity and energy purchases.

F. 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 2012 *(in million euros)*	Available-for-sale financial assets	Financial assets classified as "at fair value through profit or loss"
Balance sheet position (Other non-current financial assets)	171	92
Sensitivity of earnings	-	(18)
Sensitivity of equity	(34)	N/A
Unfavourable change assumption	20 %	20 %
31 December 2011 *(in million euros)*	Available-for-sale financial assets	Financial assets classified as "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 %

37.2. HEDGING INSTRUMENTS: MANUFACTURING AND SALES COMPANIES

The various types of hedging instrument used and their accounting treatment are described in Note 1.16.D (b).

A. Details of values of hedging instruments and notional amounts hedged: manufacturing and sales companies

31 December 2012	Carrying amount		Notional amount	Maturity		
(in million euros)	Assets	Liabilities		< 1 year	2 to 5 years	> 5 years
Currency risk						
Fair value hedges:						
• Forward foreign exchange contracts	-	-	6	6	-	-
• Currency options	-	(3)	61	61	-	-
• Currency swaps	1	(3)	756	756	-	-
Cash flow hedges:						
• Forward foreign exchange contracts	10	(1)	283	283	-	-
• Cross-currency swaps	-	(11)	298	-	188	110
• Currency options	-	-	258	254	4	-
Trading instruments [(1)]	51	(26)	7 019	6 988	31	-
Of which Intragroup	-	-				
Total currency risks	**62**	**(44)**	**8 681**	**8 348**	**223**	**110**
Interest rate risk						
Fair value hedges:						
• Interest rate swaps	-	-	-	-	-	-
Cash flow hedges:						
• Interest rate options	-	(13)	700	223	420	57
• Cross-currency swaps	-	-	-	-	-	-
Trading instruments [(2)]	-	-	-	-	-	-
Of which Intragroup	-	-				
Total interest rate risks	**-**	**(13)**	**700**	**223**	**420**	**57**
Commodity risk						
Cash flow hedges:						
• Swaps	6	(45)	516	297	219	-
Total commodity risks	**6**	**(45)**	**516**	**297**	**219**	**-**
TOTAL	**68**	**(102)**	**9 897**	**8 868**	**862**	**167**
Of which:						
Total fair value hedges	**1**	**(6)**	**823**	**823**	**-**	**-**
Total cash flow hedges	**16**	**(70)**	**2 055**	**1 057**	**831**	**167**

[(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 2011 *(in million euros)*	Carrying amount		Notional amount	Maturity		
	Assets	Liabilities		< 1 year	2 to 5 years	> 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.

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

■ Impact of cash flow hedges

(in million euros)	2012	2011
Change in effective portion recognised in equity	(33)	(106)
Change in ineffective portion recognised in profit or loss	3	-
Effective portion reclassified to the income statement under "Cost of goods and services sold"	(41)	23
Effective portion reclassified to the income statement under "Finance costs"	(8)	-

■ **Impact of fair value hedges**

(in million euros)	2012	2011
Gains and losses on hedged borrowings recognised in profit or loss	(63)	(58)
Change in ineffective portion recognised in profit or loss	2	-
Gains and losses on hedges of borrowings recognised in profit or loss	63	58
Net impact on income	**2**	**-**

The "Net gain (loss) on hedges of borrowings" presented in Note 10 also includes gains and losses on economic hedges that do not qualify for hedge accounting under IAS 39.

37.3. HEDGING INSTRUMENTS: FINANCE COMPANIES

The different types of hedges and their accounting treatment are described in Note 1.16.D (b).

A. Details of values of hedging instruments and notional amounts hedged: finance companies

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 2012	Carrying amount		Notional amount	Maturity		
(in million euros)	Assets	Liabilities		< 1 year	2 to 5 years	> 5 years
Currency risk						
Fair value hedges:						
• Currency swaps	83	-	2 777	2 777	-	-
Interest rate risk						
Fair value hedges:						
• Swaps on borrowings	8	-	255	100	155	-
• Swaps on EMTN/BMTN issues	214	(2)	7 633	2 048	5 407	178
• Swaps on bonds [(1)]	18	(18)	-	-	-	-
• Swaps on certificates of deposit	-	-	17	17	-	-
• Swaps on other debt securities	1	-	16	16	-	-
• Swaps on retail financing	2	(79)	11 894	5 871	6 023	-
• Accrued income/expenses on swaps	1	(15)	-	-	-	-
Cash flow hedges:						
• Swaps	-	-	42	19	23	-
Trading instruments	2	(2)	382	382	-	-
Total	**329**	**(116)**	**23 016**	**11 230**	**11 608**	**178**
Of which Intragroup	*14*	*(6)*				
Total fair value hedges	**327**	**(114)**	**22 592**	**10 829**	**11 585**	**178**
Total cash flow hedges	**-**	**-**	**42**	**19**	**23**	**-**

[(1)] *This item includes €3,714 million in swaps acquired as hedges that represent closed positions in the consolidated financial statements.*

31 December 2011	Carrying amount		Notional amount	Maturity		
(in million euros)	Assets	Liabilities		< 1 year	1 to 5 years	> 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	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.*

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

■ Impact of cash flow hedges

(in million euros)	2012	2011
Change in effective portion recognised in equity	-	12
Change in ineffective portion recognised in profit or loss	-	(7)
Effective portion reclassified to the income statement under "Cost of goods and services sold"	7	9

■ Impact of fair value hedges

(in million euros)	2012	2011
Gains and losses on hedged customer loans recognised in profit or loss	12	(7)
Gains and losses on hedges of customer loans recognised in profit or loss	(12)	8
Net impact on income	**-**	**1**
Gains and losses on remeasurement of financial liabilities recognised in profit or loss	(42)	(139)
Gains and losses on remeasurement of hedges of financial liabilities recognised in profit	49	139
Net impact on income	**7**	**-**

NOTE 38 - OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

Off-balance sheet commitments given in the normal course of business were as follows at 31 December 2012:

(in million euros)	**31 December 2012**	31 December 2011
Manufacturing and sales companies		
■ Financing commitments (Note 38.1)		
Guarantees given	201	168
Pledged or mortgaged assets	724	716
■ Operating commitments (Note 38.2)		
Capital commitments for the acquisition of non-current assets	879	1 361
Orders for research and development work	34	71
Financing commitments [(1)]	30	162
Minimum purchase commitments	170	880
Non-cancellable lease commitments	1 018	1 107
Retirement obligations not recognised in the balance sheet	535	169
	3 591	**4 634**
Finance companies		
Financing commitments to customers	1 426	1 465
Guarantees given on behalf of customers and financial institutions [(2)]	5 508	1 239
	6 934	**2 704**

[(1)] This item corresponds to €30 million in loan commitments given to Gefco in connection with the disposal and not drawn down at 31.12.2012. This commitment expires on 18 February 2013.

[(2)] This item primarily includes receivables given as collateral as follows:
- *€5,146 million to the European Central Bank for €700 million in medium-term and €2,200 million in short-term refinancing;*
- *€180 million to Société de Financement de l'Economie Française (SFEF) for €105 million in refinancing;*
- *€132 million to Mediobanca for €100 million in refinancing.*

38.1. 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 2012**	31 December 2011
2012	-	2
2013	101	97
2014	82	82
2015	2	2
2016	1	1
2017	1	-
2018	-	-
Subsequent years	537	532
Total pledged or mortgaged assets	**724**	**716**
Total assets	64 849	68 991
Percentage of total assets	1.1%	1.0%

38.2. OPERATIONS-RELATED COMMITMENTS

■ 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 to FMEA amounted to €204 million. At 31 December 2012, the Group had already paid €124 million into this fund.

■ Non-cancellable lease commitments

Periods *(in million euros)*	**31 December 2012**	31 December 2011
2012	-	241
2013	187	176
2014	157	142
2015	132	113
2016	113	88
2017	88	-
2018	70	-
Subsequent years	271	347
Total non-cancellable lease commitments	**1 018**	**1 107**

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

Retirement obligations not recognised in the balance sheet corresponds to actuarial gains and losses (Note 29.1.E) resulting from the application of the corridor method (Note 1.21) and past service cost.

38.3. CONTINGENT LIABILITIES

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.

38.4. COMMITMENTS CONNECTED WITH THE GEFCO GROUP

Representations and warranties were made to JSC Russian Railways (RZD) as part of its acquisition of the Gefco Group from PSA. At 31 December 2012, the Group had not identified any material risks associated with these representations and warranties.

Under the logistics and transportation service agreements entered into by the PSA and Gefco groups, the Group gave guarantees regarding the satisfactory performance of the logistics contracts and a five-year exclusivity clause. At 31 December 2012, the Group had not identified any material risks associated with these representations and warranties.

NOTE 39 - RELATED PARTY TRANSACTIONS

39.1. 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, or provide transportation and logistics services.
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 2012**	31 December 2011
Long-term loans	57	9
Short-term loans	333	12
Trade receivables	282	309
Trade payables	(1 041)	(1 126)
Short-term loans	-	-

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

(in million euros)	**2012**	2011
Sales	1 137	1 065
Purchases	(3 473)	(4 144)

39.2. 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 10% of Peugeot S.A.'s capital.

NOTE 40 - MANAGEMENT COMPENSATION

(in million euros)	**2012**	2011
Compensation paid to:		
- Members of management bodies	6.6	6.6
- Members of the Supervisory Board	1.5	1.4
Total management compensation	**8.1**	**8.0**
Stock option and performance share costs (Note 1.21)	-	0.6
Total	**8.1**	**8.6**

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 will not receive their 2012 bonuses.

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 2012:

(number of options)	**2012**	2011
Stock options granted during the year	395 460	372 000
Performance shares awarded in 2010 [(1)] that were held at the balance sheet date	-	65 000

[(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 29.1.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 41 - SUBSEQUENT EVENTS

On 11 January 2013, Banque PSA Finance signed a new five-year €4,100 million syndicated line of credit.

Notification of the European Commission's approval on the French State's guarantee received for the refinancing of Banque PSA Finance:

On 11 February 2013 the European Commission temporarily authorised the guarantee described in Note 37.1 for an initial amount of €1,200 million. A guarantee agreement shall be signed between the French State, Peugeot S.A. and Banque PSA Finance. This will set out the commitments made by the PSA Peugeot Citroën Group to the French State, which will notably involve the following items:

- Peugeot S.A. will undertake to establish a five-person Monitoring Committee comprising two members of the Supervisory Board of PSA, the member of the Peugeot S.A. PSA Managing Board responsible for finance and two representatives of the French State, whose role, amongst others, will be to ensure good coordination between the State, Peugeot S.A. and Banque PSA Finance in implementing the guarantee;
- Peugeot S.A. will undertake not to distribute any dividends, reserves, premiums or any other asset, or buy back shares or carry out any form of capital reduction without the prior approval of the French State;
- Peugeot S.A. will undertake not to award, and to ensure that its subsidiaries do not award, ordinary bonuses, exceptional bonuses, retirement bonuses (notwithstanding payments made under statutory provisions or court orders), stock options and performance shares or any other share equivalent, to members of the PSA Managing Board without the prior agreement of the French State.

Under this same agreement, Banque PSA Finances will undertake to pay the French State a commission on a monthly basis, equal to 260 base points calculated annually on the principal outstanding and interest incurred by the debt benefitting from the guarantee.

The matter has been referred to the European Commission for definitive authorisation under state restructuring aid rules.

NOTE 42 - FEES PAID TO THE AUDITORS

(in million euros)	Mazars		Ernst & Young		PricewaterhouseCoopers	
	2012	2011	**2012**	2011	**2012**	2011
Audit						
Statutory and contractual audit services						
• Peugeot S.A.	0.3	0.2	0.4	0.3	-	-
• Fully-consolidated subsidiaries	2.6	2.6	9.0	8.4	3.2	2.8
o/w France	*1.4*	*1.4*	*2.7*	*2.7*	*1.0*	*0.8*
o/w International	*1.2*	*1.2*	*6.3*	*5.7*	*2.2*	*2.0*
Audit-related services						
• Peugeot S.A.	-	-	-	-	-	-
• Fully-consolidated subsidiaries	0.1	-	0.1	0.1	-	0.1
o/w France	*0.1*	-	*0.1*	0.1	-	*0.1*
o/w International	-	-	-	-	-	
Sub-total	**3.0**	**2.8**	**9.5**	**8.8**	**3.2**	**2.9**
o/w Faurecia	-	-	4.8	4.3	3.2	2.9
Excluding Faurecia	3.0	2.8	4.7	4.5	-	-
	100%	*100%*	*98%*	*100%*	*97%*	*91%*
Other services provided to subsidiaries						
Legal and tax services	-	-	0.2	-	0.1	0.1
Other	-	-	-	-	-	0.2
Sub-total	**-**	**-**	**0.2**	**-**	**0.1**	**0.3**
o/w Faurecia	-	-	-	-	-	
Excluding Faurecia	-	-	0.2	-	0.1	0.3
			2%		*3%*	*9%*
TOTAL	**3.0**	**2.8**	**9.7**	**8.8**	**3.3**	**3.2**
o/w Faurecia	-	-	4.8	4.3	3.2	2.9
Excluding Faurecia	3.0	2.8	4.9	4.5	0.1	0.3

Fees for 2012 and 2011 are presented excluding Gefco, the amounts for 2011 having been restated by €1.0 million including €0.4 million in respect of Mazars, €0.5 million in respect of Ernst & Young and €0.1 million in respect of PricewatershouseCoopers

Faurecia's statutory auditors are Ernst & Young and PricewaterhouseCoopers.

NOTE 43 - CONSOLIDATED COMPANIES AT 31 DECEMBER 2012

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
GEFCO	France	E	25
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	F	100
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	F	100
SEVELIND	France	F	100
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	99
TOYOTA PEUGEOT CITROEN AUTOMOBILES Czech s.r.o.	Czech Republic	E	50
PCA LOGISTIKA CZ	Czech Republic	F	100
PSA SERVICE CENTRE EUROPE	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

Company	Country	F/E	% interest
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
BMW PEUGEOT CITROEN ELECTRIFICATION SAS	Germany	F	100
PEUGEOT NORDHESSEN 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	100
PEUGEOT (SUISSE) S.A.	Switzerland	F	100
LOWEN GARAGE AG	Switzerland	F	97
PEUGEOT AUSTRIA GmbH	Austria	F	100
PEUGEOT WIEN 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
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
TECHNOBOOST	France	F	60
SOCIETE COMMERCIALE CITROEN	France	F	100
CITROEN CHAMP DE MARS	France	F	100
CITROEN DUNKERQUE	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
CITROEN ORLEANS	France	F	100
Sté Cle DISTRIBUTION PIECES DE RECHANDES - SCPR	France	F	100

Company	Country	F/E	% interest
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
GARAJE ELOY GRANOLLERS S.A.	Spain	F	99
MOTOR TALAVERA	Spain	F	99
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 - SOCIETE FONCIERE 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 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

Company	Country	F/E	% interest
FAURECIA AUTOMOTIVE ESPAÑA, S.L.	Spain	F	57
FAURECIA INTERIOR SYSTEMS ESPAÑA, S.A.	Spain	F	57
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 PORTUGAL)	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 AUTOMOTIVE POLSKA Spolka Akcyjna	Poland	F	57
FAURECIA WALBRZYCH Spolka Akcyjna	Poland	F	57
FAURECIA LEGNICA Spolka Akcyjna	Poland	F	57
FAURECIA GROJEC R&D CENTER Spolka Akcyjna	Poland	F	57
FAURECIA GORZOW Spolka Akcyjna	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
FAURECIA INTERIOR SYSTEMS PRETORIA (PTY) LTD	South Africa	F	57
SOCIETE TUNISIENNE D'EQUIPEMENTS D'AUTOMOBILE	Tunisia	F	57
FAURECIA AUTOMOTIVE SEATING CANADA LTD	Canada	F	57
FAURECIA JV IN DETROIT	USA	E	57
FNK NORTH AMERICA	USA	F	57
FAURECIA INTERIOR SYSTEMS SALINE LLC	USA	F	57
FAURECIA INTERIORS SYSTEMS HOLDING	USA	F	57
FAURECIA AUTOMOTIVE SEATING, LLC	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. DE C.V.)	Mexico	F	57
SERVICIOS CORPORATIVOS DE PERSONAL ESPECIALIZADO, 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
FAURECIA NHK (XIANGYANG) AUTOMOTIVE SEATING CO., LTD	China	E	29
NINGBO	China	F	52
CUMMINGS BEIJING	China	F	57
NANCHANG	China	F	29
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	57
CHANGCHUN XUYANG FAURECIA ACOUSTICS & SOFT TRIM CO.LTD	France	E	23

Company	Country	F/E	% interest
FAURECIA AUTOMOTIVES COMPOSITES	France	F	57
HAMBACH AUTOMOTIVE EXTERIORS SAS	France	F	57
FAURECIA INTERIEUR MORNAC	France	F	57
FAURECIA INTERIEUR SAINT QUENTIN	France	F	57
FAURECIA SYSTEMES D'ECHAPPEMENT	France	F	57
FAURECIA BLOC AVANT	France	F	57
AMMINEX EMISSIONS SYSTEMS APS	France	E	24
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
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 SISTEMAS DE ESCAPAMENTO DO BRASIL LTDA	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 EMISSIONS CONTROL TECHNOLOGIES CANADA LTD	Canada	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES INDIA	India	F	57
FAURECIA TECHNOLOGY CENTER INDIA PVT Ltd	India	F	57
FAURECIA INTERIORS LOUISVILLE, LLC	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
ZEIJIANG FAURECIA. LIMIN INTERIOR & EXTERIOR SYSTEMS	China	E	29
CHENGDU FAURECIA. LIMIN INTERIOR & EXTERIOR SYSTEMS	China	F	29
FAURECIA AUTOMOTIVE SYSTEMS KOREA LTD	South Korea	F	57
LANZHOU FAURECIA LIMIN INTERIOR & EXTERIOR SYSTEMS CO.	China	E	29
CHANGCHUN HUAXIANG F.A. PLASTIC	China	E	29
JINAN FAURECIA LIMIN INTERIOR & EXTERIOR SYSTEMS CO.	China	E	29
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, (Shanghai) Co., Ltd	China	F	57
FAURECIA EMISSIONS CONTROL TECHNOLOGIES, (Chongqing) Co., Ltd	China	F	41
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

Company	Country	F/E	% interest
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
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 HOWA INTERIOR'S	Japan	F	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
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
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
BPF - FCT Auto ABS - Compartment 2012-7	France	F	100
BPF - FCT Auto ABS - Compartment 2012-5	Spain	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 - Compartment 2012-02	France	F	100
FCC AUTO ABS - Compartment 2012-01	France	F	100
FCC AUTO ABS - Compartment 2007.01	France	F	100
FCC AUTO ABS - Compartment 2011.01	France	F	100
FCT AUTO ABS - Compartment 2010-1	France	F	100
BPF - Auto ABS UK Loans PLC - Compartment 2012-5	United Kingdom	F	100
FCT Auto ABS German loans - Compartment 2011-2	Germany	F	100
PSA FACTOR ITALIA S.p.A.	Italy	F	100
PSA RENTING ITALIA S.p.A.	Italy	F	100
BPF - Auto ABS SRL - Compartiment 2007-2	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

Company	Country	F/E	% interest
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	50
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	50
O/w 12.5% through Dongfeng Peugeot Citroën Automobile			

IV - STATUTORY AUDITORS' REPORT

This is a free translation into English of the statutory auditors’ report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors’ report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors’ assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the group’s management report. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying consolidated financial statements of Peugeot S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the managing board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, given the context of the group's economic and financial environment as described in the group’s management report, we draw your attention to the following notes to the financial statements:

- Note 1.4 on significant estimates and assumptions which specifies the accounts for which estimates and assumptions used are particularly sensitive;
- Note 8.1 on the impairment test on the assets of the automotive segment which leads to the recognition of an impairment for an amount of €3,009m;
- Note 12.1.C on the impairment test on deferred tax assets which leads to the recognition of an impairment for a net amount of €879m;
- Note 37 which sets out the Group's and Banque PSA Finance's liquidity position.

II. Justification of our assessments

The accounting estimates used to prepare the consolidated financial statements as at December 31, 2012 and the assessment of the liquidity position have been made in a context of economic and financial crisis weighing heavily on the automotive market, which has made it more difficult to assess the economic outlook. In this context, in accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- The preparation of the consolidated financial statements requires your company to make estimates and assumptions regarding the valuation of certain assets, liabilities, income and expenses, the most significant of which are outlined in Note 1.4 to the consolidated financial statements "Accounting principles – Use of Estimates and Assumptions." For all of these matters, we examined the appropriateness of the accounting rules and methods used and the information given in the notes to the financial statements. In addition, we examined the consistency of the assumptions used, their translation into figures, and the available documentation, and on that basis we assessed the reasonableness of the estimates made.

- Note 1.15 to the consolidated financial statements "Accounting Principles – Impairment of Long-Lived Assets" describes the accounting methods and assumptions used for impairment tests. According to Note 8.1 "Impairment Loss on Automotive Division CGUs and Provisions for Automotive Division Onerous Contracts", impairment tests led to the recognition of an impairment on the Automotive Division CGU's assets for €3,009m. Impairments of specific assets and additional provisions for onerous contracts were also recorded. Regarding the Automotive Division CGU, we verified that the impairment tests were carried out correctly, we verified the reasonableness of the underlying estimates and assumptions, we reviewed the calculations which led to the recognition of the impairment and we verified that the notes mentioned above provide relevant information.

- As indicated in Note 1.19 "Accounting Principles – Deferred Taxes," deferred tax assets and liabilities are accounted for in the statement of financial position as set forth in Note 12 "Income tax". This note indicates amongst other things that, in the absence of any prospect of recovery in the medium-term plan, tax-loss carry forwards relating to the French tax consolidation have been fully depreciated for a net amount of €879m. We examined the group's tax forecasts, deferred tax assets and liabilities timelines and the consistency of overall assumptions used for this depreciation.

- Within the context of our assessment of the continuity of the company as a going concern, we made an in-depth review of the liquidity position of the group and of Banque PSA Finance detailed in Notes 30 et seq. and Note 37 to the consolidated financial statements. We notably reviewed the cashflow forecasts, the debt schedules, the covenants applicable to them, and the provisions relating to the State guarantee for the refinancing of Banque PSA Finance.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris-La Défense, February 12, 2013

The statutory auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Loïc Wallaert	Jean-Louis Simon	Christian Mouillon	Marc Stoessel

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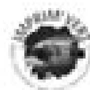

PSA PEUGEOT CITROËN

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