2017 ANNUAL RESULTS


2017 Annual Results

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I. MANAGEMENT AND SUPERVISORY BODIES AT 31 DECEMBER 2017

Supervisory Board

CHAIRMAN

Mr LOUIS GALLOIS

OTHER SUPERVISORY BOARD MEMBERS

Mr Geoffroy ROUX DE BÉZIEUX (Vice-President and Independent Member)

ETABLISSEMENTS PEUGEOT FRERES, represented by Mrs Marie-Hélène PEUGEOT RONCORONI (entitled Vice-Chairman pursuant to the Shareholders' Agreement)

DONGFENG MOTOR (HONG KONG) INTERNATIONAL CO. LTD., represented by Mr. LIU Weidong (entitled Vice-Chairman pursuant to the Shareholders' Agreement)

Mrs Catherine BRADLEY

Mrs Pamela KNAPP

Mr Jean-François KONDRATIUK (employee representative member)

Mrs Helle KRISTOFFERSEN

BPIfrance Participations, represented by Mrs Anne GUERIN (entitled as Vice-Chairman pursuant to the Shareholders' Agreement) (co-opted by the Supervisory Board of July 25, 2017)

Mr An TIECHENG (co-opted by the Supervisory Board of July 25, 2017)

Lion Participations, représentée par M. Daniel BERNARD (co-opted by the Supervisory Board of July 25, 2017)

FFP, represented by M.Robert PEUGEOT

Mr Henri Philippe REICHSTUL

Mrs Bénédicte JUYAUX (employee shareholder representative member)

NON-VOTING ADVISORS

Mr Frédéric BANZET

Mr Alexandre OSSOLA (appointed by the Supervisory Board of July 25, 2017)

Mr Lv HAITAO (appointed by the Supervisory Board of July 25, 2017)

Managing Board

CHAIRMAN

Mr Carlos TAVARES

MEMBERS OF THE MANAGING BOARD

Mr. Jean-Baptiste CHASSELOUP de CHATILLON
Mr. Maxime PICAT
Mr. Jean-Christophe QUEMARD

II. ANNUAL MANAGEMENT REPORT

1. GROUP ACTIVITIES

1.1. Overview of sales activities

Strong acceleration in 2017: Groupe PSA worldwide sales up 15.4%

- **Groupe PSA sold 3,632,300 [1] vehicles worldwide**
- **4th consecutive year of improvement in Groupe PSA sales**
- **Successful SUV product offensive supporting the Group's profitable growth**
  Strengthening European leadership in Light Commercial Vehicles (LCV) for PEUGEOT and CITROËN, with a 20.2% market share

The Push to Pass plan's SUV offensive accelerates and the five SUV models launched in the past 18 months have enjoyed growing success. Overall, SUV sales accounted for 23% of consolidated sales at the year-end.

PEUGEOT brand sold nearly 600,000 SUVs in 2017 worldwide and ranks 2nd in the SUV European market with a strong expansion of nearly 60%.

With 259,300 PEUGEOT 3008 SUVs sold globally in 2017, the PEUGEOT brand enjoyed sustained demand for the model, which was named Car of the Year 2017 in Europe and recognised by 38 additional awards worldwide. PEUGEOT also benefited from the success of the new PEUGEOT 5008 launched in March 2017, with 85,900 units sold, and the positive performance of the PEUGEOT 4008 in China, with 51,500 units.

In autumn 2017, CITROËN kicked off its SUV offensive in China with the C5 Aircross, launched in September, and in Europe with the C3 Aircross, launched in October. Each model sold around 22,700 and 35,400 units, respectively, and will be rolled out worldwide in 2018.

At the end of February 2017, DS Automobiles debuted its first SUV, DS 7 CROSSBACK, and opened up online reservations for the La Première limited edition model. In October, the brand launched its exclusive network in parallel with order taking for all the line-up's versions. The first deliveries are set for February 2018.

In 2017, OPEL and VAUXHALL rationalized the channel mix, in line with PACE! turnaround plan and led a record-breaking product offensive in 2017, with two new SUVs, the Crossland X and Grandland X, launched in May and September with sales of 33,900 and 18,700 units, respectively.

In 2017, Groupe PSA reported its best LCV sales ever, with 476,500 units sold, up 15% on 2016. And with Passenger Car derivatives (PEUGEOT Traveler and CITROËN SpaceTourer for example) these are 658,000 units sold by the Group in 2017.

The PEUGEOT and CITROËN brands strengthened the Group's leadership status in Europe, where it holds a market share of 20.2% in LCV (1.3 point market share gain) allowing the Group to capture more than 50% of European LCV market growth thanks to the new PEUGEOT Expert and CITROËN Jumpy.

Outside Europe, the Group's LCV offensive also began to deliver results. In Eurasia, sales were up 55% before the start of local production of new PEUGEOT Expert and CITROËN Jumpy planned in the first half of 2018. In Latin America, sales increased 13% and a full range of renewed products and a complete range of services will be offered in 2018.

In Europe, consolidated sales came in at 2,378,600 units, representing a year-on-year increase of nearly 450,000 vehicles (up 23.2%), of which 376,400 OPEL and VAUXHALL units since 1 August 2017.

Groupe PSA's market share increased in all of the Group's main host countries, excluding the United Kingdom. For the first time since 2010, the Group added 0.3 points to its market share (11.1%) from PEUGEOT, CITROËN and DS sales alone.

On top of increased sales of SUVs and LCVs, the Group benefited from the successful launch of the PEUGEOT 308 (166,000 units sold), CITROËN C3 (217,000 units sold), and OPEL Insignia, available in three models, the Sports Tourer, Grand Sport and Country Tourer (total 40 600 units sold from August to December 2017).

In addition, the PEUGEOT 2008 and OPEL Mokka ended the year second and third, respectively, in their segment.

DS Automobiles continued to develop its network, with 150 locations now dedicated to marketing the first-ever second generation DS model, the DS 7 CROSSBACK.

In the Middle East & Africa region, consolidated sales increased by 61.4% year on year at 618,800 units, of which 26,800 for the OPEL brand.

This performance was driven by the Group's development in Iran (444,600 units sold in 2017) and higher sales in Turkey, Israel and the French overseas departments.

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[1] *As from 1 August 2017, the Group's scope of consolidation includes the sales volumes of OPEL and VAUXHALL, together representing 403,900 units sold between August and December.*

Groupe PSA has continued its product offensive in the region, where it has successfully launched the new CITROËN C3 the new PEUGEOT 3008 SUV, and the new PEUGEOT Pick Up, which marks the brand's history-making return to its legitimate place in the segment.

OPEL is in the midst of a product offensive in the region having recently launched the new Insignia and Crossland X and with the launch of the new Grandland X slated for early 2018.

For the DS brand, 2017 marked the development of a dealer network across the region ahead of the market launch of the DS 7 CROSSBACK in the coming months.

The year also saw the production start-up and market launch of the PEUGEOT 2008 SUV in Iran, and the creation of an Iranian joint venture between CITROËN and SAIPA based at the Kashan plant. The Group continued to expand its manufacturing base, breaking ground on the Kenitra plant in Morocco, starting up local production in Kenya and Ethiopia, and signing a memorandum of understanding to set up a new plant in Oran, Algeria.

In China & Southeast Asia, in a difficult economic environment, the Group sold 387,000 vehicles. Showing the first signs of a sales recovery, the Group has seen a rise in sales since July, and a market share gain of 0.3 points in second-half 2017 compared with the first half. The SUV line-up proved to be a triumph, with the successful launch in 2017 of the PEUGEOT 4008 and 5008, and the CITROËN C5 Aircross. It is worthy to note that sales volumes for the new PEUGEOT 308 and the CITROËN C5 and C6 were stable versus 2016, despite weaker demand in this market segment.

In Southeast Asia, Groupe PSA has been accelerating its development, particularly in Vietnam with the successful launch of the PEUGEOT 3008 and 5008 SUVs. The vehicles are now produced locally at THACO's plant in Chu Lai, just nine months after a new assembly agreement was signed.

In June 2017, Groupe PSA signed an agreement to step up its cooperation with ChangAn Automobile, establishing a solid foundation for faster expansion of the DS brand. Presented at Auto Shanghai, the DS 7 CROSSBACK will be brought to market at the start of the Beijing Motor Show.

Further rebound in **Latin America**, with sales climbing 12.2% to 206,300 units.

In Latin America, PEUGEOT sales rose 11.1% due to strong momentum in most of the region's markets. The PEUGEOT 3008 and 5008 SUVs were launched very successfully in every country and sales have exceeded targets. The PEUGEOT Expert, recently launched in Brazil and Argentina and produced in Uruguay, also promises to be a success.

CITROËN's sales were up 13.8% in most of the region's markets. For example, sales in Chile jumped 47% thanks to the tremendous success of the new CITROËN C3 and the solid performance delivered in the LCV segment, with Berlingo leading the way. The CITROËN Jumpy, produced in Uruguay and marketed in Brazil and Argentina, has been well received, suggesting that demand for the vehicle will be strong in 2018.

DS Automobiles recorded sales growth of 21.6%, led by Argentina's performance, where the brand ranks fourth in the premium automotive market thanks to the DS 3, the leading vehicle in its class for the fourth year in a row.

India-Pacific reports 26,100 cars sold and 31% growth.

In Japan, the Group grew by 20% and recorded its best performance in more than 20 years. A sales recovery is under way in Australia and New Zealand, where two new importers have been appointed, resulting in sales almost tripling compared to 2016. Sales for the French Pacific overseas territories continued to rise sharply (up 40%) and South Korea's performance was in line with that of 2016.

PEUGEOT contributed significantly to this growth, reporting a 37% increase in sales driven by the successful launch of the PEUGEOT 3008 and 5008.

CITROËN's sales also rose sharply (up 36%) thanks to strong demand for the new C3.

In **Eurasia**, sales were up 45%, outpacing the auto market. The Group made headway in the region's major markets, including Russia (up 38%) and Ukraine (up 62%), with a total of 15,200 units sold.

Sales of the new PEUGEOT 3008 SUV were significantly ahead of the previous generation's performance, accounting for 21% of the brand's volumes, and helping to drive its volumes up 50.7%. The momentum in sales for CITROËN's Grand C4 Picasso (up 126%), particularly in the BtoB segment, also pushed up the brand's sales, by a strong 33.4% in Eurasia.

Groupe PSA's LCV segment sales rose 55%. Local production of the PEUGEOT Expert, CITROËN Jumpy, PEUGEOT Traveller and CITROËN SpaceTourer in Kaluga, Russia as from 2018 is expected to enable the Group to achieve even faster sales growth in Eurasia.

1.2. Consolidated worldwide sales

The consolidated worldwide sales by brand, by geographical area and by model are available on the Groupe PSA website (www.groupe-psa.com).

2. ANALYSIS OF CONSOLIDATED ANNUAL RESULTS

The Group's operations are organised around five main business segments described in Note 4 to the consolidated financial statements at 31 December 2017. Subsequent events are presented in Note 19 to the financial statements.

2.1. Group profit (loss) for the period

(in million euros)	**31 December 2016**	**31 December 2017**	**Change**
Revenue	54,030	65,210	11,180
Recurring operating income	**3,235**	**3,991**	**756**
As a percentage of revenue	6.0%	6,1%	
Non-recurring operating income and expenses	(624)	(904)	(280)
Operating income	2,611	3,087	476
Net financial income (loss)	(268)	(238)	30
Income taxes	(517)	(701)	(184)
Share in net earnings of companies at equity	128	217	89
Profit (loss) from operations held for sale or to be continued in partnership*	195	(7)	(202)
Consolidated profit (loss) for the period	**2,149**	**2,358**	**209**
Profit (loss) for the period attributable to owners of the parent	***1,730***	***1,929***	***199***

** Including "Other expenses related to the non-transferred financing of operations to be continued in partnership"*

2.2. Group revenue

The table below shows consolidated revenue by division:

(in million euros)	**31 December 2016**	**31 December 2017**	**Change**
Automotive Peugeot Citroën DS	37,066	40,735	3,669
Automotive Opel Vauxhall	-	7,238	7,238
Faurecia	18,710	20,182	1,472
Other businesses and eliminations*	(1,746)	(2,945)	(1,199)
Revenue	**54,030**	**65,210**	**11,180**

** Including the activities of Banque PSA Finance not covered by the partnership signed with Santander Consumer Finance*

Peugeot Citroën DS (PCD) Automotive revenues were up 9.9% compared to 2016, mainly thanks to the favourable effect of product mix (+4.5%), of volumes and country mix (+4.9%) and of sales to partners (+1.5%) that more than compensates the negative impact of adverse exchange rate changes (-1.6%).

Opel Vauxhall (OV) Automotive revenues amounted to €7,238 M for the last 5 months of 2017.

At constant exchange rates and perimeter (excluding OV), **Group revenues** were up 12.9% compared to 2015, year of reference of Groupe PSA strategic plan of profitable growth Push to Pass.

2.3. Group Recurring Operating Income

The following table shows Recurring Operating Income by business segment:

(in million euros)	**31 December 2016**	**31 December 2017**	**Change**
Automotive Peugeot Citroën DS	2,225	2,965	740
Automotive Opel Vauxhall	-	(179)	(179)
Faurecia	970	1,170	200
Other businesses and eliminations*	40	35	(5)
Recurring operating income	**3,235**	**3,991**	**756**

** Including the activities of Banque PSA Finance not covered by the partnership signed with Santander Consumer Finance*

In 2017, the **PCD Automotive recurring operating margin**, which corresponds to the ratio of the PCD Automotive recurring operating income to the PCD Automotive revenues, stood at 7.3% compared to 6% in 2016. **OV Automotive recurring operating margin** stood at -2.5% for the last 5 months of 2017.

Group recurring operating margin excluding OV stood at 7.1% and **Group recurring operating margin including OV** stood at 6.1% compared to 6% in 2016.

The 33.3% increase in the **PCD Automotive recurring operating income** was due to the company's improved performance (+€1 270 million), despite an unfavourable operating environment (-€530 million):

- the negative effect of the **PCD Automotive division's operating environment** stemmed from a (€492) million effect of "foreign exchange and others", associated essentially with the weakening of the pound sterling and of the Argentinian peso and higher raw material and other external costs amounting to (€358) million. These effects were partially offset by stronger markets totalling +€320 million;
- the improved **performance of the PCD Automotive business** was due essentially to a very positive product mix effect amounting to +€904 million, as well as lower production and fixed costs amounting to +€498 million, and improved market share and country mix for +€38 million. These effects were partially offset by a negative price and product enrichment effect of (€44) million, as well as other effects (-€134 million).

OV Automotive recurring operating income stood at (€179) million for the last 5 months of 2017.

Faurecia's recurring operating income was €1 170 million, up €200 million.

2.4. Other items contributing to Group profit (loss) for the period

Non-recurring operating income and expenses represented a net expense of (€904) million compared to (€624) million in 2016. They primarily included PCD Automotive division restructuring costs totalling (€426) million – mainly in Europe for (€375) million, OV Automotive division totalling (€440) million – and Faurecia Group for (€86) million.

Net financial income and expenses amounted to (€238) million, an improvement of €30 million versus 2016. See Note 12 to the consolidated financial statements at 31 December 2017.

The **income tax expenses** amounted to (€701) million in 2017 compared to (€517) million in 2016. See Note 14 to the Consolidated Financial Statements at 31 December 2017.

The **share in net earnings of companies at equity** totalled €217 million in 2017, compared to €128 million in 2016.

The contribution of the Dongfeng joint ventures (DPCA and DPCS) represented (€30) million, down €272 million. Changan PSA Automobiles Co., Ltd (CAPSA) made a negative contribution of (€24) million in 2017 compared to (€292) million in 2016. See Note 11.3 to the consolidated financial statements at 31 December 2017.

The contribution of the joint ventures under the partnership between Banque PSA Finance and Santander Consumer Finance amounted to €201 million, up €20 million. See Note 11.3 to the consolidated financial statements at 31 December 2017.
The contribution of the joint ventures under the partnership between Banque PSA Finance and BNP Paribas covering the financing activity of OV amounted to €8 million in 2017[2]. See Note 11.3 to the consolidated financial statements at 31 December 2017.

The **profit from operations held for sale or to be continued in partnership**, including "Other expenses related to the non-transferred financing of operations to be continued in partnership", amounted to (€7) million compared to 195 million euros in 2016.

The net **income, Group share,** of €1,929 million was up €199 million. **Basic earnings per share** were €2.18 versus €2.16 in 2016. And **diluted earnings per share** were €2.05 up from €1.93 in 2016.

A **dividend** of €0.53 per share will be submitted for approval at the next Shareholders' Meeting with an ex-dividend date considered to be on May 2nd 2018, and the payment date on May 4th 2018.

[2] *This contribution represents 2 months of activity of Opel Vauxhall Finance since the date of the closing on November, 1st 2017*

2.5. Banque PSA Finance

The results (at 100%) of finance companies are presented below*.

(in million euros)	31 December 2016	31 December 2017	Change
Revenue	1,405	1,476	71
Net banking revenue	1,026	1,145	119
Cost of risk**	0.24%	0.27%	+0.03 pt
Recurring operating income	**571**	**632**	**61**
Penetration rate	30.8%	30.0%	(0.8) pt
Number of new contracts (leasing and financing)	767,848	845,755	77,907

** These results of BPF for 2017 include the result of 2 months of Opel Vauxhall Finance activities since November, 1st 2017.*

*** As a percentage of average net loans and receivables*

2.6. Faurecia

(in million euros)	31 December 2016	31 December 2017	Change
Revenue	18,710	20,182	1,472
Recurring operating income	**970**	**1,170**	**200**
As a % of revenue	5.2%	5.8%	
Operating income	**864**	**1,075**	**211**
Net financial income (expense)	(163)	(133)	30
Consolidated profit (loss) for the period	**706**	**708**	**2**
Free cash flow	1,011	129	(882)
Net financial position	(475)	(646)	(171)

More detailed information about Faurecia is provided in its annual report which can be downloaded from www.Faurecia.com.

2.7. Outlook

Market outlook
In 2018, the Group anticipates a stable automotive market in Europe and growth of 4% in Latin America, 10% in Russia, and 2% in China.

Operational outlook improved
The objectives of the Push to Pass plan for the Groupe PSA (excluding Opel Vauxhall) are to:

- deliver over 4.5% Automotive recurring operating margin[3] on average in 2016-2018, and target over 6% by 2021;
- deliver 10% Group revenue growth by 2018[4] vs 2015, and target additional 15% by 2021[4].

The objectives for Opel Vauxhall are:

- deliver 2% Automotive recurring operating margin[3] for OV by 2020, and target 6% by 2026;
- deliver positive operational Free Cash Flow by 2020[5].

[3] *Recurring operating income related to revenue*

[4] *At constant (2015) exchange rates and perimeter*

[5] *Defined as ROI + D&A - restructuring - capex - Capitalized R&D - change in WRC*

3. FINANCIAL POSITION AND CASH

3.1. Net financial position and financial security of manufacturing and sales companies

The net financial position of manufacturing and sales companies are set out and described in Note 12 to the Group's consolidated financial statements at 31 December 2017.

The **net financial position of manufacturing and sales companies** at 31 December 2017 was a net cash position of €6,194 million, down €619 million compared with 31 December 2016. Within this positive net financial position, Faurecia had €646 million in net debt at 31 December 2017, compared to €475 million in net debt at end-December 2016.

The Group continued to actively manage its debt in 2017. In order to extend the average maturity of its debt, Peugeot S.A. issued a bond of 600 M€ bond maturing in March 2024 and, in May, a tap bond of 100 M€ with the same maturity. In addition, the European International Bank (EIB) granted a seven-year loan of 250 M€ to PSA Automobiles SA for the financing research and development investments on future emission requirements.

Liquidity reserves for the manufacturing and sales companies amounted to €17,522 million at 31 December 2017, versus €16,974 million at 31 December 2016, with €13,322 million in cash and cash equivalents, financial investments and current & non-current financial assets, and €4,200 million in undrawn lines of credit (see Note 12.4 to the consolidated financial statements at 31 December 2017).

3.2. Detail of Free Cash Flow of manufacturing and sales companies

The Free Cash Flow of manufacturing and sales companies is defined in Note 16 to the consolidated financial statements at 31 December 2017.
The **Free Cash Flow** generated over the period amounted to €500 million, including a €129 million contribution from Faurecia. The Free Cash Flow over the period mainly stemmed from:

- €5,823 million in cash flows generated by recurring operations of which a contribution of €(336) million of OV;
- €(618) million in cash flows related to restructuring plans including €(12) million for OV;
- €8 million improvement in the working capital requirement, including €1,179 million in trade payables, (€ 476) million in trade receivables, and €(167) million in inventories. New vehicle inventory levels are presented below ; OV contribution amounts to €(610) million ;
- €(4,277) million in capitalised capital expenditure and research & development, including Faurecia's share which represented €(1,214) million and the share of OV which represented €(509) million at 31 December 2017 and of which €(436) million in exceptional investments/asset disposals, including Faurecia's share which represented €(218) million at the end of 2017. Total research and development expenses incurred increased in 2017 compared to 2016 and are presented in Note 5 to the consolidated financial statements at 31 December 2017.

New vehicle inventory levels for PCD and in the independent PCD dealer network:

(in thousands of new vehicles)	31 December 2017	31 December 2016	31 December 2015
Group	97	99	107
Independent dealer network	319	307	243
TOTAL	**416**	**406**	**350**

New vehicle inventory levels for OV and in the independent OV dealer network:

(in thousands of new vehicles)	31 December 2017	31 December 2016	31 December 2015
Group	135	NA	NA
Independent dealer network	129	NA	NA
TOTAL	**264**	**NA**	**NA**

Excluding Free Cash Flow, the changes in net financial position represented €(1,119) million. These are mainly related to dividends paid to Group shareholders in the amount of €(431) million as well as the dividends paid to Faurecia minority shareholders for €(129) million and to the exercise of warrants in the amount of €288 million as well as €(662) million of OV debt consolidation.

3.3. Liquidity and funding of finance companies

The liquidity and funding of finance companies are discussed in Notes 13.3 and 13.4 to the consolidated financial statements at 31 December 2017.

4. RISK FACTORS AND UNCERTAINTIES

Main risk factors specific to the Group and its business

The Group operates in a profoundly changing environment not only in terms of technology, but also as regards modes of consumption and new entrants into the automotive industry. It is therefore exposed to risks that, if materialised, could have a significant adverse effect on its business, financial position, results or outlook. PSA Group pays close attention to ensuring that the risks inherent in its business lines are effectively managed across its various businesses. The Group's various operating units identify and assess risks and evaluate the related internal controls on an ongoing basis, in France and abroad, with annual reporting to the Executive Committee. (Faurecia has its own process). The principal specific risk factors to which the Group may be exposed are described in depth in the 2017 Registration Document (Chapter 1.5) that will be published in March 2018, and include notably:

- **Operational risks**

They include risks related to the Group's economic and geopolitical environment, particularly in the United Kingdom where the Group is exposed to free trade agreements and currency movements (in 2017, Group sales in the UK represent up to 279,000 vehicles). A one point gross change in the pound sterling euro exchange rate has an impact of around €45 million on the Automotive recurring operating income. The long-term impact of the UK's exit from the European Union will depend on the exit terms and their consequences, which are not currently known. There are also risks related to the development, launch and sale of new vehicles (for example petrol/diesel mix), risks related to the emergence of new business models driven by new forms of mobility, customer and dealer risks, raw material risks, supplier risks, industrial risks, environmental risks, workplace health and safety risks, risks associated with cooperation agreements, risks associated with the strategic partnership with Dongfeng, risks related to the non-execution of the PACE plan, information system risks as well as the risks related to climate change.

- **Financial market risks**

The Group is exposed to liquidity risk, interest rate risk, exchange rate risk, counterparty risk, credit risk and other market risks related in particular to fluctuations in commodity prices. Note 12.7 to the consolidated financial statements at 31 December 2017 provides information on risk management, which is primarily carried out by Corporate Finance, identified risks and the Group policies designed to manage them.

- **Risks related to Banque PSA Finance**

These include activity risk, credit risk, liquidity risk, counterparty risk, as well as concentration risk and operational risk. (See Note 13.4 to the consolidated financial statements at 31 December 2017).

- **Legal and contractual risks**

These risks include notably: legal and arbitration proceedings, legal risks associated with anti-competition litigation, regulatory risks, financial covenants, risks related to pension and other post-retirement benefit obligations, risks related to intellectual property rights and off-balance sheet commitments. (See Note 17 to the consolidated financial statements at 31 December 2017).

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CONSOLIDATED STATEMENTS OF INCOME

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

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

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

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

CONSOLIDATED COMPREHENSIVE INCOME

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

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

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

CONSOLIDATED BALANCE SHEETS

ASSETS

(in million euros)	Notes	31 December 2017 Manufacturing and sales companies	Finance companies	Eliminations	Total
Continuing operations					
Goodwill	8.1	3,320	1	-	3,321
Intangible assets	8.1	7,862	54	-	7,916
Property, plant and equipment	8.2	13,275	3	-	13,278
Investments in companies at equity	11	1,356	2,116	-	3,472
Other non-current financial assets	12.5.A	487	23	-	510
Other non-current assets	9.1	1,602	103	-	1,705
Deferred tax assets	14	791	13	-	804
Total non-current assets		**28,693**	**2,313**	**-**	**31,006**
Operating assets					
Loans and receivables - finance companies	13.2.A	-	331	-	331
Short-term investments - finance companies		-	114	-	114
Inventories	6.1	7,321	-	-	7,321
Trade receivables - manufacturing and sales companies	6.2	2,367	-	(34)	2,333
Current taxes	14	338	15	-	353
Other receivables	6.3.A	2,636	85	(2)	2,719
		12,662	**545**	**(36)**	**13,171**
Current financial assets	12.5.A	**1,269**	**-**	**-**	**1,269**
Financial investments	12.5.B	**165**	**-**	**-**	**165**
Cash and cash equivalents	12.5.C	**11,582**	**320**	**(8)**	**11,894**
Total current assets		**25,678**	**865**	**(44)**	**26,499**
Total assets		**54,371**	**3,178**	**(44)**	**57,505**

EQUITY AND LIABILITIES

(in million euros)	Notes	31 December 2017 Manufacturing and sales companies	Finance companies	Eliminations	Total
Equity	15				
Share capital					905
Treasury stock					(270)
Retained earnings and other accumulated equity, excluding minority interests					13,914
Minority interests					2,171
Total equity					**16,720**
Continuing operations					
Non-current financial liabilities	12.6	4,778	-	-	4,778
Other non-current liabilities	9.2	4,280	-	-	4,280
Non-current provisions	10	1,596	-	-	1,596
Deferred tax liabilities	14	890	7	-	897
Total non-current liabilities		**11,544**	**7**	**-**	**11,551**
Operating liabilities					
Financing liabilities - finance companies	13.3	-	415	(8)	407
Current provisions	10	4,658	119	-	4,777
Trade payables		13,362	-	-	13,362
Current taxes	14	225	9	-	234
Other payables	6.3.B	7,878	81	(36)	7,923
		26,123	**624**	**(44)**	**26,703**
Current financial liabilities	12.6	**2,531**	**-**	**-**	**2,531**
Total current liabilities		**28,654**	**624**	**(44)**	**29,234**
Total liabilities of continuing operations [1]		**40,198**	**631**	**(44)**	**40,785**
Total transferred liabilities of operations held for sale or to be continued in partnership		**-**	**-**	**-**	**-**
Total equity and liabilities					**57,505**

[1] *excluding equity*

(in million euros)	Notes	31 December 2016 Manufacturing and sales companies	Finance companies	Eliminations	Total
Continuing operations					
Goodwill	8.1	1,513	1	-	1,514
Intangible assets	8.1	5,393	61	-	5,454
Property, plant and equipment	8.2	11,291	2	-	11,293
Investments in companies at equity	11	1,487	1,527	-	3,014
Other non-current financial assets	12.5.A	685	37	-	722
Other non-current assets	9.1	1,368	7	-	1,375
Deferred tax assets	14	574	19	-	593
Total non-current assets		**22,311**	**1,654**	**-**	**23,965**
Operating assets					
Loans and receivables - finance companies	13.2.A	-	346	-	346
Short-term investments - finance companies		-	103	-	103
Inventories	6.1	4,347	-	-	4,347
Trade receivables - manufacturing and sales companies	6.2	1,560	-	(19)	1,541
Current taxes	14	148	16	-	164
Other receivables	6.3.A	1,763	92	(4)	1,851
		7,818	**557**	**(23)**	**8,352**
Current financial assets	12.5.A	**629**	**-**	**(1)**	**628**
Financial investments	12.5.B	**110**	**-**	**-**	**110**
Cash and cash equivalents	12.5.C	**11,576**	**530**	**(8)**	**12,098**
Total current assets		**20,133**	**1,087**	**(32)**	**21,188**
Total assets		**42,444**	**2,741**	**(32)**	**45,153**

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

(1) *excluding equity*

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 2017

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Preliminary note

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

NOTE 1 - ACCOUNTING POLICIES AND PERFORMANCE INDICATORS

1.1. ACCOUNTING STANDARDS APPLIED

The PSA Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union on 31 December 2017[6]. As the IFRS standards not adopted by the European Union do not have a material impact on the Group's consolidated financial statements, they are thus also compliant with the IFRS framework.

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

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

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

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

	New standards and interpretations	First application in the EU for annual periods beginning on or after:	Impacts
IFRIC 22	***Foreign Currency Transactions and Advance Consideration***	01.01.2018[7]	Without material impact
IFRS 9	***Financial Instruments***	01/01/2018	See below
IFRS 15	***Revenue from Contracts with Customers***	01/01/2018	See below
IFRS 16	***Leases***	01/01/2019	See below
IFRIC 23	***Uncertainty over Income Tax Treatments***	01/01/2019²	Without material impact
IFRS 17	***Insurance Contracts***	01/01/2021²	Without material impact

In respect of IFRS 15, the Group reviewed its contracts. The main areas of impact are expected in the Automotive Equipment Division. In actual fact, from 2018, Faurecia will be classified as agent for monolith sales[8], thereby reducing recognised revenue. The impact on Faurecia would be €3,219 million, and €2,947 million at Groupe PSA level.

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

The bulk of automotive business revenue is from the sale of new and used vehicles, and the sale of spare parts. For these activities, the transfer of control takes place at the same time as the transfer of risks and rewards. The Group also provides its customers with services, for consideration or free of charge. They are already recognised over the

[6] 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)

[7] *Not yet adopted by the European Union*

[8] *Precious metals and ceramics used in emission control systems.*

service period under IAS 18 and will continue to be under IFRS 15 (subject to different performance obligations), except for certain services that are currently not material.

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

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

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

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

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

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

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

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

1.2. USE OF ESTIMATES AND ASSUMPTIONS

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

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

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

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

- Fair value of the assets acquired and liabilities assumed in the course of a business combination (see Note 2 on the acquisition of the Opel Vauxhall operations);
- The recoverable amount of the Peugeot Citroën DS and Opel Vauxhall Automotive Divisions intangible assets and property, plant and equipment (see Note 8.3), and the recoverable amount of investments in companies at equity (see Note 11.3);
- Provisions (particularly restructuring provisions, pensions, warranty provisions for new cars as well as claims and litigation) (see Note 5.4.B, Note 7.1 and Note 10);
- Sales incentives (see Note 5.1.A);
- Residual values of vehicles sold with buyback commitment (see Note 8.2.C and Note 9.2).
- Deferred tax assets (see Note 14).

1.3. PERFORMANCE INDICATORS

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

- Recurring operating income (loss) by segment (see Note 4.1 and Note 5);
- Free Cash Flow and Operating free cash flow (see Note 16.5);
- Net financial position (see Note 12.3);
- Financial security (see Note 12.4).

NOTE 2 - ACQUISITION OF THE OPEL VAUXHALL BUSINESS

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

2.1. ACQUISITION OF THE AUTOMOTIVE BUSINESS OF OPEL VAUXHALL

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

A. **Description of the transaction**

The transaction includes the bulk of Opel/Vauxhall's automotive business, comprising the Opel and Vauxhall brands, six assembly and five component-manufacturing facilities, one engineering centre (Rüsselsheim in Germany). Opel/Vauxhall will also continue to benefit from intellectual property licenses from GM until its vehicles progressively convert to Groupe PSA platforms over the coming years.
The purchase price paid by Groupe PSA, for the automotive business of Opel and Vauxhall was €1,018 million (see details in 2.1.F).

B. **Opening balance sheet**

(in million euros)	**31 July 2017**
Purchase price	**1,018**
Intangible assets acquired	1,792
Property, plant and equipment acquired	1,577
Other non-current assets acquired	517
Current assets acquired	4,120
Cash acquired	301
Provisions assumed	(1,390)
Financial liabilities assumed	(785)
Trade payables assumed	(3,171)
Other liabilities assumed	(3,753)
Assest acquired and liabilities assumed	**(792)**
Goodwill	**1,810**

C. **Allocation of the purchase price**

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

(1) Property, plant and equipment

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

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

(2) Intangible assets: Brands

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

(3) Inventories

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

(4) Provisions

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

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

(5) Deferred taxes

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

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

D. **Goodwill**

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

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

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

- Revenue : €6,864 million;
- Profit (loss): -€674 million.

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

- PSA acquired a business cut out of General Motors Europe, excluding the historical operations of General Motors which had a material impact on this scope;
- the results of General Motors Europe were prepared using another accounting basis (US GAAP and General Motors specific policies) with notably internal cost-sharing rules, in particular for R&D, and a transfer pricing policy, that will no longer be employed;
- Given the seasonality of the automotive industry, Opel's five-month results simply cannot be extrapolated to 12 months.

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

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

F. **Purchase price**

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

- Cash payment of €477 million (see 2.1.G);
- Fair value of the Peugeot S.A. equity warrants.
  The fair value of the equity warrants subscribed by General Motors Co. or its affiliates is estimated at €541 million (see Note 15.1). This value was estimated using the Black & Scholes model, considering that the warrants are equivalent to European style options with a maturity of five years and assuming the level of historical volatility of the PSA stock observed over two years. This fair value also includes the net present value of the five years' worth of dividends that General Motors will receive on the exercise date of the warrants.

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

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

H. **Purchase price adjustment**

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

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

A. **Description of the transaction**

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

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

B. **Allocation of the purchase price**

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

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

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

The balance sheet as of 31.12.2017 of the acquired scope presented in Note 11.4.D – BNP Paribas agreement in the financing activities includes this provisional allocation of identified assets and liabilities measured at fair value pursuant to IFRS 3 (Revised). The €16 million profit in 2017 presented in Note 11.4.D represents two months of trading between the transaction closing date and the balance sheet date.

NOTE 3 - SCOPE OF CONSOLIDATION

3.1. ACCOUNTING POLICIES

A. **Consolidation policies**

(1) Consolidation methods

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

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

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

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

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

All significant intragroup transactions and internal margins are eliminated in consolidation.

The Group attributes the profit or loss of a subsidiary between the parent and minority interests based on their respective ownership interests. As a result, if there is no agreement committing the parent to absorbing the losses of the subsidiary, minority interests may be negative.

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

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

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

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

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

(3) Goodwill on equity-accounted companies

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

(4) Other changes in scope of consolidation

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

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

B. **Conversion methods**

(1) Translation of the financial statements of foreign subsidiaries

(a) Standard method

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

(b) Specific method

Certain subsidiaries outside the euro zone carry out most of their transactions in euros or US dollars, which is accordingly recognised as their functional currency. Non-monetary items in these subsidiaries' accounts are translated at the historical exchange rate and monetary items at the year–end exchange rate. The resulting translation gains and losses are recognised directly in profit or loss.
The Group does not operate in hyperinflationary countries within the meaning of ***IAS 21 – The Effects of Changes in Foreign Exchange Rates***.

(2) Translation of transactions in foreign currencies

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

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

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

3.2. COMPOSITION OF THE GROUP

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

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

- The Peugeot Citroën DS Automotive segment, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot, Citroën and DS brands. It mainly comprises wholly owned subsidiaries, as well as jointly controlled subsidiaries for the production of vehicles or subassemblies in Europe and for industrial and commercial activities in China. These jointly controlled subsidiaries are consolidated in accordance with IFRS 11 (see Note 3.1);
- The Opel Vauxhall Automotive segment, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Opel and Vauxhall brands. It mainly comprises wholly owned subsidiaries;
- The Automotive Equipment segment, corresponding to the Faurecia group comprising the Interior Systems, the Automotive Seating and the Clean Mobility businesses. Faurecia is listed on Euronext. Peugeot S.A. holds 46.3% of Faurecia's capital and 63.09% of its voting rights which give exclusive control by the Group. The exercise of all the dilutive instruments issued by Faurecia would have no impact on the Group's exclusive control;
- The Finance segment, corresponding to the Banque PSA Finance group, which provides retail financing to customers of the Peugeot, Citroën and DS brands and wholesale financing to the brands' dealer networks. Banque PSA Finance is classified as a financial institution. This mainly stems from the partnership between Banque PSA Finance and Santander Consumer Finance for the Peugeot, Citroën and DS brands as well as from the partnership with BNP Paribas for the Opel and Vauxhall brands.

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

	31 December 2017	31 December 2016
Fully consolidated companies		
Manufacturing and sales companies [(1)]	317	278
Finance companies	18	18
	335	**296**
Joint operations		
Manufacturing and sales companies	3	3
Companies at equity		
Manufacturing and sales companies	55	50
Finance companies [(2)]	43	29
	98	**79**
Consolidated companies	**436**	**378**

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

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

NOTE 4 - SEGMENT INFORMATION

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

The definition of operating segments is provided in Note 3.2.

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

4.1. BUSINESS SEGMENTS

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

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

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

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

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

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

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

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

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

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

(1) The "Eliminations and unallocated" column includes eliminations of intersector sales between the Finance companies and the other sectors (€127 million).

(2) of which a turnover of €35,948 million for manufacturer's activity of the Automotive division.

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

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

4.2. GEOGRAPHICAL SEGMENTS

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

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

(1) of which France :

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

NOTE 5 - OPERATING INCOME

Operating income corresponds to profit (loss)[9] before net financial income or expense, current and deferred taxes and the Group's share in the net earnings of equity-accounted companies.

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

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

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

- **Selling, general and administrative expenses**

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

5.1. REVENUE

A. **Accounting policies**

(1) Manufacturing and sales companies

(a) Peugeot Citroën DS and Opel Vauxhall Automotive segments

Revenue includes mainly revenues from the sale and leasing of vehicles and the sale of other goods and services.
In accordance with ***IAS 18 – Revenue***, new vehicle sales are recognised on the date the risks and rewards of ownership are transferred. This generally corresponds to the date when the vehicles are made available to non-group dealers or the delivery date, in the case of direct sales.

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

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

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

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

Sales incentives

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

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

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

(b) Automotive Equipment segment

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

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

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

(2) Finance companies

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

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

B. **Key figures**

(in million euros)	**2017**	2016
Sales of vehicles and other goods	63,444	52,526
Service revenue	1,650	1,358
Financial services revenue	116	146
Total	**65,210**	**54,030**

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

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

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

5.2. RECURRING OPERATING EXPENSES ANALYSED BY NATURE

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

Staff costs

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

(in million euros)	2017	2016
Automotive Division Peugeot Citroën DS (1)	(4,537)	(4,641)
Automotive Division Opel Vauxhall	(1,101)	-
Automotive Equipment Division (2)	(3,177)	(3,059)
Finance companies (3)	(7)	(9)
Other businesses	(98)	(70)
Total	**(8,920)**	**(7,779)**

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

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

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

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

Details of pension costs are disclosed in Note 7.

Depreciation and amortisation expense

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

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

5.3. RESEARCH AND DEVELOPMENT EXPENSES

A. **Accounting policies**

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

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

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

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

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

(1) <u>Peugeot Citroën DS and Opel Vauxhall Automotive segment</u>

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

(2) Automotive Equipment Division

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

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

(in million euros)	*Notes*	**2017**	2016
Total expenditure [(1)]		(2,932)	(2,361)
Capitalised development expenditure [(2)]		1,536	1,267
Non-capitalised expenditure		**(1,396)**	**(1,094)**
Amortisation of capitalised development expenditure	*8.1*	(842)	(821)
Total		**(2,238)**	**(1,915)**

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

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

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

5.4. NON-RECURRING OPERATING INCOME AND EXPENSES

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

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

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

B. **Restructuring costs**

Restructuring costs consist mainly of workforce reductions.

(in million euros)	2017	2016
Peugeot Citroën Automotive segment	(426)	(456)
Opel Vauxhall Automotive segment	(440)	-
Automotive Equipment segment	(86)	(90)
Other businesses segment	1	(1)
Total	**(951)**	**(547)**

Peugeot Citroën DS Automotive segment

In 2017, Peugeot Citroën DS Automotive segment restructuring costs amounted to €426 million.
They relate chiefly to the recognition of the restructuring plans covering the Group's industrial sites in Europe (Jobs and Skills Matching System –DAEC–, Jobs and Skills Reallocation Plan –PREC–, Employment Safeguarding Plan –PSE– and older employee plans) in the amount of €375 million and the reorganisation of its commercial operations in Europe in the amount of €32 million. Other restructuring costs relate mainly to the Group's subsidiaries in Latin America in the amount of €16 million.

Opel Vauxhall Automotive segment

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

Automotive Equipment segment (Faurecia Group)

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

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

6.1. INVENTORIES

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

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

The net realisable value of inventories intended to be sold corresponds to their selling price, as estimated based on market conditions and any relevant external information sources, less the estimated costs necessary to complete the sale (such as variable direct selling expenses, refurbishment costs not billed to customers for used vehicles and other goods).

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

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

6.2. TRADE RECEIVABLES

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

In accordance with IAS 39, the Group derecognises receivables for which the contractual rights to receive the cash flows have been transferred along with substantially all of the risks and rewards of ownership. In analysing the transfer of risks, dilution risk is not included inasmuch as it has been defined and correctly segregated notably from the risk of late payment. Transferred receivables are not derecognised when the default risk is retained by the Group. Costs incurred in transferring a receivable are recognised in financial expense.

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

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

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

6.3. OTHER RECEIVABLES AND OTHER PAYABLES

A. Other receivables

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

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

B. **Other payables**

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

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

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

A. **Analysis of the change in working capital**

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

B. **Analysis of the change in balance sheet items**

(1) Analysis by type

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

Of which Opel Vauxhall Automotive segment at 31 December 2017

[(1)] €(2 863) million

[(2)] €2 906 million

[(3)] €2 099 million

(2) Movements of the year

(in million euros)	2017	2016
At 1 January	**7,069**	**6,379**
Cash flows from operating activities	(41)	484
Cash flows from investing activities	(144)	400
Changes in scope of consolidation and other [(1)]	1,920	1
Translation adjustment	28	(164)
Revaluations taken to equity	(29)	(31)
At 31 December	**8,803**	**7,069**

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

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

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

NOTE 7 - EMPLOYEE BENEFITS EXPENSE

7.1. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

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

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

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

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

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:
- The service cost and past service cost (recognised in "Recurring income");
- The accretion expense of the net commitment of the return on plan hedging assets (in other financial income and expenses). These two components (accretion and return on assets) are determined based on the discount rate of commitments.

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

A. **Plan descriptions**

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

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

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

In Germany, the main defined benefit plan relates to Opel Automobile GmbH covering beneficiaries in these companies at 1 August 2017 in the form of:
- the retirement bonuses provided for by collective bargaining agreements;
- the supplementary pension plan covering 20,000 employees. This plan was fully funded at 1 August 2017.

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

B. **Assumptions**

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

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

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

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

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

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

	Discount rate +0.25 PT	Inflation rate +0.25 PT
France	**-2.75%**	**1.91%**
United Kingdom	**-4.17%**	**3.70%**
Germany	**-4.94%**	**1.13%**

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

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

C. **Information on external funds**

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

The breakdown of external funds is as follows:

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

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

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

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

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

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

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

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

D. **Movement for the year**

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

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

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

E. **Reconciliation of balance sheet items**

(in million euros)	France	United Kingdom	Germany	Other	Total	France	United Kingdom	Other	Total
	2017					2016			
Present value of projected benefit obligation	**(1,498)**	**(2,274)**	**(3,024)**	**(554)**	**(7,350)**	**(1,620)**	**(2,098)**	**(695)**	**(4,413)**
Fair value of external funds	859	2,764	2,704	297	6,624	899	2,777	270	3,946
Net (liability) asset recognised in the balance sheet before minimum funding requirement (IFRIC 14)	**(639)**	**490**	**(320)**	**(257)**	**(726)**	**(721)**	**679**	**(425)**	**(467)**
Minimum funding requirement liability (IFRIC 14)	-	(37)	-	-	(37)	-	(39)	-	(39)
Net (liability) asset recognised in the balance sheet	**(639)**	**453**	**(320)**	**(257)**	**(763)**	**(721)**	**640**	**(425)**	**(506)**
Of which, liability (Note 10)	(663)	(134)	(320)	(276)	(1,393)	(747)	(63)	(425)	(1,235)
Of which, asset	24	587	-	19	630	26	703	-	729
Of which, unfunded plans	*0.3 %*	*0.0 %*	*0.0 %*	*15.4 %*	*1.2 %*	*0.0 %*	*0.0 %*	*9.6 %*	*1.5 %*

F. **Expenses recognised in the income statement**

These expenses are recorded as follows:

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

Pension expenses break down as follows:

(in million euros)	2017 France	2017 United Kingdom	2017 Germany	2017 Other	2017 Total	2016 France	2016 United Kingdom	2016 Other	2016 Total
Service cost	(49)	(62)	(48)	(14)	(173)	(43)	(10)	(16)	(69)
Interest cost	(24)	(56)	(26)	(7)	(113)	(36)	(71)	(17)	(124)
Normative return on external funds	13	75	22	4	114	23	94	7	124
Effect of curtailments and settlements	1	-	-	-	1	29	-	4	33
Total (before minimum funding requirement liability)	**(59)**	**(43)**	**(52)**	**(17)**	**(171)**	**(27)**	**13**	**(22)**	**(36)**
Change in minimum funding requirement liability (IFRIC14)	-	-	-	-	-	-	4	-	4
Total	**(59)**	**(43)**	**(52)**	**(17)**	**(171)**	**(27)**	**17**	**(22)**	**(32)**

7.2. SHARE-BASED PAYMENT

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

A. Employee stock options

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

B. Performance share plans

(1) Peugeot S.A. performance share plan

(a) 2015 performance share plan

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

(b) 2016 performance share plan

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

(c) 2017 performance share plan

- **Plan characteristics**

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

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

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

- **Personnel costs arising from the performance share plan characteristics**

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

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

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

(2) Faurecia performance share plan

In 2010, Faurecia established a performance share plan for executives of group companies. These shares are subject to service and performance conditions.

The amount recognised in income for the period is an expense of €21.1 million (compared with an expense of €17.8 million in 2016).

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

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

[(1)] *Net of free shares granted cancelled.*

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

7.3. MANAGEMENT COMPENSATION

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

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

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

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

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

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

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

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

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

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

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

8.1. GOODWILL AND INTANGIBLE ASSETS

A. **Accounting policies**

Accounting policies relating to goodwill are described in Note 3.1.A.(3) and those related to research and development expenses in Note 5.3.(A).

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

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

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

B. **Change in carrying amount**

31 December 2017 *(in million euros)*	Goodwill	Development expenditure	Brands, software and other intangible assets	Intangible assets
At beginning of period	**1,514**	**4,860**	**594**	**5,454**
Purchases/additions *(1)*	-	1,619	150	1,769
Amortisation for the year	-	(845)	(98)	(943)
Impairment losses	-	(80)	-	(80)
Disposals	-	(1)	(46)	(47)
Change in scope of consolidation and other *(2)*	1,829	8	1,824	1,832
Translation adjustment	(22)	(70)	1	(69)
At period-end	**3,321**	**5,491**	**2,425**	**7,916**

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

(2) including 1,810 million in goodwill for the Opel acquisition.

Of which Opel Vauxhall Automotive segment		*40*	*1,795*	*1,835*

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

(1) Including borrowing costs of €92 million capitalised in accordance with ***IAS 23 (Revised) - "Borrowing Costs"*** *(see Note 12.2.A).*

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

(in million euros)	**2017**	2016
Net		
Automotive Opel Vauxhall CGU	1,810	-
Faurecia CGUs	1,216	1,218
Faurecia CGU	172	172
Automotive Peugeot Citroën DS CGU	122	124
Financing activities Peugeot Citroën DS CGU	1	-
Total	**3,321**	**1,514**

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

8.2. PROPERTY, PLANT AND EQUIPMENT

A. **Accounting policies**

(1) Cost

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

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

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

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

Maintenance costs are expensed as incurred.

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

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

(2) Depreciation

(a) Standard method

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

	(in years)
Buildings	20 - 30
Material and tooling	4 - 16
Computer equipment	3 - 4
Vehicles and handling equipment	4 - 7
Fixtures and fittings	10 - 20

(b) Specific tooling

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

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

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

B. **Breakdown of property, plant and equipment**

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

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

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

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

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

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

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

C. **Leased vehicles**

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

8.3. ASSET IMPAIRMENT

A. **Accounting policies**

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

For the purposes of impairment testing, the recoverable amount is determined for a cash-generating unit (CGU) to which the assets belong, except where the recoverable amount of the individual asset can be determined. CGUs are defined as the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If a CGU's recoverable amount is less than its carrying amount, an impairment loss is recognised in profit or loss and, to the extent possible, as an adjustment to the carrying amount of any goodwill allocated to the CGU.

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

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

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

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

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

VEHICLE CGUs

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

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

Individual assets

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

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

Peugeot Citroën DS and Opel Vauxhall Automotive CGU

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

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

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

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

Sensitivities to the main changes in assumptions are as follows: the fair value of assets would be €275 million lower than that resulting from the base test with a discount rate 0.5% higher, €231 million with a perpetual growth rate capped at 0.5%, €1,106 million with an operating margin 0.5% lower in the reference year for the terminal value and €1,461 million if the three factors were combined.
In the absence of indications of impairment and given the provisional purchase price allocation, the Opel Vauxhall Automotive CGU was not tested for impairment.

C. **Impairment test on Faurecia group CGUs and other assets**

FAURECIA GROUP CGUs

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

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

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

(in million euros)	**31 December 2017**	31 December 2016
• Automotive Seating	794	794
• Clean Mobility	355	376
• Interior Systems	67	48
Total	**1,216**	**1,218**

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

FAURECIA CGU IN THE ACCOUNTS OF PSA GROUP

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

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

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

The non-current assets of these companies are tested for impairment on the basis of the same principles as applicable to the Automotive business of Groupe PSA (see Note 8.3). When there are indications of an impairment loss, the assets that are specific to the vehicle models are tested by the Vehicle CGU and all assets (including those that aren't specific to the models) are tested in aggregate at the level of each partnership.

At 31 December 2017, impairment testing at the companies in partnership with the Dong Feng Motor Group resulted in the recognition of RMB 1,515 million in impairment losses (the Group's share was RMB 758 million, i.e. €97 million).

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

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

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

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

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

A. **Minimum purchase commitments**

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

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

Any adverse consequences of these commitments are reflected in the consolidated financial statements as soon as they are considered probable, in the form of asset impairments or, if necessary, provisions for contingencies.

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

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

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

C. **Non-cancellable lease commitments**

Periods *(in million euros)*	**31 December 2017**	31 December 2016
2017	-	263
2018	446	209
2019	272	172
2020	242	148
2021	175	130
2022	129	107
2023	112	-
Subsequent years	491	444
Total non-cancellable lease commitments	**1,867**	**1,473**

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

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

9.1. OTHER NON-CURRENT ASSETS

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

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

The Group has invested in the two "Fonds d'Avenir Automobile" (FAA - tier 1 and tier 2). The Group has committed €204 million to these two funds, €145 million of which has been paid to date. These units have been classified as "available-for-sale" in accordance with IAS 39 and are therefore measured at fair value (see Note 12.8.C.(3)). They are reported as non-current assets because of the lock-up applicable to the Group's investment.

9.2. OTHER NON-CURRENT LIABILITIES

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

NOTE 10 - CURRENT AND NON-CURRENT PROVISIONS

ACCOUNTING POLICIES

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

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

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

Warranties

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

	31 December 2016	Additions	Releases (utilisations)	Releases (unused provisions)	Recognised in equity during the period	Change in scope of consolidation and other	**31 December 2017**
Pensions (Note 7.1.E)	-	-	-	-	-	-	-
Other employee benefit obligations and other	187	-	-	-	-	-	187
Total non-current provisions	**187**	**-**	**-**	**-**	**-**	**-**	**187**
Warranties	42,735						42,735
Commercial and tax claims and litigations	1,235	172	(112)	(1)	104	(5)	1,393
Restructuring plans [(1)]	194	36	(30)	-	-	3	203
Long-term and operating contract losses	1,429	208	(142)	(1)	104	(2)	1,596
Other	924	679	(548)	(82)	-	473	1,446
Total current provisions	**46,517**	**1,095**	**(832)**	**(84)**	**208**	**469**	**47,373**
Of which Opel Vauxhall Automotive segment						*1,384*	*1,857*

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

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

It corresponds to the expected cost of warranty claims related to vehicles and replacement parts. The amount expected to be recovered from suppliers is recognised as an asset, under "Miscellaneous other receivables" (Note 6.3.A).

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

NOTE 11 - INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

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

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

Companies accounted for by the equity method include:

- joint ventures with Dong Feng Motor Group (see Note 11.4.A) and Changan (see Note 11.4.B), located in China;
- finance companies in partnership with:
  - Santander Consumer Finance covering the financing of the Peugeot, Citroën and DS brands' operations in the following countries: France, the United-Kingdom, Malta, Spain, Switzerland, Italy, the Netherlands, Belgium, Germany, Austria, Brazil and Poland (see Note 11.4.C);
  - BNP Paribas covering the financing of the Opel and Vauxhall brands' operations in the following countries: Germany, France, the Netherlands, the United-Kingdom, Sweden and Switzerland (see Note 11.4.D);
  - as well as the joint company with Dongfeng Motor Group in China;
- the companies over which the Group has significant influence, mainly Gefco and since 2015 Peugeot Scooters.

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

(in million euros)	**2017**	2016
At beginning of period	**3,014**	**2,637**
Dividends and profit transfers [(1)]	(369)	(381)
Share of net earnings	217	128
Newly consolidated companies [(2)]	555	484
Capital increase (reduction) [(3)]	57	42
Changes in scope of consolidation and other	108	188
Translation adjustment	(110)	(84)
At period-end	**3,472**	**3,014**
O/w Dongfeng Peugeot Citroën Automobile goodwill	75	82
O/w Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill	2	3
O/w Saipa Citroën Company goodwill	90	-
O/w Gefco goodwill	57	57

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

(2) Concerns mainly companies in partnership with BNP Paribas

(3) Concerns mainly companies in partnership with Santander

11.2. SHARE IN NET ASSETS OF EQUITY-ACCOUNTED COMPANIES

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

[1] *Including goodwill (see Note 11.1)*

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

11.3. SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES

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

[1] *Including goodwill (see Note 11.1)*

11.4. KEY FINANCIAL DATA OF EQUITY-ACCOUNTED COMPANIES

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

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

PSA Group and Dongfeng Motor Group have three joint ventures:

- Dongfeng Peugeot Citroën Automobile (DPCA), based in Wuhan, which is subject to joint control and is qualified for accounting purposes as a joint venture. It manufactures motor vehicles under the Dongfeng Peugeot and Dongfeng Citroën brands in China and Fengshen;
- Dongfeng Peugeot Citroën Automobile Sales Co (DPCS), based in Wuhan, over which the Group has significant influence. It markets in China the vehicles produced by DPCA;
- Dongfeng Peugeot Citroën Automobile International Co (DPCI), based in Singapore, over which the Group has significant influence. It markets outside China, in the ASEAN zone the vehicles produced by DPCA.

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

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

Earnings items at 100%

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

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

Balance sheet items at 100%

	In million euros		In million yuans	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
Assets				
Non-current assets	2,954	3,380	23,057	24,746
Current assets	2,668	2,826	20,806	20,700
Of which cash and cash equivalents	*1,691*	*1,224*	*13,196*	*8,957*
Liabilities				
Non-current liabilities (excluding equity)	269	287	2,100	2,103
Of which non-current financial liabilities	*269*	*287*	*2,100*	*2,103*
Current liabilities	3,731	3,711	29,106	27,166
Of which current financial liabilities	*511*	*22*	*3,985*	*164*
Equity	1,622	2,208	12,657	16,177

Transition table

Equity	1,622	2,208
% of interest	50%	50%
Group's share in equity	811	1,104
Goodwill	75	82
Investments in company at equity	886	1,186

B. Changan cooperation agreement

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

Earnings items at 100%

	In million euros		In million yuans	
	2017	2016	**2017**	2016
Revenue	133	368	1,014	2,702
Recurring operating income (loss)	(11)	(22)	(83)	(161)
Operating income (loss)	(14)	(488)	(104)	(3,561)
Of which depreciation and impairment	*(8)*	*(464)*	*(63)*	*(3,383)*
Net financial income (loss)	(28)	(24)	(213)	(177)
Income taxes	(6)	(72)	(44)	(529)
Profit (loss) from continuing operations	(48)	(584)	(361)	(4,267)
Profit (loss) from discontinued operations	-	-	-	-
Profit (loss) of the period	(48)	(584)	(361)	(4,267)
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	(24)	(292)		

Income and expenses recognised in equity, net	-	-

Other information

Net dividend received from the joint venture(s) by PSA Group	-	-

Balance sheet items at 100%

	In million euros		In million yuans	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
Assets				
Non-current assets	442	388	3,442	2,847
Current assets	141	192	1,100	1,408
Of which cash and cash equivalents	*62*	*91*	*480*	*665*
Liabilities				
Non-current liabilities (excluding equity)	272	408	2,120	2,990
Of which non-current financial liabilities	*272*	*408*	*2,120*	*2,990*
Current liabilities	691	525	5,390	3,845
Of which current financial liabilities	*379*	*250*	*2,954*	*1,832*
Equity	(380)	(353)	(2,968)	(2,580)

Transition table

Equity	(380)	(353)
% of interest	50%	50%
Group's share in equity	(190)	(177)

C. Santander agreement in the financing activities

The combined financial statements of all the joint ventures with Santander are presented in summary form in the tables below.

The scope of the partnership with Santander includes at 31 December 2017 eleven European countries as well as Brazil.

Earnings items at 100%

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

Balance sheet items at 100%

In million euros	**31 December 2017**	31 December 2016
Customer loans and receivables	24,605	22,450
Other assets	2,639	2,481
Total assets	**27,244**	**24,931**
Financing liabilities	18,978	17,635
Other liabilities	5,199	4,396
Equity	3,067	2,900
Total liabilities	**27,244**	**24,931**

D. BNP Paribas agreement in the financing activities

The combined financial statements of all the joint ventures with BNP Paribas are presented in summary form in the tables below.

The scope of the partnership with BNP Paribas includes at 31 December 2017 six European countries.

Earnings items at 100%

In million euros	**2017**
Net banking revenue	**66**
General operating expenses and others	(43)
Gross operating income	**23**
Cost of risk	*(1)*
Operating income	**22**
Non operating items	-
Income taxes	(6)
Profit (losss) for the period	**16**
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	8
Income and expenses recognised in equity, net	-
Other information	
Net dividend received from the joint venture(s) by PSA Group	-

Balance sheet items at 100%

In million euros	**31 December 2017**
Customer loans and receivables	9,157
Other assets	1,020
Total assets	**10,177**
Financing liabilities	7,133
Other liabilities	2,057
Equity	987
Total liabilities	**10,177**

11.5. RELATED PARTY TRANSACTIONS – EQUITY-ACCOUNTED COMPANIES

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

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

(in million euros)	**2017**	2016
Sales to manufacturing and sales companies [(1)]	675	857
Sales and assignments to companies in partnership with Santander	5,171	5,172
Purchases [(2)]	(2,257)	(2,043)

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

[(2)] *of which €1,856 million in purchases from Gefco (€1,684 million in 2016).*

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

(in million euros)	**31 December 2017**	31 December 2016
Long-term loans	48	51
Loans - due within one year	116	27
Accounts receivable	318	315
Accounts paybale	(364)	(325)

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

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

12.1. ACCOUNTING POLICIES

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

12.2. NET FINANCIAL INCOME (EXPENSE)

(in million euros)	**2017**	2016
Interest income [(1)]	42	95
Finance costs	(208)	(335)
Other financial income	121	203
Other financial expenses	(196)	(235)
Net financial income (expense)	**(241)**	**(272)**

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

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

A. **Finance costs**

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

(in million euros)	2017	2016
Financial costs	(337)	(447)
Foreign exchange gain (loss) on financial transactions and other	2	(15)
Finance costs incurred	(335)	(462)
Of which Automotive Division and Other Businesses	*(216)*	*(311)*
Capitalised borrowing Costs	127	127
Total	**(208)**	**(335)**

- **Capitalised borrowing costs**

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

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

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

Finance costs incurred, net of interest income

(in million euros)	2017	2016
Finance costs incurred	(335)	(462)
Of which Automotive Division and Other Businesses	*(216)*	*(311)*
Interest income	42	95
Of which Automotive Division and Other Businesses	*31*	*85*
Total	**(293)**	**(367)**
Of which Automotive Division and Other Businesses	*(186)*	*(226)*

B. Other financial income and expenses

(in million euros)	2017	2016
Expected return on pension funds	21	26
Other financial income	100	177
Financial income	**121**	**203**
Interest cost on employee benefit obligations	(20)	(27)
Ineffective portion of the change in fair value of financial instruments	(28)	(45)
Other financial expenses	(148)	(163)
Financial expenses	**(196)**	**(235)**

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

Net financial position (net debt) of the manufacturing and sales companies is a financial indicator not defined by IFRS. According to the Group's definition, it is equal to the financial liabilities net of financial assets used as collateral, or that may be utilised to redeem these liabilities, as well as those assigned to specific expenses of the manufacturing and sales companies. This definition remains unchanged from the date of first adoption of IFRS in the Group. The share of these financial assets not readily available is not taken into consideration in the financial security of the manufacturing and sales companies (see Note 12.4).
Financial assets and liabilities with maturities of more than one year at the balance sheet date are classified as non-current. All other assets and liabilities are reported as current.

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

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

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

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

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

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

Investments for the period in property, plant and equipment and intangible assets amounted to €4,020 million. Other net investment and financing needs for the year stood at €1,253 million. This amount includes in particular the payment of €431 million in dividends to Peugeot S.A. shareholders, €129 million to non-controlling shareholders of Groupe PSA subsidiaries, as well as €774 million in capital increases and acquisitions of consolidated companies and equity interests.

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

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

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

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

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

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

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

12.4. FINANCIAL SECUTITY

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

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

(in million euros)	*Notes*	**31 December 2017**	31 December 2016
Cash and cash equivalents [(1)]	*12.5.C*	11,582	11,576
Financial investments	*12.5.B*	165	110
Current & non current financial assets		1,575	1,088
Total		**13,322**	**12,774**
Lines of credit (undrawn) – excluding Faurecia		3,000	3,000
Lines of credit (undrawn) – Faurecia		1,200	1,200
Total financial security		**17,522**	**16,974**
of which Faurecia		*2,849*	*2,840*

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

- **UNDRAWN SYNDICATED LINES OF CREDIT**

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

(in million euros)	**31 December 2017**	31 December 2016
Peugeot S.A. and GIE PSA Trésorerie	3,000	3,000
Faurecia	1,200	1,200
Undrawn confirmed lines of credit	**4,200**	**4,200**

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

This credit facility was undrawn at the period-end.

This facility is subject to the respect of:

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

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

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

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

12.5. BREAKDOWN OF FINANCIAL ASSETS

A. Other non-current and current financial assets

	31 December 2017		31 December 2016	
(in million euros)	Non-current	Current	Non-current	Current
Loans and receivables	255	1,261	285	627
Financial assets classified as "at fair value through profit or loss"	223	-	380	-
Derivative instruments	9	8	20	2
Total financial assets, net	**487**	**1,269**	**685**	**629**

B. **Financial investments**

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

C. **Cash and cash equivalents**

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

Cash and cash equivalents include:

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

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

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

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

12.6. BREAKDOWN OF FINANCIAL LIABILITIES

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

A. **Main financing transactions during the year**

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

The main transactions during the year were as follows:

- **Bond issues by manufacturing and sales companies (excluding Faurecia)**

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

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

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

B. **Characteristics of bonds and other borrowings**

(in million euros)	Carrying amount at 31 December 2017 Non-current	Current	Issuing currency	Due
Manufacturing and sales companies (excluding Faurecia)				
2003 bond issue - €600m	825	10	EUR	Q3/2033
2013 bond issue - €559m	-	592	EUR	Q1/2018
2013 bond issue - €430m	429	27	EUR	Q1/2019
2016 bond issue - €500m	497	9	EUR	Q2/2023
2017 bond issue - €596m	596	9	EUR	Q1/2024
2017 bond issue - €100m	101	2	EUR	Q1/2024
Faurecia				
2015 bond issue - €700m	694	1	EUR	Q2/2022
2016 bond issue - €700m	693	1	EUR	Q2/2023
Total bond issues	**3,835**	**651**		
Manufacturing and sales companies (excluding Faurecia) – euro-denominated loans				
EIB loan [(1)]- €65m (€125m)	-	-	EUR	Q4/2017
EIB loan - €250m	241	-	EUR	Q1/2024
EIB loan - €300m	-	59	EUR	2014 to 2018
FDES loan [(1)] - Zero coupon	24	-	EUR	Q1/2020
Borrowings - Morocco	13	-	EUR	2021
Borrowings - Iran	-	5	EUR	Q1/2017
Borrowings - Spain	119	19	EUR	2017 to 2026
Borrowings - Russia	13	12	EUR	2017 to 2019
Borrowings - Other France	56	-	EUR	
Borrowings - Other [(2)]	22	193	EUR	
Manufacturing and sales companies (excluding Faurecia) – foreign currency loans				
Borrowings - Brazil	103	48	BRL	2018 to 2024
Borrowings - Russia	2	5	RUB	Q2/2019
Other borrowings	6	62	na	na
Faurecia				
Other borrowings	196	49	EUR	2017 to 2023
Total other long-term borrowings	**795**	**452**		

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

[(2)] *Concerns the Automotive Division Opel Vauxhall*

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

(in million euros)	Issuing currency	**Carrying amount at 31 December 2017**	Carrying amount at 31 December 2016
Commercial paper	EUR	80	-
Short-term loans	N/A	464	363
Bank overdrafts	N/A	332	356
Payments issued [(1)]	N/A	93	112
Factoring liabilities on assets that have not been derecognised	N/A	430	150
Total		**1,399**	**981**

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

D. **Finance lease liabilities**

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

(in million euros)	**31 December 2017**	31 December 2016
Less than 1 year	31	45
1 to 5 years	76	49
Subsequent years	77	79
	184	**173**
Less interest portion	(10)	(7)
Present value of future lease payments	**174**	**166**
Of which short-term	27	23
Of which long-term	147	143

E. **Financing by the assignment of receivables**

The Automotive sectors and Faurecia meet part of their financing needs by selling receivables to financial institutions. The financing of receivables in the Automotive division's dealer networks by financing companies in partnership with Santander and BNP Paribas totalled €6,982 million (€4,619 million in 2016).

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

Other financing through the sale of receivables is as follows:

(in million euros)	**31 December 2017**		31 December 2016	
	Total receivables sold to non-Group financial institutions	Portion sold but not derecognised	**Total receivables sold to non-Group financial institutions**	Portion sold but not derecognised
Portion financed by third party financial institution				
Financed portion [(1)]	***3,094***	**456**	***2,266***	***83***
- of which Faurecia group	*833*	*68*	*864*	*27*

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

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

Besides, Faurecia sold and derecognised its French research tax credits (*credit d'impôt recherche – CIR*) and tax credit for competitiveness and employment, for a total of €57 million. The cash proceeds received at 31 December 2017 amounted to €57 million.

The sale of receivables constitutes usual short-term financing.

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

12.7. MANAGEMENT OF FINANCIAL RISKS

A. **Financial Risk Management Policy**

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

(1) Liquidity risk

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

Pursuant to this policy, the Group:

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

The Group could also raise funds by a capital increase.

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

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

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

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

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

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

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

Covenants

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

They include:

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

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

All of these clauses were complied with in 2017.

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

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

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

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

Adjusted net debt* / EBITDA**	maximum	2.50

** Consolidated net debt*

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

The compliance with this ratio is a condition to the availability of this credit facility. As of 31 December 2016, Faurecia complied with this ratio.

(2) Interest Rate Risks

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

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

The gross borrowings of manufacturing and sales companies - excluding Automotive Equipment companies - consist mainly of fixed-rate long-term loans. The proportion of the manufacturing and sales companies' borrowings - excluding Automotive Equipment companies - at variable rates of interest is now 2.1 %, based on the principal borrowed.

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

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

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

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

31 December 2017 *(in million euros)*		Intraday to 1 year	2 to 5 years	Beyond 5 years	**Total**
Total assets	Fixed rate	1,484	90	241	**1,815**
	Variable rate	11,565	-	-	**11,565**
Total liabilities	Fixed rate	(2,405)	(1,403)	(3,015)	**(6,823)**
	Variable rate	-	(213)	-	**(213)**
Net position before hedging	Fixed rate	**(921)**	**(1,313)**	**(2,774)**	**(5,008)**
	Variable rate	**11,565**	**(213)**	**-**	**11,352**
Derivative financial instruments	Fixed rate	(415)	383	-	**(32)**
	Variable rate	415	(383)	-	**32**
Net position after hedging	Fixed rate	**(1,336)**	**(930)**	**(2,774)**	**(5,040)**
	Variable rate	**11,980**	**(596)**	**-**	**11,384**

31 December 2016 *(in millions euros)*		Intraday to 1 year		2 to 5 years		Beyond 5 years	**Total**
Total assets	Fixed rate	824		109	-	386	**1,319**
	Variable rate	11,490		-	-	50	**11,540**
Total liabilities	Fixed rate	(736)		(1,351)	-	(2,806)	**(4,893)**
	Variable rate	(1,077)		(36)	-	-	**(1,113)**
Net position before hedging	Fixed rate	**88**		**(1,242)**		**(2,420)**	**(3,574)**
	Variable rate	**10,413**		**(36)**		**50**	**10,427**
Derivative financial instruments	Fixed rate	(79)	-	(436)	-	-	**(515)**
	Variable rate	79	-	436	-	-	**515**
Net position after hedging	Fixed rate	**9**		**(1,678)**		**(2,420)**	**(4,089)**
	Variable rate	**10,492**		**400**		**50**	**10,942**

(3) Counterparty and credit risks

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

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

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

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

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

(4) Currency risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 December 2017 *(in million euros)*	UAH / USD	USD / CAD	USD / BRL	USD / ARS	USD / DZD	CNY / USD
Total assets	-	-	72	18	-	5
Total liabilities	(11)	-	(58)	(197)	-	-
Net position before hedging	**(11)**	**-**	**14**	**(179)**	**-**	**5**
Derivative financial instruments	-	-	(19)	180	-	-
Net position after hedging	**(11)**	**-**	**(5)**	**1**	**-**	**5**

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

(5) Commodity risk

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

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

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

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

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

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

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

B. Hedging instruments

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

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

The Group uses two hedging relationships:

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

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

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

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

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

(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.

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

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

[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

(2) Impact of hedging instruments on income and equity

(a) Impact of cash flow hedges

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

(b) Impact of fair value hedges

(in million euros)	**2017**	**2016**
Change in ineffective portion recognised in profit or loss	(23)	(37)
Net impact on income	**(23)**	**(37)**

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

12.8. FINANCIAL INSTRUMENTS

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

Financial assets and liabilities within the meaning of IAS 39 include the items listed in the table in Note 12.8.E.
The event generating the balance sheet recognition is the transaction (i.e. commitment) date, and not the settlement date.

B. **Translation of transactions in foreign currencies**

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

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

C. **Recognition and measurement of financial assets**

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

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

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

(2) Loans and receivables

"Loans and receivables" are carried at amortised cost measured using the effective interest method. When their maturities are very short, their fair value corresponds to their carrying amount, including any impairment.

(3) Available-for-sale financial assets

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

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

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

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

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

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

E. **Financial instruments reported in the balance sheet**

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

[(1)] Other non-current assets exclude the amount of pension plan surpluses (see Note 9.1), which are not financial assets as defined by IAS 39.
[(2)] Excluding liabilities related to vehicles sold with a buyback commitment.

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

[(1)] Other non-current assets exclude the amount of pension plan surpluses (see Note 9.1), which are not financial assets as defined by IAS 39.
[(2)] Excluding liabilities related to vehicles sold with a buyback commitment.

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

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

(en millions d'euros)	31 December 2017 Derivative instruments	31 December 2017 Instruments at fair value through profit or loss	31 December 2017 Available-for sale financial assets	31 December 2016 Derivative instruments	31 December 2016 Instruments at fair value through profit or loss	31 December 2016 Available-for sale financial assets
Level 1 fair value inputs: quoted prices in active markets						
Other non-current financial assets	-	223	-	-	380	-
Financial investments	-	165	-	-	110	-
Cash and cash equivalents	-	11,582	-	-	11,576	-
Level 2 fair value inputs: based on observable market data						
Other non-current financial assets	9	-	-	20	-	-
Other non-current assets	6	-	-	28	-	-
Other receivables	274	-	-	41	-	-
Current financial assets	8	-	-	2	-	-
Level 3 fair value inputs: not based on observable market data						
Other non-current financial assets	-	-	391	-	-	185
Other non-current assets	-	-	69	-	-	64
Total financial assets measured at fair value	**297**	**11,970**	**460**	**91**	**12,066**	**249**

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

(in million euros)	31 December 2017 Derivative instruments	31 December 2017 Instruments at fair value through profit or loss	31 December 2017 Other liabilities	31 December 2016 Derivative instruments	31 December 2016 Instruments at fair value through profit or loss	31 December 2016 Other liabilities
Level 1 fair value inputs: quoted prices in active markets						
Level 2 fair value inputs: based on observable market data						
Non-current financial liabilities	-	-	-	(2)	-	-
Other non-current liabilities	(5)	-	-	(22)	-	-
Other payables	(203)	-	-	(17)	-	-
Current financial liabilities	(2)	-	-	(12)	-	-
Level 3 fair value inputs: not based on observable market data						
Total financial liabilities measured at fair value	**(210)**	**-**	**-**	**(53)**	**-**	**-**

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

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

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

H. **Effect of financial instruments on profit or loss**

(in million euros)	2017 Income Statement Impact	Analysis by class of instrument 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	10	-	-	10	-	-
Total interest expense	(210)	-	-	-	(210)	-
Remeasurement [(1)]	(3)	32	-	(14)	18	(39)
Disposal gains and dividends	14	-	15	(1)	-	-
Net impairment	(123)	-	(6)	(117)	-	-
Total - manufacturing and sales companies	**(312)**	**32**	**9**	**(122)**	**(192)**	**(39)**

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

(in million euros)	2016 Income Statement Impact	Analysis by class of instrument 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	11	-	-	11	-	-
Total interest income	(320)	-	-	-	(320)	-
Remeasurement [(1)]	81	84	-	1	1	(5)
Disposal gains and dividends	(138)	-	35	(173)	-	-
Net impairment	-	-	(4)	4	-	-
Total - manufacturing and sales companies	**(366)**	**84**	**31**	**(157)**	**(319)**	**(5)**

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

12.9. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

(in million euros)	**31 December 2017**	31 December 2016
Guarantees given	406	325
Pledged or mortgaged assets	478	538
	884	**863**
Of which Opel Vauxhall Automotive segment	*128*	

- **Pledged or mortgaged assets**

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

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

Pledges or mortgages expiring in the years indicated

(in million euros)	**31 December 2017**	31 December 2016
2017	-	435
2018	391	16
2019	6	44
2020	38	-
2021	-	-
Subsequent years	43	43
Total pledged or mortgaged assets	**478**	**538**
Total assets	57,505	45,153
Percentage of total assets	0.8%	1.2%

NOTE 13 - FINANCING AND FINANCIAL INSTRUMENTS – FINANCE COMPANIES

13.1. ACCOUNTING POLICIES

A. Financial assets and liabilities - definitions

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

B. Recognition and measurement of financial assets

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

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

(2) Loans and receivables

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

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

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

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

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

For retail loans and receivables:

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

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

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

See Note 12.8.D.

13.2. CURRENT FINANCIAL ASSETS

A. **Loans and receivables - finance companies**

(1) Analysis

(in million euros)	**31 December 2017**	31 December 2016
Total net "Retail, Corporate and Equivalent"	270	286
Total net "Corporate Dealers"	61	60
Total	**331**	**346**

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

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

(2) Maturities of loans and receivables

31 December 2017 *(in million euros)*	Net "Retail, Corporate and Equivalent"	Net "Corporate Dealers"	Total
Unallocated	9	(25)	**(16)**
Less than one year	181	62	**243**
Two to five years	117	-	**117**
Beyond five years	-	-	**-**
Total gross loans and receivables outstanding	**307**	**37**	**344**
Guarantee deposits on leases	(1)	-	(1)
Depreciation	(7)	(5)	(12)
Total net loans and receivables outstanding	**299**	**32**	**331**

(3) Allowances for credit losses

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

B. **Short-term investments – Finance companies**

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

C. **Cash and cash equivalents**

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

13.3. FINANCING LIABILITIES – FINANCE COMPANIES

(in million euros)	**31 December 2017**	31 December 2016
Other debt securities and bond debt	257	301
Bank borrowings	150	125
	407	**426**
Customer deposits	8	4
	415	**430**
Amounts due to Group manufacturing and sales companies	*(8)*	*(9)*
Total	**407**	**421**

A. **Analysis by maturity**

(in million euros)	**31 December 2017**	31 December 2016
• Less than one year	150	165
• Two to five years	257	261
• Beyond five years	-	-
Total	**407**	**426**

B. **Analysis by repayment currency**

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

(in million euros)	**31 December 2017**	31 December 2016
EUR	2	21
USD	209	237
ARS	142	108
Other currencies	54	60
Total	**407**	**426**

C. **Credit lines**

(in million euros)	31 December 2017	31 December 2016
Undrawn confirmed lines of credit	**301**	**365**

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

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

13.4. MANAGEMENT OF FINANCIAL RISKS

A. **Financial risk management policy**

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

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

(1) Liquidity risk

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

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

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

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

Financing strategy implemented in 2016

At 31 December 2017, the only financing of Banque PSA Finance is derived from the bond issues.
The bank also has cash reserves of €572 million.

Renewal of bank facilities

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

Covenants

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

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

(2) Interest rate risks

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

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

(3) Counterparty and credit risks

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

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

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

Defaults with no impairment concern only corporate loans.

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

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

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

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

(4) Currency risk

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

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

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

B. **Hedging instruments: Finance companies**

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

- **Impact of hedging instruments on income and equity**

Impact of fair value hedges

(in million euros)	**2017**	**2016**
Gains and losses on remeasurement of hedged customer loans recognised in profit or loss	-	1
Gains and losses on remeasurement of hedges of customer loans recognised in profit or loss	-	(2)
Net impact on income	**-**	**(1)**
Gains and losses on remeasurement of financial liabilities recognised in profit or loss	6	10
Gains and losses on remeasurement of hedges of financial liabilities recognised in profit or loss	(12)	(10)
Net impact on income	**(6)**	**-**

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

13.5. FINANCIAL INSTRUMENTS

A. Financial instruments reported in the balance sheet

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

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

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

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

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

D. Effect of financial instruments on profit or loss

(in million euros)	2017 Income Statement Impact	Analysis by class of instrument: Instruments at fair value through profit or loss	Available-for sale financial assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Finance companies						
Total interest income	72	-	-	72	-	-
Total interest expense	(47)	-	-	-	(47)	-
Remeasurement [(1)]	3	9	-	6	-	(12)
Net impairment	(5)	-	-	(5)	-	-
Total - finance companies	**23**	**9**	**-**	**73**	**(47)**	**(12)**

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

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

13.6. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

(in million euros)	**31 December 2017**	31 December 2016
Financing commitments to customers	12	10

NOTE 14 - INCOME TAXES

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

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

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

In practice:

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

14.1. INCOME TAXES OF FULLY-CONSOLIDATED COMPANIES

(in million euros)	**2017**	2016
Current taxes		
Corporate income taxes	(565)	(596)
Deferred taxes		
Deferred taxes arising in the year	(136)	79
Total	**(701)**	**(517)**

A. **Current taxes**

Current taxes represent the amounts paid or currently due to the tax authorities for the year, calculated in accordance with the tax regulations and rates in effect in the various countries.

In France, Peugeot S.A. and its French subsidiaries that are at least 95%-owned maintained their election to determine French income taxes on a consolidated basis in accordance with Article 223 A of the French Tax Code.

The Group has also elected to file a consolidated tax return in other countries that have Group relief schemes.

When withholding taxes on management fees are used by the recipients to pay tax, income is recognised appropriately in current taxes.

B. **Tax rate in France**

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

The Amending Finance Act of 29 December 2013 raising this tax rate to 38% applies up to December 2015. The cap on offsetting tax loss carryforwards against taxable profit for the year is maintained at 50% in 2017.

The 2017 Finance Act changed the income tax rate in France to 28.92% from 2020, including the additional contribution. From 2022, this rate will be reduced to 25.83%.

The deferred tax assets and liabilities have been remeasured to reflect the new rates.

C. **Impairment losses on deferred taxes**

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

Tax loss carryforwards relating to the French tax group available for offsetting against net deferred tax liabilities (subject to the 50% cap) are recognised are the balance sheet.

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

This reconciliation covers the full results of consolidated companies regardless of their classification in the statement of income.

(in million euros)	**2017**	2016
Pre-tax profit (loss) from continuing operations	2,849	2,343
Pre-tax profit (loss) before tax on expenses related to operations to be continued in partnership	-	(16)
Pre-tax profit (loss) from operations to be continued in partnership	-	248
Income (loss) before tax of fully-consolidated companies	**2,849**	**2,575**
French statutory income tax rate for the period	*34.4%*	*34.4%*
Theoretical tax expense for the period based on the French statutory income tax rate	**(981)**	**(887)**
Tax effect of the following items :		
• Permanent differences [(1)]	(102)	114
• Income taxable at reduced rates	80	70
• Tax credits	27	27
• Effect of differences in foreign tax rates and other	133	83
Income tax before impairment losses on the French tax group	**(843)**	**(593)**
• Assets on French tax consolidation deficits of Peugeot S.A. generated during the year and unrecognised or impaired	134	76
• Other impairment losses	8	(37)
Income tax expense	**(701)**	**(554)**
• of which tax expense on continuing operations	(701)	(517)
• of which tax expense on expenses related to operations to be continued in partnership	-	6
• of which tax expense on operations to be continued in partnership	-	(43)

[(1)] *of which €(219) million in 2017 in respect of the tax loss carryforwards of Opel Vauxhall.*

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

The IAS 12 test resulted in the impairment of the deferred tax assets on tax loss carryforwards of Opel and its subsidiaries for €1,031 million and the deferred tax assets on temporary differences for €1,062 million as well as tax credits for €48 million.

14.3. CHANGE IN TAX ITEMS ON THE BALANCE SHEET

A. **Analysis by nature**

(in million euros)	**31 December 2017**	31 December 2016
Current Taxes		
Assets	353	164
Liabilities	(234)	(172)
	119	**(8)**
Defered Taxes		
Assets before offsetting of French tax group loss	*1,421*	*1,170*
Offsetting of French tax group loss	*(617)*	*(577)*
Net assets	804	593
Liabilities	(897)	(895)
	(93)	**(302)**

B. **Movements for the year**

(in million euros)	**31 December 2017**	31 December 2016
Current taxes		
At beginning of period	**(8)**	**(45)**
Expense	(565)	(596)
Payments	687	599
Translation adjustments and other charges	5	34
At end of period	**119**	**(8)**
Deffered Taxes		
At beginning of period	**(302)**	**(388)**
Expense	(136)	79
Equity	21	(20)
Translation adjustments and other charges	324	27
At end of period	**(93)**	**(302)**

14.4. DEFERRED TAX ASSETS AND LIABILITIES

(in million euros)		**31 December 2017**	31 December 2016
Tax credits		**13**	**-**
Deferred tax assets on tax loss carryforwards	**Gross** (1)	**5,007**	**5,190**
	Valuation allowances	(2,649)	(1,719)
	Previously unrecognised deferred tax assets (2)	(1,741)	(2,894)
	Deferred tax asset offset (French tax group) (3)	(534)	(453)
	Other deferred tax assets offset	(31)	(9)
	Total deferred tax assets on tax loss carryforwards	**52**	**115**
Other deferred tax assets		**739**	**478**
Deferred tax assets		**804**	**593**
Deferred tax liabilities before offsetting of the French tax group (4)		(1,431)	(1,348)
Deferred tax liabilities offset (French tax group) (3)		534	453
Deferred tax liabilities		**(897)**	**(895)**

(1) *The gross amount of deferred tax assets corresponding to tax loss carryforwards represents all deferred tax assets corresponding to tax losses that can be carried forward, regardless of whether they were recognised on the balance sheet at 31 December 2017.*

(2) *Of the impaired unrecognised deferred tax assets, €671 million (€722 million at 31 December 2016) are related to Faurecia, and €781 million are related to the French tax group (€1,883 million at 31 December 2016).*

(3) *Offsetting consists of presenting on the face of the balance sheet the net deferred tax position of the French tax group, with deferred tax assets covered by deferred tax liabilities, taking into account the legal restrictions on the use of tax loss carryforwards (see Note 14.1).*

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

Tax loss carryforwards relating to the French tax group totalled €11,788 million at 31 December 2017.

The IAS12 test led to the impairment of Opel and its subsidiaries' deferred tax assets on loss for € 1,031 million and the deferred tax assets on temporary differences for € 1,062 million, as well as the tax credits for € 48 million.

NOTE 15 - EQUITY AND EARNINGS PER SHARE

15.1. EQUITY

A. **Capital management policy**

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

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

Equity attributable to equity holders of the parent is equal to the share capital of Peugeot S.A. less any treasury stock, plus reserves and retained earnings of the Group's various business segments.

Minority interests mainly represent non-Group shareholders of Faurecia. Equity attributable to minority interests varies in line with changes in the Faurecia group's consolidated equity (in particular net earnings and change in translation reserves) and - exceptionally - in the event of a sale, purchase or any other equity transaction carried out by Peugeot S.A. in respect of Faurecia.

There are no financial covenants based on consolidated equity. The drawdown on the confirmed credit facilities of Peugeot S.A. and GIE PSA Trésorerie is subject to compliance with an equity-based financial ratio (see Note 12.4).

Banque PSA Finance complies with the capital adequacy ratio and other capital requirements imposed under banking regulations.

Peugeot S.A. shares are held in treasury for the following purposes:

- to award shares to employees, directors and officers of the Company or of companies or groupings that are affiliated with it when the stock options are exercised or when performance plans' shares are allocated ;
- to reduce the company's share capital.

B. **Analysis of share capital and changes in the year**

Rights issues

- **Capital increase consecutive to the exercise of equity warrants**

As part of the capital increases carried out in the first half of 2014, equity warrants were issued to former shareholders, exercisable from the second year. During the year 2017, 128,295,194 warrants had been exercised, out of a total of 342,060,365 warrants issued. Their exercise resulted in the delivery of 44,903,318 new shares and a cash inflow of €288 million. The equity warrants (BSA) were exercisable until 29 April 2017.

- **Employees shareholding plan**

In Q4 2017, the Group undertook a capital increase reserved for employees. Over 11,000 employees took up this "Accelerate" offer. It resulted in the delivery of 1,508,515 treasury shares.

- **Grants of performance shares by Peugeot S.A.**

The performance share plans established in 2015, 2016 and 2017 are described in Note 7.2.B.

Analysis of share capital

(in euros)	**2017**	2016
Share capital at beginning of period	859,924,895	808,597,336
Equity warrants converted into shares	44,903,318	51,327,559
Share capital at end of period	**904,828,213**	**859,924,895**

Issuance of equity warrants

As part of the purchase of a majority interest in the Opel Vauxhall automotive business, 39,727,324 equity warrants were issued to Adam Opel GmbH, a subsidiary of the General Motors Group, for a total fair value of €541 million.
The equity warrants entitle the holder to subscribe for up to 39,727,324 shares in Peugeot S.A. with a par value of 1 euro each, with one share per warrant.

The exercise price of each warrant will be €1, and they will only be exercisable between the 5th and 9th years following the date of their issue. The issue of these warrants does not immediately impact consolidated equity. The maximum amount of the capital increase liable to arise from this issue is €39,727,324 for 39,727,324 new shares. In addition, General Motors and its affiliated companies do not have any governance or voting rights in respect of these warrants, and are obliged to sell the PSA shares received within a period of 35 days from the date of exercise of the warrants.

Situation at 31 December 2017

Share capital amounted to €904,828,213 at 31 December 2017, divided into shares with a par value of €1 each. It is fully paid-up. Shares may be held in registered or bearer form, at the shareholder's discretion. Following the capital increases carried out in the first-half of 2017, the stakes of Lions Participation (BPI France) which entered the capital on 19 June 2017, Dongfeng Motor Group and the Peugeot family (FFP and Etablissements Peugeot Frères) each stood at 12.23% (12.86% at 31 December 2016) i.e. 110,622,220 shares each. For Dongfeng Motor Group, this stake accounted for 19.94% of the voting right, including treasury stock, and for 19.74% of the voting rights, excluding treasury stock. For the Peugeot family, this stake accounted for 17.63% of the voting right, including treasury stock, and for 17.45% of the voting rights, excluding treasury stock. For Lion Participation, this stake accounted for 9.97% of the voting right, including treasury stock, and for 9.87% of the voting rights, excluding treasury stock.

The share price on 31 December 2017 was €16.96.

C. **Treasury stock**

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

The Group may use the buyback authorisations given at Shareholders' Meetings to buy back Peugeot S.A. shares.

Changes in treasury stock are presented in the following table:

(1) Number of shares held

(number of shares)	*Notes*	**2017** Transactions	2016 Transactions
At beginning of period		**9,113,263**	**9,113,263**
Purchases of treasury shares		5,729,987	
Shares delivered under the 2015 free share plan		(2,019,000)	-
Shares delivered as part of the employees' shareholding plan		(1,508,515)	-
At period-end		**11,315,735**	**9,113,263**
Allocation			
• Shares held for allocation on exercise of future performance share plans or stock options		6,033,735	4,448,263
• Coverage of the 2015 performance share plan	*7.2.B*	389,000	2,465,000
• Coverage of the 2016 performance share plan	*7.2.B*	2,200,000	2,200,000
• Coverage of the 2017 performance share plan	*7.2.B*	2,693,000	-
		11,315,735	**9,113,263**

No cancellation of shares was made neither in 2016 nor in 2017. No purchases were made in 2016.

(2) Change in value

(in million euros)	**2017**	2016
At beginning of period	(238)	(238)
Purchases during the period	(116)	-
Shares delivered under the 2015 free share plan	53	-
Shares delivered as part of the employees' shareholding plan	31	-
At period-end	**(270)**	**(238)**
Average price per share (in euros)	19.58	

The purchase price of treasury shares is deducted from equity.
The share price on 31 December 2017 was €16.96.

D. **Reserves and retained earnings, excluding minority interests**

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

(in million euros)	**31 December 2017**	31 December 2016
Peugeot S.A. legal reserve	86	80
Other Peugeot S.A. statutory reserves and retained earnings	13,631	13,650
Reserves and retained earnings of subsidiaries, excluding minority interests	197	(1,695)
Total	**13,914**	**12,035**

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

(in million euros)	**31 December 2017**	31 December 2016
Reserves available for distribution:		
Without any additional corporate tax being due	12,562	12,582
After deduction of additional tax [(1)]	1,069	1,068
Total	**13,631**	**13,650**
Tax on distributed earnings	**149**	**198**

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

E. **Minority interests**

Minority interests correspond mainly to the interests of other shareholders of Faurecia.

15.2. BASIC EARNINGS PER SHARE

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

A. **Basic earnings per share - Attributable to equity holders of the parent**

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

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

	2017	2016
Consolidated basic earnings of continuing operations - attributable to equity holders of the parent (in million euros)	1,936	1,525
Consolidated basic earnings - attributable to equity holders of the parent (in million euros)	1,929	1,730
Average number of €1 par value shares outstanding	886,113,459	802,566,768
Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (in euros)	*2.18*	*1.90*
Basic earnings per €1 par value share (in euros) - attributable to equity holders of the parent	*2.18*	*2.16*

B. **Diluted earnings per share - Attributable to equity holders of the parent**

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 equity warrants.

The performance share grants (see Note 7.2.B) and the equity warrants (see Note 15.1.B) had a potential dilutive effect on 31 December 2017.

The following tables show the effects of the calculation:

(1) Effect on the average number of shares

	Notes	2017	2016
Average number of €1 par value shares outstanding		886,113,459	802,566,768
Dilutive effect, calculated by the treasury stock method, of:			
• Equity warrants (2014 capital increases)	*15.1.B*	10,763,952	91,404,878
• Equity warrants delivered to General Motors Group	*15.1.B*	39,727,324	-
• Performance share plans	*7.2.B*	4,350,427	4,115,300
Diluted average number of shares		**940,955,162**	**898,086,946**

(2) Effect of Faurecia dilution on consolidated earnings of continuing operations - attributable to equity holders of the parent

(in million euros)	2017	2016
Consolidated profit (loss) from continuing operations - attributable to equity holders of the	1,936	1,525
Dilutive effect of Faurecia (performance share grants and equity warrants exercise)	-	-
Consolidated profit (loss) from continuing operations (after Faurecia dilution effect)	**1,936**	**1,525**
Diluted earnings of continuing operations - attributable to equity holders of the parent per €1 par value share (in euros)	*2.06*	*1.70*

(3) Effect of Faurecia dilution on consolidated earnings - attributable to equity holders of the parent

(in million euros)	2017	2016
Consolidated profit (loss) attributable to equity holders of the parent	1,929	1,730
Dilutive effect of Faurecia (performance share grants and equity warrants exercise)	-	-
Consolidated profit (loss) after Faurecia dilution	**1,929**	**1,730**
Diluted earnings attributable to equity holders of the parent per €1 par value share (in euros)	*2.05*	*1.93*

The performance share grants of Faurecia 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 potential dilutive effect on consolidated profit attributable to the PSA Group.

Due to their terms, the Faurecia stock options' plans do not have any material dilutive impact in 2016 and 2017.

NOTE 16 - NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The statement of cash flows is partitioned into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities depending on the nature of the transactions.

The Group's main choices as regards presentation were as follows:

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

16.1. ANALYSIS OF NET CASH AND CASH EQUIVALENT REPORTED IN THE STATEMENTS OF CASH FLOWS

(in million euros)	*Notes*	**31 December 2017**	31 December 2016
Cash and cash equivalents	*12.5.C*	11,582	11,576
Payments issued	*12.6.C*	(93)	(112)
Other		2	-
Net cash and cash equivalents - manufacturing and sales companies		**11,491**	**11,464**
Net cash and cash equivalents - finance companies	*13.2.C*	**320**	**530**
Elimination of intragroup transactions		*(8)*	*(8)*
Total		**11,803**	**11,986**

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

(in million euros)	*Notes*	**2017**	2016
Depreciation and amortisation expense	*5.2*	(2,636)	(2,576)
Impairment of:			
• capitalised development costs	*8.1.B*	(80)	(47)
• intangible assets	*8.1.B*	-	2
• property, plant and equipment	*8.2.B*	43	120
Other		(7)	4
Total		**(2,680)**	**(2,497)**

16.3. CAPITAL INCREASE AND ACQUISITIONS OF CONSOLIDATED COMPANIES AND EQUITY INTEREST

The capital increases and acquisitions of consolidated companies and of equity interests during the year for €1,095 million mainly involved the following transactions:

- the acquisition of Opel Automobile GmbH for a net cash impact of €26 million (see Note 2.1);
- the acquisition of 50% of Opel Bank SA by Banque PSA Finance, a finance company in partnership with BNP Paribas for €489 million (see Note 2.2);
- Faurecia's acquisition of Coagent for €192 million;
- the €148 million capital increase by Automobiles Citroën and PSA Automobiles at Saipa Citroën Automobiles Company.

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

Interest received and paid by manufacturing and sales companies is included in working capital provided by operations, and is as follows:

(in million euros)	**2017**	2016
Interest received	32	86
Interest paid	(287)	(377)
Net interest received (paid)	**(255)**	**(291)**

16.5. DETAIL OF CASH FLOW FROM OPERATIONS TO BE CONTINUED IN PARTNERSHIP

(in million euros)	**2017**	2016
Other expenses related to the non-transferred financing of operations to be continued in partnership	-	(11)
Change in liabilities related to the financing of operations to be continued in partnership	-	(2,299)
Net cash related to the non-transferred debt of finance companies to be continued in partnership	**-**	**(2,310)**
Profit (loss) from operations to be continued in partnership	(7)	204
Change in assets and liabilities of operations to be continued in partnership	-	759
Net dividends received from operations to be continued in partnership	-	(120)
Net cash from the transferred assets and liabilities of operations to be continued in partnership	**(7)**	**843**

16.6. DETAIL OF FREE CASH FLOW FROM MANUFACTURING AND SALES OPERATIONS

Operational free cash flow includes cash flows generated by operations net of investing activities excluding non-recurring items. It is determined as follows:

(in million euros)	**2017**	2016
Net cash from (used in) operating activities of continuing operations	5,213	4,937
Net cash from (used in) investing activities of continuing operations	(4,713)	(2,673)
Dividends received from Banque PSA Finance	-	434
Free Cash Flow	**500**	**2,698**
Minus, net cash from non-recurring operating operations	(1,054)	164
Operational Free Cash Flow from manufacturing and sales operations	**1,554**	**2,534**

Non-recurring operational cash flows mainly include cash flows from restructuring and changes in equity investments.

NOTE 17 - OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

Off-balance sheet commitments given in the normal course of business were as follows at 31 December 2017:

(in million euros)	*Notes*	**31 December 2017**	31 December 2016
Manufacturing and sales companies			
■ **Financing commitments**	*12.9*	884	863
■ **Operating commitments**	*8.4*	3,346	2,413
	(1)	**4,230**	**3,276**
Finance companies	*13.6*	**12**	**10**

(1) of which Opel Vauxhall Automotive segment *475*

17.1. CONTINGENT LIABILITIES

- **Automotive equipment**

On March 25, 2014, the European Commission and the Department of Justice of the United States of America and on November 27, 2014, the Competition Commission of South Africa, initiated an enquiry covering certain suppliers of emission control systems on the basis for suspicions of anti-competitive practices in this segment. Faurecia is one of the companies covered by these enquiries. On 28 April 2017 the European Commission decided to terminate the investigation of certain suppliers of emission control systems initiated on 25 March 2014. The other inquiries are ongoing.

On 19 May 2017, the Brazilian Competition Authority (CADE) initiated a survey of Faurecia Emissions Control Technologies do Brasil and some of its former employees, alleging anti-competitive practices in the Brazilian emission control market.

Faurecia agreed settlements with claimants in the three ongoing class actions, which had been filed in the United States District Court for the Eastern District of Michigan against a number of suppliers of emission control systems, including various Faurecia Group companies, claiming anti-competitive practices involving exhaust systems. These settlements, for non-material amounts, for the amount of the defence legal fees, brought these class actions to an end.

Two class actions involving similar claims were also filed in Canada but are at a very preliminary stage.

In the event that anti-competitive practices are proven, possible sanctions include fines, criminal charges or civil damages. Faurecia is at present unable to predict the consequences of such inquiries and class actions including the level of fines or sanctions that could be imposed : therefore, no accruals were accounted for as of December 31, 2017.

- **Automotive business**

The customs agreement governing the automotive industry between Brazil and Argentina provides for the payment of penalties by the Argentine automotive industry should the average ratio of imports to exports vis-à-vis Brazil exceed a certain threshold over the 2015–2020 period. Penalties may be payable by the Group should the automotive industry as a whole and the Group not hit the required ratio. No provision has been funded due to the uncertainties surrounding developments in the automotive markets in Argentina and Brazil between now and 2020 and the steps that the Group could take.

17.2. COMMITMENTS CONNECTED WITH THE GEFCO GROUP

Representations and warranties were made to JSC Russian Railways (RZD) as part of its acquisition of the Gefco Group from PSA in December 2012. At 31 December 2017, the Group had not identified any material risks associated with these representations and warranties.

Under the logistics and transportation service agreements entered into by the PSA and Gefco groups, the Group gave guarantees regarding the satisfactory performance of the logistics contracts and a five-year exclusivity clause. An amendment signed in November 2016 supplemented these logistics and transportation service agreements. This amendment, which came into effect on 1 January 2017, extends the exclusivity clause until the end of 2021 and confirms the guarantees regarding the satisfactory performance of the logistics contracts given by PSA Group. At 31 December 2017, the Group had not identified any material risks associated with these guarantees.

NOTE 18 - RELATED PARTY TRANSACTIONS

Related parties are companies subject to significant influence consolidated by the equity method, members of the managing bodies and shareholders holding more than 10% of Peugeot S.A. capital.

Transactions with companies accounted for by the equity method are disclosed in Note 11.5. Other than these transactions, there were no significant transactions with other related parties.

NOTE 19 - SUBSEQUENT EVENTS

Between 31 December 2017 and 28 February 2018, the date on which the financial statements were approved by the Supervisory Board, no event likely to significantly impact the economic decisions made on the basis of these consolidated financial statements occurred.

NOTE 20 - FEES PAID TO THE AUDITORS

	Mazars		EY		PWC	
(in million euros)	**2017**	2016	**2017**	2016	**2017**	2016
Audit						
Statutory and contractual audit services						
• Peugeot S.A.	0.7	0.2	0.7	0.3	-	-
• Fully-consolidated subsidiaries	2.1	2.3	7.6	7.7	4.4	4.5
o/w France	*1.3*	*1.4*	*2.5*	*2.8*	*1.1*	*1.2*
o/w International	*0.8*	*0.9*	*5.1*	*4.9*	*3.3*	*3.3*
Sub-total	**2.8**	**2.5**	**8.3**	**8.0**	**4.4**	**4.5**
o/w Faurecia	-	-	4.1	4.1	4.4	4.5
Excluding Faurecia	2.8	2.5	4.2	3.9	-	-
	97%	*100%*	*89%*	*94%*	*83%*	*82%*
Other services provided to subsidiaries						
• Peugeot S.A.	-	-	-	-	-	-
• Fully-consolidated subsidiaries	0.1	-	1.0	0.5	0.9	1.0
o/w France	*0.1*	-	*0.8*	*0.5*	*0.9*	*1.0*
o/w International	-	-	*0.2*	-	-	-
Sub-total	**0.1**	**-**	**1.0**	**0.5**	**0.9**	**1.0**
o/w Faurecia	-	-	0.5	0.5	0.9	0.8
Excluding Faurecia	0.1	-	0.5	-	-	0.2
	3%		*11%*	*6%*	*17%*	*18%*
TOTAL	**2.9**	**2.5**	**9.3**	**8.5**	**5.3**	**5.5**
o/w Faurecia	-	-	4.6	4.6	5.3	5.3
Excluding Faurecia	2.9	2.5	4.7	3.9	-	0.2

Faurecia's Statutory Auditors are PricewaterhouseCoopers and EY.

NOTE 21 - CONSOLIDATED COMPANIES AT 31 DECEMBER 2017

The Companies listed below are fully consolidated, except those marked with an asterisk (*), which are consolidated by the equity method, and those marked with two asterisks (**), which are consolidated as joint operations and recognised in proportion to the share of assets, liabilities, revenue and expenses controlled by the Group.

Company	Country	% interest	
Other businesses			
Peugeot S.A.	France	100	
GIE PSA Trésorerie	France	100	
Grande Armée Participations	France	100	
Financière Pergolèse	France	100	
PSA Ventures	France	100	
SARAL	Luxembourg	100	
PSA International S.A.	Switzerland	100	
Groupe GEFCO	France	25	*
Groupe PMTC - Peugeot Motocycles	France	49	*
Automotive Peugeot Citroën DS			
PSA Automobiles S.A.	France	100	
Peugeot Algérie	Algeria	100	
PCA Asesores de Seguros S.A.	Argentina	98	
Circulo de Inversores S.A.U. de Ahorro parafines de	Argentina	100	
Peugeot Citroën Argentine S.A.	Argentina	100	
Peugeot Austria GmbH	Austria	100	
Peugeot Autohaus GmbH	Austria	100	
Citroën Osterreich GmbH	Austria	100	
Peugeot Belgique Luxembourg	Belgium	100	
Peugeot Distribution Service	Belgium	100	
Citroën Bélux	Belgium	100	
PCI do Brasil Ltda	Brazil	100	
PSA ventures serviços de mobilidade urbana Ltda	Brazil	100	
Peugeot Citroen do Brasil Automoveis Ltda	Brazil	100	
Automores Franco Chilena SA	Chile	100	
Peugeot Chile	Chile	100	
Peugeot Citroën (CHINA) Automotive Trade Co	China	100	
PSA (Shanghai) Management Co. Limited	China	100	
PSA (Wuhan) Management Co. Limited	China	100	
PCA Logistika cz	Czech Republic	100	
Technoboost	France	60	
Aramis SAS	France	70	
Celor	France	70	
Société Industrielle Automobile de Provence	France	100	
Véhicules d'occasion Citroën et DS France	France	100	
Peugeot Citroën Poissy S.N.C.	France	100	
PSA Retail France SAS	France	100	
Société Mécanique Automobile de l'Est	France	100	
Peugeot Citroën Mécanique de l'Est S.N.C.	France	100	
Peugeot Citroën Mécanique du Nord-Ouest S.N.C.	France	100	
Peugeot-Citroën Mulhouse SNC	France	100	
Peugeot-Citroën Rennes SNC	France	100	
Peugeot-Citroën Sochaux SNC	France	100	
Automobiles Peugeot	France	100	
Automobiles Citroën	France	100	
Car On Way	France	100	
Citroën Argenteuil	France	100	
Citroën Dunkerque	France	100	
Conception d'Equipements Peugeot Citroën	France	100	
DJ 56	France	100	
Française de Mécanique	France	100	
GEIE Sevelind	France	100	
Mécanique et environnement SAS	France	100	
Mister Auto	France	100	
Peugeot Citroën Pièces de Rechange	France	100	
Peugeot Média Production	France	100	
Peugeot Saint-Denis Automobiles	France	100	
Prince Garage des Petits Ponts	France	100	
PSA ID	France	100	
Sabrié	France	100	
Société Commerciale Distribution Pièces de Rechange et	France	100	
Société Européenne de Véhicules Légers du Nord -	France	100	
Société de Pièces et Services Automobile de l'Ouest	France	100	
Société Lilloise de Services et de Distribution de Pièces	France	100	
Société Lyonnaise de Pièces et Services Automobile	France	100	
Société Nouvelle Armand Escalier	France	100	

Company	Country	% interest	
Automotive Peugeot Citroën DS			
Pièces et Entretien Automobile Bordelais	France	100	
Citroën Deutschland GmbH	Germany	100	
PSA Retail GmbH	Germany	100	
Peugeot Deutschland GmbH	Germany	100	
Peugeot Citroën Deutschland GmbH	Germany	100	
Peugeot Citroën Retail Italia S.p.A.	Italy	100	
Peugeot Automobili Italia S.P.A.	Italy	100	
Citroën Italia S.p.A.	Italy	100	
PSA Services SRL	Italy	100	
Peugeot Citroën Japon Co. Ltd.	Japan	100	
Peugeot Citroën Tokyo, Co Ltd	Japan	100	
Peugeot Mexico S.A. de C.V.	Mexico	100	
Servicios Automotores Franco-Mexicana S de RL de CV	Mexico	100	
Peugeot Citroën Automobiles Maroc	Morocco	95	
Peugeot Citroën DS Maroc	Morocco	100	
Peugeot Polska Sp. Zo. O.	Poland	100	
Citroën Polska Sp.ZO.O.	Poland	100	
Peugeot Citroën Automoveis Portugal S.A.	Portugal	99	
Automoveis Citroën S.A.	Portugal	100	
Peugeot Portugal Automoveis Distribuçao	Portugal	100	
Peugeot Portugal Automoveis S.A.	Portugal	100	
Peugeot Citroën Russie	Russia	100	
PCA Slovakia s.r.o.	Slovakia	100	
Psa Services Centre Europe s.r.o.	Slovakia	100	
Plataforma Comercial de Retail, S.A.U.	Spain	97	
PSAG Automóviles comercial España, S.A.	Spain	100	
Peugeot Citroën Automóviles España, S.A.	Spain	100	
Placas de Piezas y Componentes de Recambios, S.A.	Spain	100	
Peugeot Suisse S.A.	Switzerland	100	
Citroën Suisse S.A.	Switzerland	100	
PCR Retail Suisse SA	Switzerland	100	
Peugeot Citroën Gestion International SA	Switzerland	100	
PCMA Holding B.V.	The Netherlands	70	
Peugeot Nederland N.V.	The Netherlands	100	
Citroën Nederland B.V.	The Netherlands	100	
PSA Retail Nederland BV	The Netherlands	100	
Peugeot Otomotiv Pazarlama A.S.	Turkey	100	
Peugeot Citroën Ukraine LLC	Ukraine	100	
Melvin Motors Ltd	United Kindom	100	
Peugeot Citroën Retail UK Ltd	United Kindom	100	
Robins and Day Ltd	United Kindom	100	
Warwick Wright Motors Chiswick Ltd	United Kindom	100	
Peugeot Citroën Automobile UK Ltd	United Kindom	100	
Peugeot Motor Company PLC	United Kindom	100	
Rootes Ltd	United Kindom	100	
Citroën UK Ltd	United Kindom	100	
Wuhan Shenlong Hongtai Automotive Co. Ltd	China	10	*
Changan PSA Automobile Limited	China	50	*
Dongfeng Peugeot Citroën Automobiles Ltd	China	50	*
Dongfeng Peugeot Citroën Automobiles International PTE	China	50	*
Dongfeng Peugeot Citroën Automobiles Sales Company Ltd	China	50	*
Iran Khodro Automobiles Peugeot	Iran	50	*
Saipa Citroën Company	Iran	50	*
Peugeot Citroën South Africa Ltd	South Africa	49	*
STAFIM-GROS	Tunisia	34	*
Société Tunisienne Automobile Financière Immobilière et Maritime - STAFIM	Tunisia	34	*
Toyota Peugeot Citroën Automobiles Czech s.r.o.	Czech Republic	50	**
Societa Europea Veicoli Leggeri S.p.a.	Italy	50	**
PCMA Automotiv Rus	Russia	70	**
Automotive Opel -Vauxhall			
Opel Automobile GmbH	Germany	100	
Opel Austria GmbH	Austria	100	
Opel Wien GmbH	Austria	100	
Opel Automotive Services Belgium N.V.	Belgium	100	
Opel Belgium N.V.	Belgium	100	
Opel Danmark A/S	Denmark	100	

Automotive Opel -Vauxhall

Company	Country	% interest
Opel Finland Oy	Finland	100
Opel France S.A.S.	France	100
Opel Group Warehousing GmbH	Germany	100
Opel Hellas S.A.	Greece	100
GBS Hungary Kft	Hungary	100
Opel Southeast Europe LLC	Hungary	100
Opel Szentgotthard Automotive Manufacturing Ltd	Hungary	100
Opel Automobile Ireland Limited	Ireland	100
Opel Italia S.r.l.	Italy	100
Opel Norge AS	Norway	100
Opel Manufacturing Poland Sp.z o.o.	Poland	100
Opel Poland Sp.z o.o.	Poland	100
Opel Portugal, Lda	Portugal	100
Opel Sibiu SRL	Rumania	100
Opel CIS LLC	Russia	100
Opel España , SLU	Spain	100
Opel Europe Holdings, SLU	Spain	100
Opel Sverige AB	Sweden	100
Opel Suisse S.A.	Switzerland	100
Opel Nederland B.V.	The Netherlands	100
Opel Türkiye Otomotiv Ltd. Sirketi	Turkey	100
Baylis (Gloucester) Ltd	United Kindom	93
Go Motor Retailling Ltd	United Kindom	95
Automotive UK No. 1	United Kindom	100
Holdings UK No.3 Limited	United Kindom	100
IBC Vehicles LTD	United Kindom	100
Vauxhall Motors Limited	United Kindom	100
VHC Sub-Holdings (UK)	United Kindom	100

Automotive Equipment

Company	Country	% interest
Faurecia	France	46
Faurecia Argentina SA	Argentina	46
Faurecia Sistemas de Escape Argentina	Argentina	46
Faurecia Automotive Belgium	Belgium	46
Faurecia Industrie N.V.	Belgium	46
FMM Pernambuco Componentes Automotivos Ltda	Brazil	24
Faurecia Automotive do Brasil	Brazil	46
Faurecia Emissions Control Technologies do Brasil	Brazil	46
Faurecia Emissions Ctrl Techn. Canada Ltd	Canada	46
CSM Faurecia Automotive Parts Co. Ltd	China	23
Dongfeng Faurecia Emissions Control Technologies Co.,	China	23
Faurecia Liuzhou Automotive Seating Co., Ltd	China	23
Faurecia (Tianjin) Automotive Systems Co. Ltd	China	24
Faurecia Yinlun Emissions Control Technology (Weifang)	China	24
Changchun Faurecia Xuyang Automotive Seat CO	China	46
Changsha Faurecia Emissions Control Technologies Co.	China	46
Chengdu Faurecia Limin Automotive Systems Company	China	46
Chongqing Faurecia Changpeng Automotive Parts Co. Ltd	China	46
Cummings Beijing	China	46
Dongfeng Faurecia Automotive Interior Systems Co. Ltd	China	46
Emcon Emmi Tech. Chongqing Co Limited	China	46
Emcon Env Tech. Yantai Co Limited	China	46
Emissions Control Technologies (Shangaï) Co Limited	China	46
Emissions Control Technologies Foshan Company	China	46
Emissions Control Technologies Ningbo Hangzhou Bay	China	46
Faurecia (changchun) Automotive Systems	China	46
Faurecia (Changshu) Automotive Systems Co.,Ltd	China	46
Faurecia (China) Holding Co. Ltd	China	46
Faurecia (Guangzhou) Automotive Systems Co	China	46
Faurecia (Jimo) Emissions Control Technologies Co. Ltd	China	46
Faurecia (Nanjing) Automotive Systems Co	China	46
Faurecia (Quingdao) Exhaust Systems Co Ltd	China	46
Faurecia (Shangai) Automotive Systems	China	46
Faurecia (Shenyang) Automotive Systems Co Ltd	China	46
Faurecia (Tianjin) Clean Mobility Co. Ltd	China	46
Faurecia (Wuhan) Automotive Components Systems Co	China	46
Faurecia (Wuxi) Seating Components Co Ltd	China	46
Faurecia (Yancheng) Automotive Systems Company	China	46
Faurecia Changchung Xuyang Interiors Systems Co	China	46
Faurecia Emiss. Ctrl Tech. Develop. (Shanghai) Cy Ltd	China	46
Faurecia Emissions Ctrl Technologies (Chengdu) Co	China	46
Faurecia Exhaust Systems Changchun Company Ltd	China	46
Faurecia Exhaust Systems Qingpu Co. Ltd	China	46
Faurecia Honghu Exhaust Systems Shangai Company Ltd	China	46

Automotive Equipment

Company	Country	% interest
Faurecia NHK (Xiangyang) Automotive seating Co Ltd	China	46
Faurecia Tongda Exhaust System (Wuhan) Company Ltd	China	46
Faurecia-GSK Automotive seating co Ltd	China	46
Foshan Faurecia Xuyang Interior Syst. Cny Limited	China	46
Nanchang	China	46
Ningbo	China	46
PowerGreen Emissions Control Technologies Co. Ltd	China	46
Shanghai Faurecia Automotive Seating Co Ltd	China	46
Tianjin Faurecia Xuyang Automotive Seat Co. Ltd	China	46
Emcon Tech. Czech Republic	Czech Republic	46
Faurecia Automotivr Czech Republic	Czech Republic	46
Faurecia Components Pisek s.r.o	Czech Republic	46
Faurecia Exhaust Systems Moravia S.r.o	Czech Republic	46
Faurecia Exhaust Systems S.R.O.	Czech Republic	46
Faurecia Interior Systems Bohemia S.r.o.	Czech Republic	46
Faurecia Interiors Pardubice S.r.o	Czech Republic	46
Etud. et Constr. sièges pr l'Automobile	France	46
Faurecia ADP Holding	France	46
Faurecia automotive Holdings Inc	France	46
Faurecia Automotive Industrie	France	46
Faurecia Automotives Composites	France	46
Faurecia Exhaust International	France	46
Faurecia Exteriors International	France	46
Faurecia Industrie	France	46
Faurecia Intérieur Industrie	France	46
Faurecia Intérieurs Mornac	France	46
Faurecia Intérieurs Saint Quentin	France	46
Faurecia investissement	France	46
Faurecia Metalloproduckia Holding	France	46
Faurecia Seating Flers	France	46
Faurecia Services Groupe	France	46
Faurecia Sièges d'Automobiles SAS	France	46
Faurecia Systèmes d'Echappements	France	46
Faurecia Ventures	France	46
Hambach Automotive Exteriors SAS	France	46
Hennape Six	France	46
SIEBRET	France	46
SIEDOUBS	France	46
SIELEST	France	46
SIEMAR	France	46
TRECIA SAS	France	46
Faurecia Abgastechnik GmbH	Germany	46
Faurecia Angell - Demmel GmbH	Germany	46
Faurecia Automotive Gmbh	Germany	46
Faurecia Autositze Gmbh	Germany	46
Faurecia Emissions Control Technologies Germany GmbH	Germany	46
Faurecia Innenraum Systeme GmbH	Germany	46
Emcon Technologies KFT	Hungary	46
Emcon Technologies India PVT Limited	India	46
Faurecia Automotiv Seating India Private	India	46
Faurecia Emissions Control Tec	India	46
Faurecia Technology Center India Pty Ltd	India	46
PFP Acoustic and Soft Trims India Private Limited	India	46
Faurecia Azin Pars Company	Iran	46
Faurecia Emissions Control Technologies Italy SRL	Italy	46
Faurecia Japan K.K.	Japan	46
Howa Interior's - Japon	Japan	46
Faurecia AST Luxembourg SA	Luxembourg	46
Faurecia Automotive Luxembourg	Luxembourg	46
Faurecia Hicom Emissions Control Technologies (M) Sdn Bhd	Malaya	46
Emcon Tech. Hldgs 2 S. de RL	Mexico	46
Exhaust Services Mexicana sa	Mexico	46
Faurecia Howa Interiors de Mexico SA de CV	Mexico	46
Faurecia Sistemas Automotrices de Mexico	Mexico	46
Servicios Corporativos de Personal Especializado	Mexico	46
Faurecia Automotive Industries Morocco	Morocco	46
Faurecia Automotive Systems Technologies	Morocco	46
Faurecia Equipements Automobiles Maroc	Morocco	46
Faurecia Automotive Polska Spolka Akcyjna	Poland	46
Faurecia Gorzow Sp Zoo	Poland	46
Faurecia Grojec R&D Center Sp Z.o.o.	Poland	46
Faurecia Legnica Sp Z.O.O.	Poland	46
Faurecia WALBRZYCH Spz.o.o.	Poland	46
EDA Estofagem de Assentos	Portugal	46
Faurecia Assentos de Automovel	Portugal	46

Automotive Equipment

Company	Country	% interest	
Faurecia Sistemas de Escape	Portugal	46	
Faurecia Sistemas de Interior de Portugal	Portugal	46	
SASAL	Portugal	46	
Euro Automotive Plastic Systems	Rumania	46	
Faurecia Seating Talmaciu S.R.L.	Rumania	46	
Faurecia Autocomponent Exterior Systems	Russia	46	
Faurecia Automotive Development	Russia	46	
Faurecia Metallo Produckcia Exhaust Systems	Russia	46	
OOO Faurecia Automotiv	Russia	46	
Faurecia Automotive Slovakia Sro	Slovakia	46	
E.C.T. South Africa (Cape Town) (Pty) Ltd	South Africa	46	
Faurecia Exhaust Systems South Africa Ltd	South Africa	46	
Faurecia Interior Syst. Pretoria (Proprietary) Ltd	South Africa	46	
Faurecia Interior Systems South Africa (PTY) Ltd	South Africa	46	
Faurecia Emissions Control Systems Korea	South Korea	46	
Asientos de Castilla Leon	Spain	46	
Asientos de Galicia S.L.	Spain	46	
Asientos del Norte	Spain	46	
Emcon Technologies Spain SL	Spain	46	
Faurecia Asientos para Automovil Espana	Spain	46	
Faurecia Automotive Espana	Spain	46	
Faurecia Holding Espana S.L.	Spain	46	
Faurecia Interior Systems Espana	Spain	46	
Faurecia Interior Systems Salc Espana S.L.	Spain	46	
Faurecia Sistemas de Escape Espana	Spain	46	
Incalplas S.L.	Spain	46	
Tecnoconfort	Spain	46	
Valencia Modulos de Puerta SL	Spain	46	
Faurecia Interior Systems Sweden AB	Sweden	46	
E.C.T. Co Limited	Thailand	46	
Faurecia & Summit Interior Systems	Thailand	46	
Faurecia Interior Systems Thailand	Thailand	46	
Emcon Technologies Dutch Hldgs BV	The Netherlands	46	
Faurecia Automotive Seating B.V.	The Netherlands	46	
Faurecia Emissions Control Technologies Netherlands B.V.	The Netherlands	46	
Faurecia Informatique Tunisie	Tunisia	46	
Sté Tunisienne d'Equipements Automobiles	Tunisia	46	
Faurecia Polifleks Otomotiv Sanayi Ve Ticaret Anonim Sirketi	Turkey	46	
Emcon Technologies UK Limited	United Kindom	46	
Faurecia Automotiv Seating UK Ltd	United Kindom	46	
Faurecia Midlands Ltd	United Kindom	46	
SAI Automotive Fradley	United Kindom	46	
SAI Automotive Washington Limited	United Kindom	46	
Faurecia Automotiv Seating Inc	United States	46	
Faurecia E.C.T. USA LLC	United States	46	
Faurecia Exhaust Systems INC	United States	46	
Faurecia Interior Louisville LLC	United States	46	
Faurecia Interior Systems Holdings LLC	United States	46	
Faurecia Interior Systems INC	United States	46	
Faurecia Interior Systems Saline LLC	United States	46	
Faurecia Madison Automotive Seating Inc	United States	46	
FAURECIA North America Holdings LLC	United States	46	
FAURECIA USA Holdings, Inc	United States	46	
Fnk North America	United States	46	
Faurecia Automitive del Urugay	Uruguay	46	
SAS Automotriz Argentina SA	Argentina	23	*
SAS Automotive Belgium	Belgium	23	*
SAS Automotive do Brasil	Brazil	23	*
Faurecia Changchun Xuyang Faurecia Acoustics & Soft Trim Co Ltd	China	19	*
Changchun Faurecia Xuyang Automotive Components Technologies R&D	China	21	*
Beijing WKW FAD Automotive Parts Co. Ltd	China	23	*
Chongqing Guangneng Faurecia Interior Syst. Company Ltd	China	23	*
Dongfeng Faurecia (Xiangyang) Emissions Systems Co., Ltd	China	23	*
Dongfeng Faurecia Automotive Exterior Systems Co. Limited	China	23	*
Dongfeng Faurecia Automotive Parts Sales Co. Ltd	China	23	*
Faurecia Liuzhou Automotive Seating Sales Co., Ltd	China	23	*
Jinan Faurecia Limin Interior & Exterior Systems Company Limited	China	23	*
Lanzhou Faurecia Limin Interior & Exterior Systems Company	China	23	*
SAS (Wuhu) Automotive Systems Co Ltd	China	23	*
Xiangtan Faurecia Limin Interior & Exterior Systems Cny Ltd	China	23	*
Zhejiang Faurecia Limin Interior & Exterior Systems Cny Ltd	China	23	*
SAS Autosystemtechnik SRO	Czech Republic	23	*
Parrot Faurecia Automotive	France	9	*
Automotive Performance Materials (APM)	France	23	*
Cockpit Automotive Systems DOUAI	France	23	*

Automotive Equipment

Company	Country	% interest	
SAS Automotiv France	France	23	*
SAS Autosystemtechnik Gmbh and Co KG	Germany	23	*
SAS Autosystemtechnik Verwaltung Gmbh	Germany	23	*
NHK F. Krishna India Automotive Seating Private Limited	India	9	*
Basis Mold India Private Limited	India	18	*
Azin Faurecia Interior Systems Company	Iran	23	*
Faurecia LIGNEOS Italy Srl	Italy	23	*
Faurecia NHK Co Limited	Japan	23	*
Faurecia SAS Automotive Systems & Services SA de CV	Mexico	23	*
Faurecia SAS Automotive Systems SA de CV	Mexico	23	*
SAS Autosystem de Portugal Unipessoal ltda	Portugal	23	*
Vanpro Assentos Limitada	Portugal	23	*
Faurecia Automotive Sro	Slovakia	23	*
SAS Automotive RSA (Proprietary), Ltd	South Africa	23	*
Componentes de Vehiculos de Galicia	Spain	23	*
COPO Iberica	Spain	23	*
Industrias Cousin Frères S.L.	Spain	23	*
SAS Autosystemtechnik SA	Spain	23	*
SAS Otosistem Tecknit Ticaret ve Limited	Turkey	23	*
Teknik Malzeme Ticaret ve Sanayi A.S.	Turkey	23	*
FAURECIA DMS Leverage Lender LLC	United States	21	*
Faurecia JV in Detroit	United States	21	*
SAS Automotive USA Inc	United States	23	*

Peugeot Citroën DS Finance

Company	Country	% interest	
Banque PSA Finance	France	100	
BPF Algérie	Algeria	100	
PSA Finance Argentina Compania Financiera S.A.	Argentina	50	
PCA Compañía de Seguros S.A	Argentina	70	
PSA Factor Italia S.p.A.	Italy	100	
PSA Renting Italia S.p.a	Italy	100	
PSA Insurance Ltd	Malta	100	
PSA Insurance Manager Ltd	Malta	100	
PSA Insurance Solutions Ltd	Malta	100	
PSA Life Insurance Ltd	Malta	100	
PSA Services Ltd	Malta	100	
Banque PSA Finance Mexico SA de CV SOFOM	Mexico	100	
Bank PSA Finance Rus	Russia	100	
Peugeot Citroen Leasing Russie	Russia	100	
PSA Finance Nederland B.V.	The Netherlands	100	
PSA Financial Holding B.V.	The Netherlands	100	
BPF Pazarlama A.H.A.S.	Turkey	100	
Economy Drive Cars Limited	United Kindom	100	
PSA Finance Belux	Belgium	50	*
Banco PSA Finance Brasil S.A.	Brazil	50	*
PSA Corretora de Seguros e Serviços Ltda	Brazil	50	*
Dongfeng Peugeot Citroën Auto Finance Company Ltd	China	25	*
Auto ABS DFP Master Compartment France 2013	France	50	*
Auto ABS FCT2 2013-A	France	50	*
Cie pour la Location de Véhicules - CLV	France	50	*
CREDIPAR	France	50	*
FCT Auto ABS - Compartiment 2013-2	France	50	*
FCT Auto ABS French Leases Master	France	50	*
FCT Auto ABS French Loans Master	France	50	*
FCT Auto ABS LT Leases Master	France	50	*
FCT Auto ABS3 - Compartiment 2014-01	France	50	*
PSA Banque France	France	50	*
PSA Bank Deutschland GmbH	Germany	50	*
Auto ABS German Loans Master	Germany	50	*
ABS Italian Loans Master S.r.l.	Italy	50	*
Banca Italia S.P.A.	Italy	50	*
PSA Insurance Europe Ltd	Malta	50	*
PSA Life Insurance Europe Ltd	Malta	50	*
PSA Consumer Finance Polska Sp. z o.o	Poland	50	*
PSA Finance Polska Sp.z.o.o.	Poland	50	*
Auto ABS Spanish Loans 2016, FT	Spain	50	*
FTA Auto ABS - Compartiment 2012-3	Spain	50	*
PSA Financial Services Spain E.F.C. S.A.	Spain	50	*
Auto ABS Swiss Lease 2013 GmbH	Switzerland	50	*
PSA Finance Suisse S.A.	Switzerland	50	*
PSA Financial Services Nederland B.V.	The Netherlands	50	*
Auto ABS UK Loans PLC - Compartiment 2012-5	United Kindom	50	*
FCT Auto ABS UK Loans	United Kindom	50	*
PSA Finance UK Ltd	United Kindom	50	*

Company	Country	% interest	
Opel - Vauxhall Finance			
Opel Bank S.A	France	50	*
Opel Finance Germany Holdings GmbH	Germany	50	*
Opel Bank GmbH	Germany	50	*
Opel Leasing GmbH	Germany	50	*
Opel Finance SpA	Italy	50	*
Opel Finance AB	Sweden	50	*
Opel Finance SA	Switzerland	50	*
Opel Finance International B.V.	The Netherlands	50	*
Opel Finance N.V.	The Netherlands	50	*
OPVF Holdings U.K. Limited	United Kindom	50	*
Vauxhall Finance plc	United Kindom	50	*
OPVF Europe Holdco Limited	United Kindom	50	*

Company	Country	% interest

IV – STATUTORY AUDITORS' REPORT ON THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

A l'Assemblée Générale de la société Peugeot S.A.,

Opinion

En exécution de la mission qui nous a été confiée par votre Assemblée Générale, nous avons effectué l'audit des comptes consolidés de la société Peugeot S.A. relatifs à l'exercice clos le 31 décembre 2017, tels qu'ils sont joints au présent rapport.

Nous certifions que les comptes consolidés sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine, à la fin de l'exercice, de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

L'opinion formulée ci-dessus est cohérente avec le contenu de notre rapport au Comité Financier et d'Audit.

Fondement de l'opinion

Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des commissaires aux comptes relatives à l'audit des comptes consolidés » du présent rapport.

Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance qui nous sont applicables, sur la période du 1er janvier 2017 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par l'article 5, paragraphe 1, du règlement (UE) n° 537/2014 ou par le code de déontologie de la profession de commissaire aux comptes.

Justification des appréciations - Points clés de l'audit

En application des dispositions des articles L. 823-9 et R. 823-7 du code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les points clés de l'audit relatifs aux risques d'anomalies significatives qui, selon notre jugement professionnel, ont été les plus importants pour l'audit des comptes consolidés de l'exercice, ainsi que les réponses que nous avons apportées face à ces risques.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes consolidés pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes consolidés pris isolément.

Allocation du prix d'acquisition d'Opel Vauxhall

(note 2 de l'annexe aux comptes consolidés)

Risque identifié

Le 31 juillet 2017, le Groupe PSA a acquis la majorité des filiales automobiles du groupe américain General Motors en Europe, représentée par les marques Opel et Vauxhall (ci-après « Opel Vauxhall »). Le prix d'acquisition s'est élevé à 1 018 millions d'euros hors ajustement de prix éventuel.

Cette opération se traduit par la constatation d'un écart d'acquisition d'un montant de 1 810 millions d'euros après allocation du prix d'acquisition.

Cette allocation du prix d'acquisition est provisoire et sera finalisée dans les douze mois suivants la date de prise de contrôle ; elle repose sur des estimations relatives à la détermination de la juste valeur des actifs et des passifs acquis. Le Groupe PSA a mandaté un expert indépendant afin de l'assister dans l'exercice d'identification et d'évaluation des principaux actifs incorporels et corporels d'Opel Vauxhall.

L'allocation du prix d'acquisition d'Opel Vauxhall est considérée comme un point clé de l'audit eu égard à la matérialité de cette acquisition et parce que la direction est amenée à exercer un certain nombre de jugements pour identifier les actifs et les passifs acquis, évaluer leur juste valeur et présenter cette information en annexe.

Notre réponse

Dans le cadre de notre audit des comptes consolidés, nos travaux ont notamment consisté à :

- prendre connaissance et apprécier le périmètre et l'étendue des travaux menés par le groupe PSA et son expert indépendant pour identifier et évaluer la juste valeur des actifs et des passifs acquis ;
- avec l'aide de nos spécialistes en évaluation, analyser la méthodologie de valorisation appliquée aux actifs et aux passifs acquis les plus significatifs et apprécier les principales hypothèses et les paramètres retenus pour la détermination de la juste valeur et, notamment :
  - la cohérence des flux de trésorerie futurs retenus dans la valorisation de certains actifs et passifs avec le business plan de tout acquéreur potentiel (ou *market participant* selon la norme IFRS 3) ;
  - la cohérence des estimations de juste valeur des actifs corporels avec les données de marché ou des valeurs de transactions similaires ;
  - les éléments justifiant l'estimation de la valeur des contrats onéreux ;
  - pour l'évaluation des marques, la cohérence des taux de redevances appliquées aux projections de chiffres d'affaires par rapport aux benchmarks sectoriels;
- analyser le caractère approprié des informations fournies dans l'annexe aux comptes consolidés au titre de l'allocation du prix d'acquisition.

Evaluation de la valeur recouvrable des actifs immobilisés du Groupe

(notes 8.3 A, 8.3 B et 8.3 C de l'annexe aux comptes consolidés)

Risque identifié

Au 31 décembre 2017, la valeur nette comptable des actifs immobilisés du Groupe s'établit à 3 320 millions d'euros pour les écarts d'acquisition, 7 916 millions d'euros pour les immobilisations incorporelles et 13 278 millions d'euros pour les immobilisations corporelles. Ces actifs sont rattachés à des unités génératrices de trésorerie (« UGT »).

La valeur recouvrable des actifs immobilisés est testée dès l'apparition d'indices de perte de valeur et au minimum une fois par an pour les actifs à durée de vie indéfinie (essentiellement les écarts d'acquisition et les marques).

Une dépréciation est constatée lorsque la valeur recouvrable de ces actifs est inférieure à leur valeur nette comptable. La valeur recouvrable est la valeur la plus élevée entre la valeur d'utilité et la valeur de marché. La valeur d'utilité est déterminée par référence à des flux de trésorerie nets actualisés et implique des jugements importants de la direction notamment sur l'établissement des prévisions et sur le choix des taux d'actualisation et de croissance à l'infini.

Compte tenu du poids de ces actifs dans les comptes consolidés du Groupe, du niveau de jugement de la direction et des incertitudes inhérentes aux hypothèses utilisées, nous considérons l'évaluation de la valeur recouvrable des actifs immobilisés du Groupe comme un point clé de notre audit.

Notre réponse

Nous avons effectué un examen critique des modalités mises en œuvre par la direction pour déterminer la valeur recouvrable des actifs immobilisés du Groupe. Nous avons obtenu les derniers plans à moyen terme (« PMT ») de la direction ainsi que les tests de perte de valeur de chacune des UGT et des actifs présentant des indices de perte de valeur.

Sur la base de ces informations, nos travaux ont essentiellement consisté à :

- rapprocher des comptes les valeurs nettes comptables des UGT et des actifs pris individuellement faisant l'objet d'un test de perte de valeur ;
- examiner les projections des flux de trésorerie, notamment la cohérence des données sur les marges et les volumes utilisés dans les tests avec les sources externes ou les dernières estimations de la direction présentées aux organes de gouvernance ;
- examiner les prévisions par comparaison avec les données utilisées dans les précédents tests de perte de valeur et la performance historique du Groupe ;
- comparer les taux d'actualisation retenus aux données de marché disponibles ;
- vérifier, par sondages, l'exactitude arithmétique du modèle de valorisation utilisé par la direction;
- procéder à l'analyse de sensibilité de la valeur recouvrable des UGT testées et à une variation des principales hypothèses retenues (taux de croissance long terme, taux de marge retenu en année terminale, taux d'actualisation).

Evaluation des titres mis en équivalence des activités automobiles

(notes 8.3 D et 11 de l'annexe aux comptes consolidés)

Risque identifié

Au 31 décembre 2017, les titres mis en équivalence des activités automobiles du Groupe PSA sont comptabilisés au bilan pour un montant de 858 millions d'euros. Ces titres comprennent essentiellement les participations du Groupe dans les sociétés en partenariat avec Dong Feng Motor Group et avec Changan pour les activités situées en Chine.

Le résultat des sociétés mises en équivalence inclut des dépréciations d'actifs résultant de tests de dépréciation réalisés selon les mêmes principes que ceux applicables à l'actif immobilisé des activités automobiles du Groupe PSA. Lorsqu'un indice de perte de valeur est identifié, les actifs spécifiques aux modèles de véhicules sont testés par UGT Véhicules et l'ensemble des actifs (y compris ceux qui ne sont pas spécifiques aux modèles) sont testés au niveau global de chaque partenariat. Par ailleurs, le Groupe PSA réalise un test de perte de valeur complémentaire lorsqu'il existe un indicateur de perte de valeur.

Au 31 décembre 2017, la réalisation de tests de perte de valeur a conduit les sociétés en coopération avec le groupe Dong Feng Motor à constater une dépréciation de 1 515 millions de RMB (758 millions de RMB en quote-part PSA, soit 97 millions d'euros).

Au 31 décembre 2017, la réalisation de tests de perte de valeur par la société Changan PSA Automobile Co., Ltd en coopération avec le groupe Changan n'a pas conduit à constater de dépréciation complémentaire. Au 31 décembre 2016, cette société avait constaté une perte de valeur de 263 millions d'euros en quote-part PSA. Ainsi, le Groupe PSA maintient une dépréciation des titres mis en équivalence de 51 millions d'euros et une provision pour risques de 190 millions d'euros après prise en compte d'une perte de 24 millions d'euros pour l'exercice 2017.

Compte tenu de la baisse significative des ventes et de la dégradation de la rentabilité intervenue dans les activités des partenariats en Chine et du niveau de jugement de la direction sur les hypothèses sous-tendant l'évaluation des actifs de ces sociétés, nous considérons l'évaluation des titres mis en équivalence comme un point clé de notre audit.

Notre réponse

Dans le cadre de notre audit des comptes consolidés, nos travaux ont notamment consisté à :

- analyser l'existence d'indicateurs de perte de valeur, comme par exemple une baisse significative des volumes et une dégradation de la rentabilité ;
- prendre connaissance des travaux d'audit réalisés par les auditeurs des sociétés en partenariat avec Dong Feng Motor Group en Chine, et de leurs conclusions sur les modalités de mise en œuvre des tests de dépréciation des actifs au niveau des sociétés en partenariat et sur le caractère raisonnable des hypothèses retenues par la direction ;
- évaluer la cohérence et la pertinence des principales hypothèses utilisées dans la réalisation du test de perte de valeur des actifs de la société en partenariat avec le groupe Changan, notamment par référence au plan moyen terme examiné par les organes de gouvernance des sociétés en partenariat.

Vérification des informations relatives au groupe données dans le rapport de gestion

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, à la vérification spécifique prévue par la loi des informations relatives au groupe, données dans le rapport de gestion du Directoire.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Informations résultant d'autres obligations légales et réglementaires

Désignation des commissaires aux comptes

Nous avons été nommés commissaires aux comptes de la société Peugeot S.A. par l'Assemblée Générale du 25 mai 2005 pour le cabinet Mazars et du 31 mai 2011 pour le cabinet ERNST & YOUNG et Autres.

Au 31 décembre 2017, le cabinet Mazars était dans la douzième année de sa mission sans interruption et le cabinet ERNST & YOUNG et Autres dans la sixième année.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes consolidés

Il appartient à la direction d'établir des comptes consolidés présentant une image fidèle conformément au référentiel IFRS tel qu'adopté dans l'Union européenne ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes consolidés, il incombe à la direction d'évaluer la capacité de la société à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider la société ou de cesser son activité.

Il incombe au Comité Financier et d'Audit de suivre le processus d'élaboration de l'information financière et de suivre l'efficacité des systèmes de contrôle interne et de gestion des risques, ainsi que le cas échéant de l'audit interne, en ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Les comptes consolidés ont été arrêtés par le Directoire.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes consolidés

Objectif et démarche d'audit

Il nous appartient d'établir un rapport sur les comptes consolidés. Notre objectif est d'obtenir l'assurance raisonnable que les comptes consolidés pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L.823-10-1 du code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de votre société.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;
- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;
- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes consolidés ;
- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes consolidés au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;
- il apprécie la présentation d'ensemble des comptes consolidés et évalue si les comptes consolidés reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle ;
- concernant l'information financière des personnes ou entités comprises dans le périmètre de consolidation, il collecte des éléments qu'il estime suffisants et appropriés pour exprimer une opinion sur les comptes consolidés. Il est responsable de la direction, de la supervision et de la réalisation de l'audit des comptes consolidés ainsi que de l'opinion exprimée sur ces comptes.

Rapport au Comité Financier et d'Audit

Nous remettons un rapport au Comité Financier et d'Audit qui présente notamment l'étendue des travaux d'audit et le programme de travail mis en œuvre, ainsi que les conclusions découlant de nos travaux. Nous portons également à sa connaissance, le cas échéant, les faiblesses significatives du contrôle interne que nous avons identifiées pour ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Parmi les éléments communiqués dans le rapport au Comité Financier et d'Audit figurent les risques d'anomalies significatives que nous jugeons avoir été les plus importants pour l'audit des comptes consolidés de l'exercice et qui constituent de ce fait les points clés de l'audit, qu'il nous appartient de décrire dans le présent rapport.

Nous fournissons également au Comité Financier et d'Audit la déclaration prévue par l'article 6 du règlement (UE) n° 537-2014 confirmant notre indépendance, au sens des règles applicables en France telles qu'elles sont fixées notamment par les articles L. 822-10 à L. 822-14 du code de commerce et dans le code de déontologie de la profession de commissaire aux comptes. Le cas échéant, nous nous entretenons avec le Comité Financier et d'Audit des risques pesant sur notre indépendance et des mesures de sauvegarde appliquées.

Courbevoie et Paris-La Défense, le 1er mars 2018

Les Commissaires aux Comptes

MAZARS		ERNST & YOUNG et Autres	
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MARQUE DS
GROUPE PSA / Communications Department

Designed & published by LABRADOR +33 (0)1 53 06 30 80

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Incorporated in France with issued capital of €904,828,213
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