GIE PSA TRÉSORERIE
Economic Interest Grouping with capital of €15,000
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ORDINARY SHAREHOLDERS' MEETING OF 12 FEBRUARY 2018

SOLE DIRECTOR'S REPORT

Dear Sirs,

In my capacity as Permanent Representative of your Grouping's Sole Director, I am pleased to report to you on its activities over the past year, presenting the outlook for 2018, submitting the 2017 annual financial statements for your approval and, finally, asking you to allocate the earnings for the year.

RESPONSIBILITIES AND ACTIVITIES DURING 2017:

- Your Grouping centralises the liquidity needs and surpluses of the manufacturing and sales companies of Groupe PSA in Europe as follows: (a) the euro zone countries through a euro cash-pooling, and (b) Great Britain, Switzerland, Poland, Mexico and Japan through a multi-currency cash-pooling managed by PSA International. To this effect, your Grouping has included Opel Automobile GmbH in its cash pooling as of 1 August 2017.

- Your Grouping manages the net cash surpluses in accordance with the short-term investment policy of Groupe PSA and within the counterparty limits governing these commitments.

- Since June 2013, GIE PSA Trésorerie has given guarantees to bond holders, to cover the issues of Peugeot SA.

- Since 13 January 2017, GIE PSA Trésorerie stands as surety for PSA Automobiles SA (formerly PCA) in respect of the financing agreement signed in December 2016 between PSA Automobiles SA and the European Investment Bank (EIB) for an amount of €250 million over a period of 7 years.

- At 1 January 2017, to achieve a better balance between its financial resources and their use, your Grouping terminated all mirror loans granted by Peugeot SA to the Grouping in respect of available financing stemming from long-term bond issues. The funds available to Peugeot SA from bond issues are no longer loaned to your Grouping. These funds are deposited in the current account of Peugeot SA held in your Grouping.

- Your Grouping has granted two lines of credit to PCMA Russia.
  The first line was extended in December 2016 to finance the acquisition of fixed assets and other costs of producing PSA vehicles. This line of 3,748.2 million roubles maturing in five years was immediately drawn down in the amount of 1,328.2 million roubles. The repayment of this first tranche is spread

over five years. In 2017, two new drawdowns took place, in May and September, in the amounts of 344.6 million roubles and 922.8 million roubles respectively, repayable by 2021.
In the same objective, a second line of credit was extended in February 2017 for 732.6 million roubles with a maturity of 4 years. It was drawn down in the amount of 529 million roubles in February.

- The confirmed credit line of €3 billion obtained by Peugeot SA and GIE PSA Trésorerie in April 2014 was renewed in November 2015. It comprises a tranche A totalling €2 billion with a maturity of five years and a tranche B totalling €1 billion with a maturity of three years with two optional one-year extensions. The two extension options have been exercised. This credit line will thus mature in November 2020. This credit line has not been drawn down.

Cash position with respect to the members of the Grouping and other PSA Group counterparties

The loan accounts granted to members of the Grouping and other Groupe PSA counterparties (excluding Faurecia and Banque PSA Finance) represented €4,153 million of average annual outstandings (versus €3,942 million in 2016) when the borrowing accounts from these same entities were €11,821 million (versus €8,745 million in 2016).
Since June 2009, the financing rate applied to members of the Grouping has been set on a monthly basis, in order to charge the funding costs incurred, less investment income received, back to members.

External financing

In 2017, your Grouping did not make use of any new external financing, either directly or by the intermediary of Peugeot SA.
The net proceeds of the new bond issued by Peugeot SA in March 2017 were booked by GIE PSA Trésorerie in its current account (i.e. €600 million in March 2017, and an additional €100 million in May 2017).

In 2017, through its current account in your Grouping, Peugeot SA redeemed the final €304 million in respect of the bond issue it launched on 10 April 2012 (bond issue of €600 million which matured on 11 July 2017).

In 2017, the average outstanding of all external financing amounted to €610 million, compared to €2,566 million in 2016. This drop is due to the termination of the mirror loans granted by Peugeot SA to the Grouping in respect of available financing stemming from long-term bond issues.

The financial resources allocated to the Grouping are therefore short-term resources, with the exception of the €600 million 2033 bond issued on the Grouping and retained as a financial security.

The cost of these short-term resources and the 2033 bond is now used in the calculation of the cost of capital charged to members.

Financial expenses resulting from external financing amounted to €23 million for 2017, compared to €219 million in 2016.

Interest rate hedges

Given the level of interest rates, no new interest rate hedging has been established. In 2017, no financing was covered by interest rate hedging, either directly or via Peugeot SA.

Currency hedges

The foreign exchange policy is to automatically hedge all currency risk exposures. GIE PSA Trésorerie uses derivatives to hedge loans in foreign currencies, in particular the loans in roubles granted to PCMA, for which the repayment of principal and interest is spread until 2021.
Your Group also hedged its foreign currency investments and securities via appropriate financial instruments.

Short-term investments

The average amount of cash investments in 2017 was €8,322 million, compared to €7,515 million in 2016.

In 2017, your Grouping continued to diversify its types of investments through capitalisation contracts and foreign currency products.
Investments of your Grouping in 2017 break down as follows, in average annual amounts (in millions of euros):

UCITS	4,863
Money-market securities and short-term loans	2,979
Cash and cash equivalents	242
Capitalisation contracts	237
Total	**8,322**

Financial income from external investment transactions amounted to -€0.5 million in 2017, compared to €8 million in 2016, with an Eonia rate that, at a 2017 average of -0.35%, lost 4 basis points compared to 2016.

OUTLOOK FOR 2018

Your Grouping will continue to fulfil its responsibilities (i) of pooling the cash surpluses and requirements of members of the Grouping, (ii) of investing net surpluses, as well as (iii) acting as an intermediary in terms of managing interest rate risk.

Your Grouping will continue to optimise the return on its investments whilst preserving its short-term financial security.

REVIEW OF FINANCIAL STATEMENTS FOR 2017

The annual financial statements were prepared in accordance with current legal requirements and have been approved by your Grouping's Statutory Auditors. They include the balance sheet, the income statement and the notes to the financial statements. The notes contain information material to the understanding of the financial statements and, consequently, should be referred to.

The income statement for the year showed a loss of €0.9 million, versus a gain of €2.5 million in the preceding year.

Financial income for the year amounted to €1.7 million, compared with €77.1 million in 2016.

The change in operating income breaks down as follows:

- **+€196 million** due to the reduction of costs (recognised as operating expenses) and charges (recognised as financial expenses) linked with external financing.
  The change in operating expenses, which amounted to €3 million in 2017 compared to €75 million in 2016, i.e. a reduction of €72 million, is due to the termination of the mirror loans granted by Peugeot S.A to the Grouping in respect of available financing stemming from long-term bond issues, whose costs are no longer re-invoiced to the Grouping. A redemption premium of €65.4 million was paid in 2016, while in 2017, expenses related to long-term financing are no longer borne by the Grouping.
  The average outstanding amount of the external debt, which stood at €610 million in 2017, dropped by €1,956 million compared to 2016, following the above-mentioned termination of the mirror loans granted by Peugeot SA to the Grouping. The average cost of financing fell accordingly, standing at 0.48% in 2017 versus 8.69% in 2016.

- **+€0 million** on charges on the loans from members of the Grouping and other Groupe PSA counterparties due to the application of an average rate of 0% (EONIA, floored at 0), despite an increase in outstandings (+€3,076 million).

- **-€6 million** due to lower investment income, before adjusting for unrealized capital gains on UCITS and capitalisation contracts, which are not shown in company profit and loss. Apart from this effect, the decrease in short-term investment income was -€8 million, with outstandings up by €807 million, but an average yield on investments of -0.007% versus 0.13% in 2016 in an environment of negative money rates.

- **-€192 million** due to the reduction in income from financing granted to members of the Grouping and other Groupe PSA counterparties (excluding Faurecia and Banque PSA Finance). The net change in income and expenses of the previous items has been passed on to members in accordance with the financing rate chargeback policy in force.

The balance sheet footing at 31 December 2017 was €13.7 billion versus €12.6 billion at 31 December 2016.

You are asked to approve the financial statements for the financial year 2017 as now presented to you.

Proposal for allocation of earnings:

If you approve the financial statements as they have been presented to you, I propose, in accordance with Article 21 of your Grouping's contract, that you allocate the earnings, i.e. a charge which stands at €906,946.43 to each of the members of your Grouping in proportion to the shares held in its capital, namely:

- PEUGEOT S.A.:	-€897,876.97
- AUTOMOBILES PEUGEOT:	-€3,023.15
- AUTOMOBILES CITROËN:	-€3,023.15
- PSA AUTOMOBILES SA (formerly PCA):	-€3,023.15

The Permanent Representative
of the Sole Director

JC. GAURY