First-Half 2014 results

"Back in the Race", the PSA Peugeot Citroën strategic plan, delivers its first results

Tough challenges to be faced in the second half

- **Consolidated revenues of €27.6 billion, and €18.6 billion for the Automotive Division, stable compared with first-half 2013.**
- **Strong improvement in consolidated operating income, to €477 million, and in the Automotive Division's operating result, to €7 million.**
- **Positive Free cash flow of €1,514 million. Excluding the €130 million in non-recurring gains on real estate disposals and the €283 million in restructuring costs, operating free cash flow stood at €1,667 million for the period.**

These results demonstrate that the "Back in the Race" strategic plan is delivering its initial benefits in terms of pricing power and improved competitiveness, in particular by reducing the Group's break even point. Outside France, the Group is continuing to drive successful growth in China and reduces its losses in Latin America and Russia.

However, challenges and risks remain in the second half, reflecting in particular the uncertainty in emerging markets, the persistently unfavourable currency effect, the sluggish recovery in French demand, the impact on profitability of Euro 6.2 regulation, and increasing risks on our plants procurement.

"*The commitment of every PSA Peugeot Citroën employee to deploying the Back in the Race strategic plan has enabled the Group to reap the initial benefits of this transformation*," said Carlos Tavares, Chairman of the PSA Peugeot Citroën Managing Board. "*Nevertheless, we remain disciplined and focused on executing our plan until we have completely recovered*."

Consolidated revenues stood at €27,616 million in the first half of 2014, stable vs the year-earlier period.
The **Automotive** Division reported revenues of €18,610 million, also stable year-on-year as the positive impact of pricing and product mix did not offset the impact of highly adverse currency movements over the period.

Consolidated operating income amounted to €477 million, versus an operating loss of €100 million[1] in first-half 2013. The Automotive Division's operating result improved to €7 million from -€538 million[2] a year earlier, reflecting the positive product and price mix resulting from the success of recent launches by the three brands, Peugeot, Citroën and DS, and from the pricing power policy. The improvement was also driven by the sustained commitment to reducing fixed costs. Together, these positive factors helped to offset the €251 million negative currency effect. Including the pro forma first-half contribution from its share in DPCA and CAPSA joint ventures, the Automotive Division would have reported operating income of €128 million for the period.

Non-recurring operating income and expenses came to a negative €100 million, primarily due to restructuring costs incurred by the Automotive Division.

[1] *After adjustments for IFRS 10, IFRS 11 and IFRIC 21, and compared with the €97 million in consolidated recurring operating income reported in 2013.*
[2] *After adjustments for IFRS 10, IFRS 11 and IFRIC 21, and compared with the €510 million consolidated recurring operating loss reported by the Division in 2013.*

Net financial expense came to -€344 million, €99 million more than in first-half 2013, when proceeds from the sale of the BNP Paribas shares were recognised. Otherwise, financial costs were relatively unchanged year-on-year. The **net loss** improved to -€42 million for the period, vs -€433 million in the first half 2013.

Banque PSA Finance's operating income ended the first half at €172 million, down €26 million year-on-year due to market demand evolution and to the bank's refinancing situation. Net risk provisions improved at 0.50% of average net loans outstanding. In July, the agreement to form a strategic European partnership with Santander was signed, which will help to limit the use of the French State's guarantee.

Faurecia reported operating income of €311 million, an increase of €55 million compared with first-half 2013 led by international growth, especially in China.

Free cash flow[3] amounted to €1,514 million for the period, lifted by improvement in funds from operations and working capital requirement (+€1,139 million over the period) reflecting in particular the inventory reduction and supply chain optimisation action plans. It is shaped by a sharp seasonal variation due to the dividend payment during the period and to the level of activity, which also impacts working capital requirement.

Excluding €283 million in restructuring costs and €130 million in non-recurring income (mainly proceeds from the sale of real estate assets), the **operating free cash-flow** amounted to €1,667 million,

Total inventory, including independent dealers, stood at 406,200 vehicles at 30 June 2014, down 30,400 units from the year-earlier period.

Net financial position of the manufacturing and sales companies reached a positive €224 million at 30 June 2014, compared with net debt of -€4,181 million at 31 December 2013, including the €2,916 million in proceeds from the rights and share issues carried out in April and May 2014.

The Group financial security amounted to €15,024 million, including €4,150 billion in undrawn credit facilities renewed, vs €10,140 million and €3,550 million respectively at the end 2013.

Outlook

In 2014, PSA Peugeot Citroën expects to see automotive demand increase by around 3% in Europe and by around 10% in China, but decline by some 7% in Latin America and around 10% in Russia.[4]

It is aiming to deliver recurring positive Group operating free cash flow by 2016 at the latest, and an aggregate €2 billion in Group operating free cash flow over the 2016-2018 period. It is also targeting an operating margin[5] of 2% in 2018 in the Automotive Division, with the objective of reaching 5% over the period of the next medium-term plan, covering 2019-2023.

3 Free cash flow of the manufacturing and sales companies.
4 Versus the 5% decline in the Russian market estimated in late March 2014.
5 Recurring operating income/(loss) as a percentage of revenues

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Financial Calendar

- 22 October 2014: Third-quarter 2014 revenues

The consolidated financial statements for the six months ended 30 June 2014 were approved by the Managing Board on 22 July, 2014 and reviewed by the Supervisory Board on 29th July, 2014. The Group's Statutory Auditors have performed their limited review of the financial statements and are currently issuing their report on the interim financial information.

About PSA Peugeot Citroën

With its three world-renowned brands, Peugeot, Citroën and DS, PSA Peugeot Citroën sold 2.8 million vehicles worldwide in 2013, of which 42% outside Europe. The second largest carmaker in Europe, PSA Peugeot Citroën recorded sales and revenue of €54 billion in 2013.
The Group confirms its position of European leader in terms of CO_2 emissions, with an average of 115.9 grams of CO_2/km in 2013. PSA Peugeot Citroën has sales operations in 160 countries. It is also involved in financing activities (Banque PSA Finance) and automotive equipment (Faurecia). For more information, please visit www.psa-peugeot-citroen.com

Appendices

Consolidated Statements of Income

	First-half 2013*				First-half 2014			
(€ millions)	Manufacturing and Sales Companies	Finance Companies	Eliminations	TOTAL	Manufacturing and Sales Companies	Finance Companies	Eliminations	TOTAL
Revenues	26,993	888	(141)	27,740	**26,938**	**848**	**(170)**	**27,616**
Recurring operating income/(loss)	(298)	198	-	(100)	**305**	**172**	**-**	**477**
Non-recurring operating income/(expense)	33	-	-	33	**(98)**	**(2)**	**-**	**(100)**
Operating Income/(loss)	(265)	198	-	(67)	**207**	**170**	**-**	**377**
Consolidated profit/(loss)	*(579)*	*146*	-	*(433)*	***(145)***	***103***	**-**	***(42)***
Group share	(612)	139	2	(471)	**(213)**	**97**	**2**	**(114)**
Attributable to minority interests	33	7	(2)	38	**68**	**6**	**(2)**	**72**
(in euros)								
Basic earnings/(loss) per €1 par value share				(1,38)				**(0.25)**

Consolidated Balance Sheets

Assets	First-half 2013*				First-half 2014			
(€ millions)	Manufacturing and Sales Companies	Finance Companies	Eliminations	TOTAL	Manufacturing and Sales Companies	Finance Companies	Eliminations	TOTAL
Total non-current assets	19,709	389	(1)	20,097	20,349	349	(1)	20,697
Total current assets	15,524	24,668	(568)	39,624	20,218	25,331	(1,207)	44,342
Total assets held for sale	43	-	-	43	12	-	-	12
TOTAL ASSETS	**35,276**	**25,057**	**(569)**	**59,764**	**40,579**	**25,680**	**(1,208)**	**65,051**

Equity and Liabilities	First-half 2013*				First-half 2014			
(€ millions)	Manufacturing and Sales Companies	Finance Companies	Eliminations	TOTAL	Manufacturing and Sales Companies	Finance Companies	Eliminations	TOTAL
Total equity				7,837				10,666
Total non-current liabilities	12,622	364	(1)	12,985	12,872	349	(1)	13,220
Total current liabilities	18,109	21,401	(568)	38,942	20,221	22,151	(1,207)	41,165
.iabilities related to discontinued operations	-	-	-	-	-	-	-	-
TOTAL EQUITY & LIABILITIES				**59,764**				**65,051**

Consolidated Statement of Cash Flows

	First-half 2013*				First-half 2014			
(€ millions)	Manufacturing and Sales Companies	Finance Companies	Eliminations	TOTAL	Manufacturing and Sales Companies	Finance Companies	Eliminations	TOTAL
Consolidated profit/(loss) from continuing operations	**(577)**	**146**	**-**	**(431)**	**(145)**	**103**	**-**	**(42)**
Funds from operations	**733**	**145**	**-**	**878**	**1,176**	**130**	**-**	**1,306**
Net cash from operating activities	1,059	928	(12)	1,975	2,315	253	(550)	2,018
Net cash used in investing activities	(1,342)	(7)	-	(1,349)	(1,029)	(5)	-	(1034)
Net cash from/(used in) financing activities	2,823	(286)	(56)	2,481	2,921	(228)	420	3,113
Effect of changes in exchange rates	(48)	(8)	3	(53)	16	6	(2)	20
Net increase/(decrease) in cash and cash equivalents	**2,492**	**627**	**(65)**	**3,054**	**4,223**	**26**	**(132)**	**4,117**
Net cash and cash equivalents at beginning of period	5,497	1,669	(279)	6,887	6,161	1,804	(210)	7,755
Net cash and cash equivalents at end of period	**7,958**	**2,296**	**(344)**	**9,910**	**10,384**	**1,829**	**(342)**	**11,872**