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# ANNUAL RESULTS



19



# 2016 Annual Results

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# I. MANAGEMENT AND SUPERVISORY BODIES

## AT 31 DECEMBER 2016

### Supervisory Board

#### CHAIRMAN

Louis Gallois

#### VICE-CHAIRMEN

Jack Azoulay (appointed on the proposal of the French Government)  
Marie-Hélène Peugeot Roncoroni (permanent representative of Etablissements Peugeot Frères)  
Zhu Yanfeng (permanent representative of Dongfeng Motor (Hong Kong) International Co. Ltd.)

#### SUPERVISORY BOARD MEMBERS

Geoffroy Roux de Bézieux (Senior Independent Member)  
Catherine Bradley  
Pamela Knapp  
Jean-François Kondratiuk (employee representative)  
Helle Kristoffersen  
Liu Weidong  
Robert Peugeot (permanent representative of FFP)  
Henri Philippe Reichstul  
Anne Valleron (employee shareholder representative)  
Florence Verzelem (permanent representative of SOGÉPA)

#### NON-VOTING ADVISORS

Frédéric Banzet  
Aymeric Ducrocq  
Wei Wenqing

*Bruno Bézard resigned from the Supervisory Board with effect from 30 June 2016.*

### Managing Board

#### CHAIRMAN

Carlos Tavares

#### MEMBERS OF THE MANAGING BOARD

Jean-Baptiste Chasseloup de Chatillon  
Maxime Picat  
Jean-Christophe Quémard

*On the recommendation of the Chairman of the Managing Board, the Supervisory Board approved the appointment of Maxime Picat to the Managing Board from 1 September 2016 to replace Grégoire Olivier, who was appointed to lead the new Mobility Services Department.*

## II. ANNUAL MANAGEMENT REPORT

### 1. GROUP ACTIVITIES

#### 1.1. Overview of sales activities

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Sales by the PSA Group increased for the third consecutive year

- In 2016, sales increased by 5.8%, to 3,146,000 units<sup>1</sup>.
- The product offensive in the Push to Pass plan was launched for the Peugeot and Citroën brands.
- Successful commercial launches for the new PEUGEOT 3008 SUV, Expert and Traveller, the new CITROËN C3, the new Jumpy and SpaceTourer.
- DS Automobiles consolidated its premium brand bases.

In executing its profitable strategic growth "Push to Pass" plan, in 2016 the PSA Group launched the start of a worldwide product offensive that provides for 121 regional launches by 2021.

All the products launched are commercial successes in their market segments:

A perfect illustration of the dynamism of the PEUGEOT brand, which grew by 12.3% in 2016, **the new PEUGEOT 3008 SUV** has seen a total of more than 60,000 orders in only three months, exceeding the targets for 2016 orders set before the launch by 70%. Launched in about 30 countries, the roll-out to all regions will continue during the first quarter of 2017. In France, it is already the leader in the C-SUV segment over the final three months of the year. The new PEUGEOT 3008 SUV confirms the PEUGEOT brand's move upmarket, with 86% of the orders for the higher trim levels, Allure, GT-Line and GT. PEUGEOT is continuing its internationalisation, with 43% of its worldwide sales generated outside Europe, an increase of four points compared with 2015.

**The new PEUGEOT 4008 SUV** launched in November 2016 in China and manufactured in the new Chengdu plant dedicated to SUVs achieved 120% of its objectives. In less than six weeks' marketing, it has already recorded 11,500 orders, of which more than 40% were for high-end trims.

**The new CITROËN C3**, with almost 40,000 sales already since its launch in November, enabled a bound of sales of 63% to be recorded in the fourth quarter, with a very high order mix of almost 50% for the highest trim level and 75% for the two-tone versions. These choices reflect the differentiation and well-being values at the core of the CITROËN positioning.

With a range that has been renewed over 12 months, the DS brand is gradually taking its place in the premium segment. The **DS 3** stands among the top three best-selling premium city sedans in Europe, the **DS 4 Crossback**, the smart adventurer, represents 34% of sales of the DS 4 & DS 4 Crossback duo, and 81% of sales of the **DS 5** are the high-end versions.

Furthermore, the Group is extending its product offensive to the light commercial vehicle segment, with the launch of **seven new versions of the PEUGEOT Expert and CITROËN Jumpy** in 2016 including the launch of the **PEUGEOT Traveller and CITROËN SpaceTourer** PC versions.

**In Europe**, the Group's sales were 1,930,000 vehicles and grew by 3.6% in 2016.

**In China and South-East Asia**, in a fiercely competitive context, the Group's sales decreased by 16% with 618,000 vehicles sold.

**In the Middle-East and Africa region**, the PSA Group doubled its sales in 2016 with 383,500 vehicles<sup>1</sup>. In less than a year, the Group's return to Iran took firm shape with the signature of two joint venture agreements: PEUGEOT with Iran Khodro, the brand's historic partner, and CITROËN with SAIPA.

**In Latin America**, the Group's sales grew by 17.1%, with 183,900 vehicles sold.

**In Eurasia**, the economic climate is still very weak, particularly in Russia, and the Group's sales fell by 12.6% to 10,500 units in a market that declined by 12.5%.

**In the India-Pacific region**, the Group saw a rapid increase in its Japanese sales in 2016 with a rise of 20.6%, making this its best result here since 2007.

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<sup>1</sup> Including 233,000 vehicles produced in Iran under Peugeot license in 2016, following the final JV agreement signed with Iran Khodro on 21 June 2016

## 1.2. Consolidated worldwide sales

The consolidated worldwide sales by brand, by geographical area and by model are available on the PSA Group website ([www.groupe-psa.com](http://www.groupe-psa.com)).

## 2. ANALYSIS OF CONSOLIDATED ANNUAL RESULTS

The Group's operations are organised around three main business segments described in Note 3 to the consolidated financial statements at 31 December 2016. Subsequent events are presented in Note 18 to the financial statements.

### 2.1. Group profit (loss) for the period

<i>(in million euros)</i>	31 December 2015	31 December 2016	Change
Revenue	54,676	54,030	(646)
<b>Recurring operating income</b>	<b>2,733</b>	<b>3,235</b>	<b>502</b>
As a percentage of revenue	5.0%	6.0%	
Non-recurring operating income and expenses	(757)	(624)	133
Operating income	1,976	2,611	635
Net financial income (loss)	(642)	(268)	374
Income taxes	(706)	(517)	189
Share in net earnings of companies at equity	437	128	(309)
Profit (loss) from operations held for sale or to be continued in partnership*	137	195	58
<b>Consolidated profit (loss) for the period</b>	<b>1,202</b>	<b>2,149</b>	<b>947</b>
<b>Profit (loss) for the period attributable to owners of the parent</b>	<b>899</b>	<b>1,730</b>	<b>831</b>

\* 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:

<i>(in million euros)</i>	31 December 2015	31 December 2016	Change
Automotive	37,514	37,066	(448)
Faurecia	18,770	18,710	(60)
Other businesses and eliminations*	(1,608)	(1,746)	(138)
<b>Revenue</b>	<b>54,676</b>	<b>54,030</b>	<b>(646)</b>

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

**Automotive revenues** were down 1.2% compared to 2015, mainly due to adverse exchange rate changes (-3.8%) and a decrease in sales to partners (-1.5%). Higher volumes (+2.3%) and improved net prices (+2.0%) partly offset this decline.

At constant exchange rates, **Group revenues** were up 2.1% compared to 2015, while Automotive revenues rose 2.7%.

## 2.3. Group Recurring Operating Income

The following table shows Recurring Operating Income (loss) by business segment :

<i>(in million euros)</i>	31 December 2015	31 December 2016	Change
Automotive	1,871	2,225	354
Faurecia	830	970	140
Other businesses and eliminations*	32	40	8
<b>Recurring operating income</b>	<b>2,733</b>	<b>3,235</b>	<b>502</b>

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

In 2016, the **Automotive recurring operating margin**, which corresponds to the ratio of the Automotive recurring operating income to the Automotive revenues, stood at 6% compared to 5% in 2015. **Group recurring operating margin** stood at 6% as well compared to 5% in 2015.

The 19% increase in the **Automotive recurring operating income** was due to the company's improved performance (+€802 million), despite an unfavourable operating environment (-€448 million):

- the negative effect of the **Automotive division's operating environment** stemmed from a (€838) million effect of "foreign exchange and others", associated essentially with the weakening of the pound sterling and of the Argentinian peso. These effects were partially offset by stronger markets totalling +€331 million, primarily in Europe, and lower raw material and other external costs amounting to +€59 million;
- the improved **performance of the Automotive business** was due to lower production and fixed costs amounting to +€863 million, as well as the price and product enrichment effect of +€365 million and the positive product mix effect amounting to +€89 million. These effects were partially offset by changes in market share and country mix (-€255 million), as well as the effect of capitalising research and development expenses (-€51 million) and other effects (-€209 million).

**Faurecia's recurring operating income** was €970 million, up €140 million.

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

**Non-recurring operating income and expenses** represented a net expense of (€624) million compared to (€757) million in 2015. They primarily included Automotive division restructuring costs totalling (€456) million – mainly in Europe for (€408) million and Latin America for (€37) million – and of Faurecia Group for (€90) million.

**Net financial income and expenses** amounted to (€268) million, an improvement of €374 million versus 2015. See Note 11 to the consolidated financial statements at 31 December 2016.

The **income tax expenses** amounted to (€517) million in 2016 compared to (€706) million in 2015. See Note 13 to the Consolidated Financial Statements at 31 December 2016.

The **share in net earnings of companies at equity** totalled €128 million in 2016, compared to €437 million in 2015.

The contribution of the Dongfeng joint ventures (DPCA and DPCS) represented €242 million, down €108 million. Changan PSA Automobiles Co., Ltd (CAPSA) made a negative contribution of (€292) million in 2016 compared to (€50) million in 2015. This decrease included the recognition in 2016 of an €87 million impairment of the securities of this equity-accounted company, a €27 million impairment of the loan granted by the Group, and the recognition of a €149 million provision. See Note 10.3 to the consolidated financial statements at 31 December 2016.

The contribution of the joint ventures under the partnership between Banque PSA Finance and Santander Consumer Finance amounted to €181 million, up €69 million. See Note 10.3 to the consolidated financial statements at 31 December 2016.

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 €195 million. This mainly consisted of the €174 million profit of Faurecia's Automotive Exteriors business up to its disposal.

The net **income, Group share**, of €1,730 million was up €831 million. **Basic earnings per share** were €2.16 versus €1.14 in 2015. And **diluted earnings per share** were €1.93 up from €0.96 in 2015.

A **dividend** of €0.48 per share will be submitted for approval at the next Shareholders' Meeting with an ex-dividend date considered to be on 15 May 2017, and the payment date on 17 May 2017.

## 2.5. Banque PSA Finance

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

<i>(in million euros)</i>	31 December 2015	31 December 2016	Change
Revenue	1,601	1,405	(196)
Net banking revenue	1,065	1,026	(39)
Cost of risk*	0.33%	0.24%	(0.09)pt
<b>Recurring operating income</b>	<b>514</b>	<b>571</b>	<b>57</b>
Penetration rate	29.9%	30.8%	0.9pt
Number of new contracts (leasing and financing)	731,701	767,848	36,147

\* As a percentage of average net loans and receivables

## 2.6. Faurecia

<i>(in million euros)</i>	31 December 2015	31 December 2016	Change
Revenue	18,770	18,710	(60)
<b>Recurring operating income</b>	<b>830</b>	<b>970</b>	<b>140</b>
As a % of revenue	4.4%	5.2%	
<b>Operating income</b>	<b>765</b>	<b>864</b>	<b>99</b>
Net financial income (expense)	(150)	(163)	(13)
<b>Consolidated profit (loss) for the period</b>	<b>503</b>	<b>706</b>	<b>203</b>
<i>Free cash flow</i>	191	1,011	820
Net financial position	(1,026)	(475)	551

More detailed information about Faurecia is provided in its annual report which can be downloaded from [www.Faurecia.com](http://www.Faurecia.com).

## 2.7. Outlook

### Market outlook

In 2017, the Group anticipates a stable automotive market in Europe, Latin America and Russia, and growth of 5% in China.

### Operational outlook improved

The new objectives of the Push to Pass plan are to:

- deliver over 4.5% Automotive recurring operating margin<sup>2</sup> on average in 2016-2018, and target 6% by 2021;
- deliver 10% Group revenue growth by 2018<sup>3</sup> vs 2015, and target additional 15% by 2021<sup>3</sup>.

<sup>2</sup> Recurring operating income related to revenue

<sup>3</sup> At constant (2015) exchange rates



## 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 11 to the Group's consolidated financial statements at 31 December 2016.

The **net financial position of manufacturing and sales companies** at 31 December 2016 was a net cash position of €6,813 million, up €2,253 million compared with 31 December 2015. Within this positive net financial position, Faurecia had €475 million in net debt at 31 December 2016, compared to €1,026 million in net debt at end-December 2015.

The Group continued to actively manage its debt in 2016, with in particular partial redemptions of bonds by Peugeot S.A. in June 2016 in the amount of €496 million, along with the early repayment by Faurecia of a loan maturing in December 2016 in the amount of €490 million. In addition, Peugeot S.A. issued €500 million in bonds maturing in April 2023. Faurecia likewise issued bonds, for a total of €700 million maturing in June 2023.

The **financial security** of the manufacturing and sales companies at 31 December 2016 stood at €16,974 million compared to €15,552 million at 31 December 2015, with €12,774 million in cash and equivalent, financial investments, current and non-current financial assets and €4,200 million in undrawn credit lines (See Note 11.4 to the consolidated financial statements at 31 December 2016).

### 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 15 to the consolidated financial statements at 31 December 2016.

The **Free Cash Flow** generated over the period amounted to €2,698 million, including a €1,011 million contribution from Faurecia. The Free Cash Flow over the period mainly stemmed from:

- €5,097 million in cash flows generated by recurring operations;
- (€631) million in cash flows related to restructuring plans;
- €471 million improvement in the working capital requirement, including €389 million in trade payables, €291 million in trade receivables, and (€365) million in inventories. New vehicle inventory levels are presented below;
- (€2,673) million in capitalised capital expenditure and research & development including €604 million generated by the sale by Faurecia of its Automotive Exteriors branch versus (€2,692) in 2015. Total research and development expenses incurred were up in 2016 compared with 2015 and are presented in Note 4.3 to the consolidated financial statements at 31 December 2016;
- €434 million in dividends from finance companies.

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

<i>(in thousands of new vehicles)</i>	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Group	99	107	107
Independent dealer network	307	243	232
<b>TOTAL</b>	<b>406</b>	<b>350</b>	<b>339</b>

Other than Free Cash Flow, changes in the net financial position totalled (€445) million. They mainly comprise the effect of changes in exchange rates totalling (€196) million, dividends paid to minority interests in Faurecia totalling (€123) million as well as cash flows from operations held for sale amounting to (€255) million. Lastly, at year-end the exercise of equity warrants made a positive contribution of €330 million to the net financial position.

### 3.3. Liquidity and funding of finance companies

The liquidity and funding of finance companies are discussed in Notes 12.4 and 12.5 to the consolidated financial statements at 31 December 2016.

## 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 2016 Registration Document (Chapter 1.4) that will be published in April 2017, 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 2016, Group sales in the UK represent up to 243,600 vehicles). A one point gross change in the pound sterling euro exchange rate has an impact of around €25 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 and information system risks.

- **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 11.7 to the consolidated financial statements at 31 December 2016 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 12.5 to the consolidated financial statements at 31 December 2016).

- **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 16 to the consolidated financial statements at 31 December 2016).

### III. CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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The consolidated financial statements of the PSA Group are presented for the years ended 31 December 2016 and 2015. The 2014 consolidated financial statements are included in the Registration Document that was filed with the French securities regulator (*Autorité des Marchés Financiers*) on 27 March 2015 under no. D.15-0215.

## CONSOLIDATED STATEMENTS OF INCOME

<i>(in million euros)</i>	Notes	2016			Total
		Manufacturing and sales companies	Finance companies	Eliminations	
<b>Continuing operations</b>					
<b>Revenue</b>	4.1	<b>53,884</b>	<b>161</b>	<b>(15)</b>	<b>54,030</b>
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	4.3	(1,915)	-	-	(1,915)
<b>Recurring operating income (loss)</b>		<b>3,234</b>	<b>1</b>	<b>-</b>	<b>3,235</b>
Non-recurring operating income	4.4 - 7.3	117	-	-	117
Non-recurring operating expenses	4.4 - 7.3	(741)	-	-	(741)
<b>Operating income (loss)</b>		<b>2,610</b>	<b>1</b>	<b>-</b>	<b>2,611</b>
Financial income		298	4	-	302
Financial expenses		(570)	-	-	(570)
<b>Net financial income (expense)</b>	11.2	<b>(272)</b>	<b>4</b>	<b>-</b>	<b>(268)</b>
<b>Income (loss) before tax of fully consolidated companies</b>		<b>2,338</b>	<b>5</b>	<b>-</b>	<b>2,343</b>
Current taxes		(588)	(8)	-	(596)
Deferred taxes		90	(11)	-	79
<b>Income taxes</b>	13	<b>(498)</b>	<b>(19)</b>	<b>-</b>	<b>(517)</b>
Share in net earnings of companies at equity	10.3	(67)	195	-	128
Other expenses related to the non-transferred financing of operations to be continued in partnership	2.3	-	(10)	-	(10)
<b>Consolidated profit (loss) from continuing operations</b>		<b>1,773</b>	<b>171</b>	<b>-</b>	<b>1,944</b>
<i>Attributable to equity holders of the parent</i>		<i>1,358</i>	<i>167</i>	<i>-</i>	<i>1,525</i>
<b>Operations held for sale or to be continued in partnership</b>					
<b>Profit (loss) from operations held for sale or to be continued in partnership</b>		<b>174</b>	<b>31</b>	<b>-</b>	<b>205</b>
<b>Consolidated profit (loss) for the period</b>		<b>1,947</b>	<b>202</b>	<b>-</b>	<b>2,149</b>
<i>Attributable to equity holders of the parent</i>		<i>1,532</i>	<i>198</i>	<i>-</i>	<i>1,730</i>
<i>Attributable to minority interests</i>		<i>415</i>	<i>4</i>	<i>-</i>	<i>419</i>

*(in euros)*

Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 14.2)	1.90
Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 14.2)	2.16
Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 14.2)	1.70
Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 14.2)	1.93

<i>(in million euros)</i>	Notes	2015			Total
		Manufacturing and sales companies	Finance companies	Eliminations	
<b>Continuing operations</b>					
<b>Revenue</b>	4.1	<b>54,426</b>	<b>267</b>	<b>(17)</b>	<b>54,676</b>
Cost of goods and services sold		(44,372)	(154)	17	(44,509)
Selling, general and administrative expenses		(5,467)	(109)	-	(5,576)
Research and development expenses	4.3	(1,858)	-	-	(1,858)
<b>Recurring operating income (loss)</b>		<b>2,729</b>	<b>4</b>	<b>-</b>	<b>2,733</b>
Non-recurring operating income	4.4 - 7.3	141	2	-	143
Non-recurring operating expenses	4.4 - 7.3	(900)	-	-	(900)
<b>Operating income (loss)</b>		<b>1,970</b>	<b>6</b>	<b>-</b>	<b>1,976</b>
Financial income		295	(7)	-	288
Financial expenses		(937)	7	-	(930)
<b>Net financial income (expense)</b>	11.2	<b>(642)</b>	<b>-</b>	<b>-</b>	<b>(642)</b>
<b>Income (loss) before tax of fully consolidated companies</b>		<b>1,328</b>	<b>6</b>	<b>-</b>	<b>1,334</b>
Current taxes		(342)	(19)	-	(361)
Deferred taxes		(345)	-	-	(345)
<b>Income taxes</b>	13	<b>(687)</b>	<b>(19)</b>	<b>-</b>	<b>(706)</b>
Share in net earnings of companies at equity	10.3	314	123	-	437
Other expenses related to the non-transferred financing of operations to be continued in partnership	2.3	-	(114)	-	(114)
<b>Consolidated profit (loss) from continuing operations</b>		<b>955</b>	<b>(4)</b>	<b>-</b>	<b>951</b>
<i>Attributable to equity holders of the parent</i>		665	(17)	-	648
<b>Operations held for sale or to be continued in partnership</b>					
<b>Profit (loss) from operations held for sale or to be continued in partnership</b>		<b>72</b>	<b>179</b>	<b>-</b>	<b>251</b>
<b>Consolidated profit (loss) for the period</b>		<b>1,027</b>	<b>175</b>	<b>-</b>	<b>1,202</b>
<i>Attributable to equity holders of the parent</i>		737	162	-	899
<i>Attributable to minority interests</i>		290	13	-	303

*(in euros)*

Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 14.2)	0.82
Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 14.2)	1.14
Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 14.2)	0.70
Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 14.2)	0.96

## CONSOLIDATED COMPREHENSIVE INCOME

<i>(in million euros)</i>	<b>2016</b>		
	Before tax	Income tax benefit (expense)	After tax
<b>Consolidated profit (loss) for the period</b>	<b>2,666</b>	<b>(517)</b>	<b>2,149</b>
<b>Items that may be recycled through profit or loss</b>			
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)
<b>Total other components of comprehensive income that may be recycled through profit or loss</b>	<b>12</b>	<b>(21)</b>	<b>(9)</b>
<b>Items that may not be recycled through profit or loss</b>			
Actuarial gains and losses on pension obligations	37	(1)	36
<b>Total other components of comprehensive income</b>	<b>49</b>	<b>(22)</b>	<b>27</b>
- of which, companies at equity	(78)	-	(78)
<b>Consolidated comprehensive income</b>	<b>2,715</b>	<b>(539)</b>	<b>2,176</b>
- of which, attributable to equity holders of the parent			1,762
- of which, attributable to minority interests			414

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

<i>(in million euros)</i>	<b>2015</b>		
	Before tax	Income tax benefit (expense)	After tax
<b>Consolidated profit (loss) for the period</b>	<b>1,908</b>	<b>(706)</b>	<b>1,202</b>
<b>Items that may be recycled through profit or loss</b>			
Fair value adjustments to cash flow hedges	(48)	12	(36)
- of which, reclassified to the income statement	24	(7)	17
- of which, recognised in equity during the period	(72)	19	(53)
Gains and losses from remeasurement at fair value of available-for-sale financial assets	8	(1)	7
- of which, reclassified to the income statement	8	(1)	7
- of which, recognised in equity during the period	-	-	-
Exchange differences on translating foreign operations	71	-	71
<b>Total other components of comprehensive income that may be recycled through profit or loss</b>	<b>31</b>	<b>11</b>	<b>42</b>
<b>Items that may not be recycled through profit or loss</b>			
Actuarial gains and losses on pension obligations	219	(60)	159
<b>Total other components of comprehensive income</b>	<b>250</b>	<b>(49)</b>	<b>201</b>
- of which, companies at equity	105	-	105
<b>Consolidated comprehensive income</b>	<b>2,158</b>	<b>(755)</b>	<b>1,403</b>
- of which, attributable to equity holders of the parent			1,063
- of which, attributable to minority interests			340

## CONSOLIDATED BALANCE SHEETS

### ASSETS

		31 December 2016			
(in million euros)	Notes	Manufacturing and sales companies	Finance companies	Eliminations	Total
<b>Continuing operations</b>					
Goodwill	7.1	1,513	1	-	1,514
Intangible assets	7.1	5,393	61	-	5,454
Property, plant and equipment	7.2	11,291	2	-	11,293
Investments in companies at equity	10	1,487	1,527	-	3,014
Other non-current financial assets	11.5.A	685	37	-	722
Other non-current assets	8.1	1,368	7	-	1,375
Deferred tax assets	13	574	19	-	593
<b>Total non-current assets</b>		<b>22,311</b>	<b>1,654</b>	<b>-</b>	<b>23,965</b>
<b>Operating assets</b>					
Loans and receivables - finance companies	12.3.A	-	346	-	346
Short-term investments - finance companies		-	103	-	103
Inventories	5.1	4,347	-	-	4,347
Trade receivables - manufacturing and sales companies	5.2	1,560	-	(19)	1,541
Current taxes	13	148	16	-	164
Other receivables	5.3.A	1,763	92	(4)	1,851
		<b>7,818</b>	<b>557</b>	<b>(23)</b>	<b>8,352</b>
<b>Current financial assets</b>	11.5.A	<b>629</b>	<b>-</b>	<b>(1)</b>	<b>628</b>
<b>Financial investments</b>	11.5.B	<b>110</b>	<b>-</b>	<b>-</b>	<b>110</b>
<b>Cash and cash equivalents</b>	11.5.C	<b>11,576</b>	<b>530</b>	<b>(8)</b>	<b>12,098</b>
<b>Total current assets</b>		<b>20,133</b>	<b>1,087</b>	<b>(32)</b>	<b>21,188</b>
<b>Total assets of continuing operations</b>		<b>42,444</b>	<b>2,741</b>	<b>(32)</b>	<b>45,153</b>
<b>Total assets of operations held for sale or to be continued in partnership</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>42,444</b>	<b>2,741</b>	<b>(32)</b>	<b>45,153</b>

## EQUITY AND LIABILITIES

		31 December 2016			
(in million euros)	Notes	Manufacturing and sales companies	Finance companies	Eliminations	Total
<b>Equity</b>					
Share capital	14				860
Treasury stock					(238)
Retained earnings and other accumulated equity, excluding minority interests					12,035
Minority interests					1,961
<b>Total equity</b>					<b>14,618</b>
<b>Continuing operations</b>					
Non-current financial liabilities	11.6	4,526	-	-	4,526
Other non-current liabilities	8.2	3,288	-	-	3,288
Non-current provisions	9	1,429	-	-	1,429
Deferred tax liabilities	13	880	15	-	895
<b>Total non-current liabilities</b>		<b>10,123</b>	<b>15</b>	<b>-</b>	<b>10,138</b>
<b>Operating liabilities</b>					
Financing liabilities - finance companies	12.4	-	430	(9)	421
Non-transferred financing liabilities of operations to be continued in partnership - finance companies		-	-	-	-
Current provisions	9	3,249	125	-	3,374
Trade payables		9,352	-	-	9,352
Current taxes	13	169	3	-	172
Other payables	5.3.B	5,366	74	(23)	5,417
		<b>18,136</b>	<b>632</b>	<b>(32)</b>	<b>18,736</b>
<b>Current financial liabilities</b>	11.6	<b>1,661</b>	<b>-</b>	<b>-</b>	<b>1,661</b>
<b>Total current liabilities</b>		<b>19,797</b>	<b>632</b>	<b>(32)</b>	<b>20,397</b>
<b>Total liabilities of continuing operations <sup>(1)</sup></b>		<b>29,920</b>	<b>647</b>	<b>(32)</b>	<b>30,535</b>
<b>Total transferred liabilities of operations held for sale or to be continued in partnership</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity and liabilities</b>					<b>45,153</b>

<sup>(1)</sup> excluding equity



		31 December 2015			
(in million euros)	Notes	Manufacturing and sales companies	Finance companies	Eliminations	Total
<b>Continuing operations</b>					
Goodwill	7.1	1,381	1	-	1,382
Intangible assets	7.1	4,705	64	-	4,769
Property, plant and equipment	7.2	10,893	1	-	10,894
Investments in companies at equity	10	1,656	981	-	2,637
Other non-current financial assets	11.5.A	669	42	(2)	709
Other non-current assets	8.1	1,072	11	-	1,083
Deferred tax assets	13	550	31	-	581
<b>Total non-current assets</b>		<b>20,926</b>	<b>1,131</b>	<b>(2)</b>	<b>22,055</b>
<b>Operating assets</b>					
Loans and receivables - finance companies	12.3.A	-	468	(10)	458
Short-term investments - finance companies		-	96	-	96
Inventories	5.1	3,996	-	-	3,996
Trade receivables - manufacturing and sales companies	5.2	1,624	-	(69)	1,555
Current taxes	13	116	12	(9)	119
Other receivables	5.3.A	1,716	131	(9)	1,838
		<b>7,452</b>	<b>707</b>	<b>(97)</b>	<b>8,062</b>
<b>Current financial assets</b>	11.5.A	<b>570</b>	-	<b>(456)</b>	<b>114</b>
<b>Financial investments</b>	11.5.B	<b>352</b>	-	-	<b>352</b>
<b>Cash and cash equivalents</b>	11.5.C	<b>10,465</b>	<b>486</b>	<b>(55)</b>	<b>10,896</b>
<b>Total current assets</b>		<b>18,839</b>	<b>1,193</b>	<b>(608)</b>	<b>19,424</b>
<b>Total assets of continuing operations</b>		<b>39,765</b>	<b>2,324</b>	<b>(610)</b>	<b>41,479</b>
<b>Total assets of operations held for sale or to be continued in partnership</b>					
		<b>616</b>	<b>7,048</b>	<b>(33)</b>	<b>7,631</b>
<b>Total assets</b>		<b>40,381</b>	<b>9,372</b>	<b>(643)</b>	<b>49,110</b>

		31 December 2015			
(in million euros)	Notes	Manufacturing and sales companies	Finance companies	Eliminations	Total
<b>Equity</b>					
Share capital	14				808
Treasury stock					(238)
Retained earnings and other accumulated equity, excluding minority interests					9,985
Minority interests					1,664
<b>Total equity</b>					<b>12,219</b>
<b>Continuing operations</b>					
Non-current financial liabilities	11.6	4,267	-	-	4,267
Other non-current liabilities	8.2	3,487	-	-	3,487
Non-current provisions	9	1,278	-	-	1,278
Deferred tax liabilities	13	952	17	-	969
<b>Total non-current liabilities</b>		<b>9,984</b>	<b>17</b>	<b>-</b>	<b>10,001</b>
<b>Operating liabilities</b>					
Financing liabilities - finance companies	12.4	-	525	(171)	354
Non-transferred financing liabilities of operations to be continued in partnership - finance companies		-	2,604	(305)	2,299
Current provisions	9	3,044	153	-	3,197
Trade payables		8,858	-	(9)	8,849
Current taxes	13	167	6	(9)	164
Other payables	5.3.B	4,806	117	(43)	4,880
		<b>16,875</b>	<b>3,405</b>	<b>(537)</b>	<b>19,743</b>
<b>Current financial liabilities</b>	11.6	<b>3,229</b>	-	<b>(14)</b>	<b>3,215</b>
<b>Total current liabilities</b>		<b>20,104</b>	<b>3,405</b>	<b>(551)</b>	<b>22,958</b>
<b>Total liabilities of continuing operations <sup>(1)</sup></b>		<b>30,088</b>	<b>3,422</b>	<b>(551)</b>	<b>32,959</b>
<b>Total transferred liabilities of operations held for sale or to be continued in partnership</b>					
		<b>401</b>	<b>3,623</b>	<b>(92)</b>	<b>3,932</b>
<b>Total equity and liabilities</b>					<b>49,110</b>

<sup>(1)</sup> excluding equity

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in million euros)	Notes	2016			Total
		Manufacturing and sales companies	Finance companies	Eliminations	
<b>Consolidated profit (loss) from continuing operations</b>		<b>1,773</b>	<b>171</b>	-	<b>1,944</b>
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	15.2	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
<b>Funds from operations</b>		<b>4,466</b>	<b>69</b>	-	<b>4,535</b>
Changes in working capital	5.4.A	471	1,287	177	1,935
<b>Net cash from (used in) operating activities of continuing operations <sup>(1)</sup></b>		<b>4,937</b>	<b>1,356</b>	<b>177</b>	<b>6,470</b>
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 <sup>(2)</sup>	7.2.B	(2,106)	(1)	-	(2,107)
Investments in intangible assets <sup>(3)</sup>	7.1.B	(1,449)	(18)	-	(1,467)
Change in amounts payable on fixed assets		237	-	-	237
Other		144	-	10	154
<b>Net cash from (used in) investing activities of continuing operations</b>		<b>(2,673)</b>	<b>113</b>	<b>10</b>	<b>(2,550)</b>
Dividends paid:					
• 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	11.3.B	(1,548)	-	(443)	(1,991)
Other		-	-	(4)	(4)
<b>Net cash from (used in) financing activities of continuing operations</b>		<b>(905)</b>	<b>(330)</b>	<b>(447)</b>	<b>(1,682)</b>
<b>Net cash related to the non-transferred debt of finance companies to be continued in partnership <sup>(4)</sup></b>		<b>-</b>	<b>(2,615)</b>	<b>305</b>	<b>(2,310)</b>
<b>Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership <sup>(4)</sup></b>		<b>(255)</b>	<b>1,097</b>	<b>1</b>	<b>843</b>
Effect of changes in exchange rates		(93)	16	-	(77)
<b>Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership</b>		<b>1,011</b>	<b>(363)</b>	<b>46</b>	<b>694</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>10,453</b>	<b>893</b>	<b>(54)</b>	<b>11,292</b>
<b>Net cash and cash equivalents at end of period</b>	15.1	<b>11,464</b>	<b>530</b>	<b>(8)</b>	<b>11,986</b>

<sup>(1)</sup> Excluding flows related to the non-transferred debt of finance companies to be continued in partnership.

<sup>(2)</sup> Of which for the manufacturing and sales activities, €666 million for Automotive Equipment Division and €1,440 million for the Automotive Division.

<sup>(3)</sup> Of which for the manufacturing and sales activities, €78 million for Automotive Equipment Division, excluding research and development.

<sup>(4)</sup> Details of cash flows from operations to be continued in partnership are disclosed in Note 15.4.

<i>(in million euros)</i>	Notes	2015			Total
		Manufacturing and sales companies	Finance companies	Eliminations	
<b>Consolidated profit (loss) from continuing operations</b>		<b>955</b>	<b>(4)</b>	-	<b>951</b>
Other expenses related to the non-transferred financing of operations to be continued in partnership		-	114	-	114
Adjustments for non-cash items:					
• Depreciation, amortisation and impairment	15.2	2,482	10	-	2,492
• Provisions		273	57	-	330
• Changes in deferred tax		353	(60)	-	293
• (Gains) losses on disposals and other		184	7	-	191
Share in net (earnings) losses of companies at equity, net of dividends received		41	(123)	-	(82)
Revaluation adjustments taken to equity and hedges of debt		84	21	1	106
Change in carrying amount of leased vehicles		118	-	-	118
<b>Funds from operations</b>		<b>4,490</b>	<b>22</b>	<b>1</b>	<b>4,513</b>
Changes in working capital	5.4.A	942	6,538	40	7,520
<b>Net cash from (used in) operating activities of continuing operations <sup>(1)</sup></b>		<b>5,432</b>	<b>6,560</b>	<b>41</b>	<b>12,033</b>
Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies		31	(83)	-	(52)
Capital increase and acquisitions of consolidated companies and equity interests		(120)	(25)	-	(145)
Proceeds from disposals of property, plant and equipment and of intangible assets		88	2	-	90
Investments in property, plant and equipment <sup>(2)</sup>		(1,622)	(1)	-	(1,623)
Investments in intangible assets <sup>(3)</sup>		(1,327)	(18)	-	(1,345)
Change in amounts payable on fixed assets		134	-	-	134
Other		124	-	111	235
<b>Net cash from (used in) investing activities of continuing operations</b>		<b>(2,692)</b>	<b>(125)</b>	<b>111</b>	<b>(2,706)</b>
Dividends paid:					
• Intragroup		918	(918)	-	-
• Net amounts received from (paid to) operations to be continued in partnership		-	88	-	88
• To minority shareholders of subsidiaries		(85)	-	-	(85)
Proceeds from issuance of shares		199	-	-	199
(Purchases) sales of treasury stock		-	-	-	-
Changes in other financial assets and liabilities	11.3.B	(1,676)	-	142	(1,534)
Other		-	-	-	-
<b>Net cash from (used in) financing activities of continuing operations</b>		<b>(644)</b>	<b>(830)</b>	<b>142</b>	<b>(1,332)</b>
<b>Net cash related to the non-transferred debt of finance companies to be continued in partnership <sup>(4)</sup></b>		<b>-</b>	<b>(8,234)</b>	<b>(5)</b>	<b>(8,239)</b>
<b>Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership <sup>(4)</sup></b>		<b>42</b>	<b>938</b>	<b>(218)</b>	<b>762</b>
Effect of changes in exchange rates		(112)	(19)	3	(128)
<b>Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership</b>		<b>2,026</b>	<b>(1,710)</b>	<b>74</b>	<b>390</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>8,427</b>	<b>2,603</b>	<b>(128)</b>	<b>10,902</b>
<b>Net cash and cash equivalents at end of period</b>	15.1	<b>10,453</b>	<b>893</b>	<b>(54)</b>	<b>11,292</b>

<sup>(1)</sup> Excluding flows related to the non-transferred debt of finance companies to be continued in partnership.

<sup>(2)</sup> Of which for the manufacturing and sales activities, €620 million for Automotive Equipment Division and €1,002 million for the Automotive Division.

<sup>(3)</sup> Of which for the manufacturing and sales activities, €85 million for Automotive Equipment Division, excluding research and development.

<sup>(4)</sup> Details of cash flows from operations to be continued in partnership are disclosed in Note 15.4.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(in million euros)</i>	Share capital	Treasury stock	Revaluations - excluding minority interests					Equity - Attributable to equity holders of the parent	Equity - Minority interests	Total equity
			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			
<b>At 31 December 2014</b>	<b>783</b>	<b>(296)</b>	<b>9,053</b>	<b>8</b>	<b>2</b>	<b>(227)</b>	<b>(52)</b>	<b>9,271</b>	<b>1,147</b>	<b>10,418</b>
Income and expenses recognised directly in equity for the period	-	-	899	(36)	7	145	48	1,063	340	1,403
Measurement of stock options and performance share grants	-	-	10	-	-	-	-	10	5	15
Effect of changes in scope of consolidation and other	-	-	(101)	-	-	-	-	(101)	95	(6)
Issuance of shares	25	-	287	-	-	-	-	312	161	473
Treasury stock	-	58	(58)	-	-	-	-	-	-	-
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(84)	(84)
<b>At 31 December 2015</b>	<b>808</b>	<b>(238)</b>	<b>10,090</b>	<b>(28)</b>	<b>9</b>	<b>(82)</b>	<b>(4)</b>	<b>10,555</b>	<b>1,664</b>	<b>12,219</b>
Income and expenses recognised directly 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)
<b>At 31 December 2016</b>	<b>860</b>	<b>(238)</b>	<b>12,108</b>	<b>6</b>	<b>18</b>	<b>(31)</b>	<b>(66)</b>	<b>12,657</b>	<b>1,961</b>	<b>14,618</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 2016

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## Preliminary note

The consolidated financial statements for 2016 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on 16 February 2017, with Note 18 taking into account events that occurred in the period up to the Supervisory Board meeting on 22 February 2017.

## 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 2016<sup>1</sup>. 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 new IFRS standards that will be applied in the years to come, subject to their adoption by the European Union are the following:

	<b><i>New standards and interpretations</i></b>	First application in the EU for annual periods beginning on or after:	Impacts
IFRIC 22	<b><i>"Foreign Currency Transactions and Advance Consideration"</i></b>	01.01.2018 <sup>2</sup>	Impacts currently being analysed
Clarifications to IFRS 15	<b><i>"Clarifications to IFRS 15 Revenue from Contracts with Customers"</i></b>	01.01.2018 <sup>2</sup>	Impacts currently being analysed
IFRS 9	<b><i>"Financial Instruments"</i></b>	01/01/2018	Impacts currently being analysed
IFRS 15	<b><i>"Revenue from Contracts with Customers"</i></b>	01/01/2018	Impacts currently being analysed
IFRS 16	<b><i>"Leases"</i></b>	01/01/2019 <sup>2</sup>	Impacts currently being analysed

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 (the date of application of IFRS 15), Faurecia may be classified as agent for monolith sales, thereby reducing recognised revenue. Therefore, if Faurecia were to be classified as agent for these monolith transactions, the impact on Faurecia would be around minus €3 billion, and slightly less at PSA Group level. Furthermore, IFRS 16 (applicable at 1 January 2019 subject to adoption by the European Union) and IFRS 9 (applicable at 1 January 2018) are in the process of being analysed.

### 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.

<sup>1</sup> 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](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm))

<sup>2</sup> Not yet adopted by the European Union

For the preparation of the 2016 annual financial statements, special attention was paid to the following items:

- The recoverable amount of Automotive Division intangible assets and property, plant and equipment (see Note 7.3);
- Provision (particularly vehicle restructuring provisions, pensions, warranty provisions for new cars as well as claims and litigation) (see Note 4.4.B, Note 7.1 and Note 9);
- Deferred tax assets (see Note 13);
- Sales incentives (see Note 4.1.A);
- Residual values of vehicles sold with buyback commitment (see Note 7.2.C and Note 8.2).

### 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 3.1 and Note 4);
- Free Cash Flow and Operating free cash flow (see Note 15.5);
- Net financial position (see Note 11.3);
- Financial security (see Note 11.4).

## NOTE 2 - SCOPE OF CONSOLIDATION

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### 2.1. 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 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 11.8.

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.

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 7.3).

### **(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 equity-accounted companies" 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.

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

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

## **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 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 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.

## **2.2. 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 2.1.



The Group's operations are organised around three main segments (see Note 3):

- The Automotive Division, 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 2.1);
- The Automotive Equipment Division, corresponding to the Faurecia group comprising Interior Systems, Automotive Seating and Clean Mobility. Faurecia is listed on Euronext. Peugeot S.A. holds 46.33% of Faurecia's capital and 62.94% of its voting rights. The exercise of the dilutive instruments issued by Faurecia would have no impact on the Group's exclusive control;
- The Finance Division, 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. In 2014, Banque PSA Finance and Santander Consumer Finance signed a framework agreement for the establishment of a partnership whose scope was extended in June 2015 (see Note 1.1 of the 2015 financial consolidated statements). This partnership covers most Banque PSA Finance's business. In 2016, all the partnerships with Santander are operational in eleven countries and are now consolidated using the equity method (see Note 2.3).

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

	31 December 2016	31 December 2015
<b>Fully consolidated companies</b>		
Manufacturing and sales companies	278	295
Finance companies	18	36
	<b>296</b>	<b>331</b>
<b>Joint operations</b>		
Manufacturing and sales companies	3	3
<b>Companies at equity</b>		
Manufacturing and sales companies	50	49
Finance companies	29	19
	<b>79</b>	<b>68</b>
<b>Consolidated companies</b>	<b>378</b>	<b>402</b>

### MAIN CHANGES IN THE SCOPE OF CONSOLIDATION DURING THE YEAR

Excluding the transactions related to the partnership with Santander (see Note 2.3.A), the main acquisitions and disposals during the half-year are as follows.

Mister Auto, which was acquired on 31 March 2015, was consolidated in the Group's financial statements as at 1 January 2016.

In December 2016, the Group took outright control of Aramis by acquiring all its share capital. The company has been consolidated since 31 December 2016. The allocation of the purchase price is provisional and will be completed within twelve months of the acquisition date.

These two transactions gave rise to the recognition of €146 million in brands and €124 million in goodwill.

On 21 June 2016, the PSA Group and Iran Khodro signed the final joint venture agreement to produce the latest generation vehicles in Iran. This 50/50 joint venture is under joint control of the two partners. It is accounted for by the equity method.

### 2.3. ASSETS AND OPERATIONS HELD FOR SALE OR TO BE CONTINUED IN PARTNERSHIP

A non-current asset or disposal group (operations) is classified as held for sale or to be continued in partnership when its carrying amount will be recovered principally through a sale transaction or inclusion in a partnership rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable.

Assets held for sale and to be continued in partnership are measured at the lower of the carrying amount and the estimated selling price, less costs to sell. Such non-current assets are no longer depreciated from the date on which these assets or disposal group are considered by the Group to satisfy the criteria for classification as held for sale or continued in partnership.

Such assets and related liabilities are presented on separate headings under other Group assets and liabilities: "Assets held for sale or to be continued in partnership" and "Liabilities related to assets held for sale to be continued in partnership".

The items in the income statement, statement of cash flows and other comprehensive income relating to assets held for sale or to be continued in partnership are presented separately in the consolidated financial statements for all periods presented.

These principles have been applied in 2015 to the partnerships with Santander and to the Automotive Exteriors business of Faurecia.

## A. Partnership with Santander

Banque PSA Finance and Santander Consumer Finance (Santander CF) announced on 10 July 2014 the signing of a framework agreement on the establishment of a partnership covering 11 European countries.

The partnership was implemented in 2015 in France, the United Kingdom, Spain and Switzerland, as well as extended to the Brazilian operations.

In 2016, the partnership with Santander was completed with the establishment of joint finance companies in the final seven countries covered by the partnership:

- Italy in January 2016 ;
- Belgium in May 2016 ;
- Brazil in August 2016;
- The Netherlands in February 2016 ;
- Germany and Austria in July 2016 ;
- Poland in October 2016.

At end-2016, apart from Brazil, the eleven European countries covered by the partnership were operational, through eleven joint ventures and a commercial partnership in Portugal. The European scope covered accounted for 94% of Banque PSA Finance's total loans outstanding at end-2015.

The effect of the implementation of the partnership with Santander in 2016 is detailed in the table below:

(in million euros)	At 31 December 2015 reported	Implementation of the partnership in Italy, the Netherlands, Belgium, Germany, Austria, Brazil and Poland					At 30 December 2016 reported
		Deconsolidation and equity method	Repayment of the financing by the Joint Ventures	Rescheduling of the financing	Reduction of equity through payment of dividends	Other changes	
Loans and receivables - finance companies	468	-	-	-	-	(122)	346
Cash and cash equivalents	486	191	2,250	(135)	(440)	(1,822)	530
Investments in companies at equity	981	455	-	-	-	91	1,527
Short-term investments - finance companies	96	-	-	-	-	7	103
Other current and non-current assets	293	(7)	-	-	-	(51)	235
<b>Total assets of continuing operations</b>	<b>2,324</b>	<b>639</b>	<b>2,250</b>	<b>(135)</b>	<b>(440)</b>	<b>(1,897)</b>	<b>2,741</b>
<b>Total assets of operations to be continued in partnership</b>	<b>7,048</b>	<b>(6,510)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(538)</b>	<b>-</b>
<b>Total assets</b>	<b>9,372</b>	<b>(5,871)</b>	<b>2,250</b>	<b>(135)</b>	<b>(440)</b>	<b>(2,435)</b>	<b>2,741</b>
Financing liabilities - finance companies	525	-	-	-	-	(95)	430
Other current and non-current liabilities	293	-	-	-	-	(76)	217
Non-transferred financing liabilities of operations to be continued in partnership	2,604	-	-	(135)	-	(2,469)	-
<b>Total liabilities of continuing operations</b>	<b>3,422</b>	<b>-</b>	<b>-</b>	<b>(135)</b>	<b>-</b>	<b>(2,640)</b>	<b>647</b>
<b>Total transferred liabilities of operations to be continued in partnership</b>	<b>3,623</b>	<b>(5,871)</b>	<b>2,250</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>-</b>
<b>Total liabilities<sup>(1)</sup></b>	<b>7,045</b>	<b>(5,871)</b>	<b>2,250</b>	<b>(135)</b>	<b>-</b>	<b>(2,642)</b>	<b>647</b>

<sup>(1)</sup> excluding equity

The deconsolidation of the assets and liabilities of subsidiaries continued as joint ventures in 2016 –see above – (€6,510 million and €5,871 million respectively) was offset by cash received from Santander for the acquisition of shares (€191 million) and the value of joint ventures kept by the Group (€455 million).

The repayment by joint ventures of financing provided by the Group amounted to €2,250 million.

The Group's external refinancing debts were repaid over the period in the amount of €135 million.

Equity was reduced by the payment of dividends in the amount of €440 million of which €434 million attributable to the Group.

## B. Disposal by Faurecia of the Automotive Exteriors business

On 14 December 2015 Faurecia has signed a Memorandum of Understanding for the sale of its Automotive Exteriors business worldwide to Plastic Omnium. Details of the reclassifications in the consolidated statement of income, the consolidated balance sheet and the consolidated statement of cash flows of the manufacturing and sales companies in 2015 can be found in Note 3.3.B to the 2015 consolidated financial statements.

On July 29, 2016, Faurecia completed the sale to Plastic Omnium of its Automotive Exteriors branch for €665 million (enterprise value). The divestiture commitment made by Plastic Omnium towards the European Commission did not have any impact on the sale of the business by Faurecia nor on the price of the transaction.

In accordance with the sale and purchase agreement, a procedure for determining any potential price adjustment based on the Faurecia Automotive Exteriors (FAE) accounts at closing date is ongoing and is subject to a contradictory expertise initiated by Plastic Omnium.

At 31 December 2016, the profit from operations held for sale of €174 million (see Note 3.1) includes, in addition to the profit recorded for sold operations up until the date of the sale, the gain on the disposal of €134 million after deduction of the goodwill impairment of €15 million recognised by Peugeot S.A.

## NOTE 3 - SEGMENT INFORMATION

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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 is recurring operating income.

The definition of operating sectors is provided in Note 2.2.

For internal reporting, the Finance Division's full data is given at 100%. It represents the consolidation of all the entities of the Finance division 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.

### 3.1. BUSINESS SEGMENTS

The balances 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 for the Automotive Equipment division corresponds to the data prior to the application of IFRS 5.

The 100% column for the Financing companies division corresponds to the data prior to the application of IFRS 5 and in 2016 with the full consolidation of the joint ventures with Santander.

2016 (in million euros)	Automotive	Automotive Equipment	Other Businesses	Finance companies		Eliminations and unallocated <sup>(1)</sup>	Total
				100%	Réconciliation		
<b>Revenue</b>							
• third parties	37,065	16,819	-	1,263	(1,117)	-	54,030
• intragroup, intersegment	1	1,891	112	142	-	(2,146)	-
<b>Total <sup>(2)</sup></b>	<b>37,066</b>	<b>18,710</b>	<b>112</b>	<b>1,405</b>	<b>(1,117)</b>	<b>(2,146)</b>	<b>54,030</b>
<b>Recurring operating income (loss)</b>	<b>2,225</b>	<b>970</b>	<b>39</b>	<b>571</b>	<b>(570)</b>	-	<b>3,235</b>
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)
<b>Operating income (loss)</b>	<b>1,735</b>	<b>864</b>	<b>11</b>	<b>569</b>	<b>(568)</b>	-	<b>2,611</b>
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)
<b>Net financial income (expense)</b>	-	<b>(163)</b>	-	<b>(10)</b>	<b>14</b>	<b>(109)</b>	<b>(268)</b>
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)
<b>Consolidated profit (loss) from continuing operations</b>	-	<b>532</b>	-	<b>368</b>	<b>(197)</b>	-	<b>1,944</b>
Profit (loss) from operations to be sold or continued in partnership	-	174	-	-	31	-	205
<b>Consolidated profit (loss) for the period</b>	-	<b>706</b>	-	<b>368</b>	<b>(166)</b>	-	<b>2,149</b>
<b>Capital expenditure (excluding sales with a buyback commitment)</b>	<b>2,481</b>	<b>1,074</b>	-	<b>39</b>	<b>(20)</b>	-	<b>3,574</b>
<b>Depreciation provision</b>	<b>(1,895)</b>	<b>(661)</b>	-	<b>(24)</b>	<b>4</b>	-	<b>(2,576)</b>

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

<sup>(2)</sup> 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.

2015 (in million euros)	Automotive	Automotive Equipment	Other Businesses	Finance companies		Eliminations and unallocated <sup>(1)</sup>	Total
				100%	Réconciliation		
<b>Revenue</b>							
• third parties	37,510	16,915	1	1,246	(996)	-	54,676
• intragroup, intersegment	4	1,855	109	355	-	(2,323)	-
<b>Total <sup>(2)</sup></b>	<b>37,514</b>	<b>18,770</b>	<b>110</b>	<b>1,601</b>	<b>(996)</b>	<b>(2,323)</b>	<b>54,676</b>
<b>Recurring operating income (loss)</b>	<b>1,871</b>	<b>830</b>	<b>28</b>	<b>514</b>	<b>(510)</b>	-	<b>2,733</b>
Non-recurring operating income	130	11	-	2	-	-	143
Restructuring costs	(734)	(57)	(2)	(4)	4	-	(793)
Impairment of CGUs, provisions for onerous contracts and other	(88)	(5)	-	-	-	-	(93)
Other non-recurring operating income and (expenses), net	-	(14)	-	(21)	21	-	(14)
<b>Operating income (loss)</b>	<b>1,179</b>	<b>765</b>	<b>26</b>	<b>491</b>	<b>(485)</b>	-	<b>1,976</b>
Interest income	-	5	-	-	-	182	187
Finance costs	-	(182)	-	-	-	(357)	(539)
Other financial income	-	59	-	(2)	(5)	49	101
Other financial expenses	-	(32)	-	6	1	(366)	(391)
<b>Net financial income (expense)</b>	-	<b>(150)</b>	-	<b>4</b>	<b>(4)</b>	<b>(492)</b>	<b>(642)</b>
Income taxes expense	-	(186)	-	(148)	129	(501)	(706)
Share in net earnings of companies at equity	302	13	(1)	11	112	-	437
Other expenses related to the non-transferred financing of operations to be continued in partnership	-	-	-	-	(114)	-	(114)
<b>Consolidated profit (loss) from continuing operations</b>	-	<b>442</b>	-	<b>358</b>	<b>(362)</b>	-	<b>951</b>
Profit (loss) from operations to be continued in partnership	-	61	11	-	179	-	251
<b>Consolidated profit (loss) for the period</b>	-	<b>503</b>	-	<b>358</b>	<b>(183)</b>	-	<b>1,202</b>
<b>Capital expenditure (excluding sales with a buyback commitment)</b>	<b>2,018</b>	<b>931</b>	-	<b>33</b>	<b>(14)</b>	-	<b>2,968</b>
<b>Depreciation provision</b>	<b>(2,007)</b>	<b>(612)</b>	-	<b>(21)</b>	<b>4</b>	-	<b>(2,636)</b>

<sup>(1)</sup> The "Eliminations and unallocated" column includes eliminations of intersector sales between the Finance companies and the other sectors (€338 million).

<sup>(2)</sup> of which a turnover of €36,535 million for manufacturer's activity of the Automotive division.

In 2015, on a fully consolidated basis, Banque PSA Finance (Finance Companies segment) generated net banking revenue of €1,065 million. Net provision expense (cost of risk) for the year amounted to €69 million.

In 2015, after application of IFRS 5, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €113 million. Net provision expense (cost of risk) for the year amounted to €1 million.

### 3.2. 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.

2016 (in million euros)	Europe <sup>(1)</sup>	Eurasia	China & South-Asia	India Pacific	Latin America	Middle East & Africa	North America	Total
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
<b>2015</b>								
Revenue	38,704	348	3,724	922	3,616	2,638	4,724	54,676
Property, plant and equipment	9,467	142	361	90	373	54	407	10,894

<sup>(1)</sup> of which France :

(in million euros)	2016	2015
Revenue	12,992	12,653
Property, plant and equipment	5,614	5,479

## NOTE 4 - OPERATING INCOME

Operating income corresponds to profit (loss)<sup>1</sup> 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 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 4.4):

- 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.

### 4.1. REVENUE

#### A. Accounting policies

##### (1) Manufacturing and sales companies

###### *(a) Automotive division*

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.

<sup>1</sup> 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 division***

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

The revenue recognition criteria provided for in IAS 18 are not met in cases where development and tooling costs are paid in proportion to parts delivered to the customer, with their full recovery being subject to an unguaranteed minimum level of orders placed by the customer. Under such circumstances, development work and tooling cannot be considered as having been sold. The development costs are recognised in intangible assets (see Note 4.3.A) and tooling in property, plant and equipment (see Note 7.2.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 provide wholesale financing to dealer networks and retail financing to customers. Financing may take the form of conventional loans, finance leases, buyback contracts or long-term leasing. 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.

The revenue in the Group's income statement is limited to the businesses that have not been transferred or that are to be transferred to the joint ventures with Santander. The revenue presented at 100% in Note 3.1 includes all these financing activities.

## **B. Key figures**

<i>(in million euros)</i>	<b>2016</b>	2015
Sales of vehicles and other goods	52,526	53,062
Service revenue	1,358	1,364
Financial services revenue	146	250
<b>Total</b>	<b>54,030</b>	<b>54,676</b>

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 7.2.C.

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

## **4.2. 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 Division at its own appropriate level with the result that they cannot be presented on a consistent basis at Group level.

### **Personnel costs**

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

<i>(in million euros)</i>	<b>2016</b>	2015
Automotive Division <sup>(1)</sup>	(4,641)	(4,999)
Automotive Equipment Division <sup>(2)</sup>	(3,059)	(3,036)
Finance companies <sup>(3)</sup>	(9)	(10)
Other businesses	(70)	(97)
<b>Total</b>	<b>(7,779)</b>	<b>(8,142)</b>

<sup>(1)</sup> Including €4,109 million representing personnel expenses of manufacturing activities (€4,390 million in 2015).

<sup>(2)</sup> €225 million representing personnel expenses reclassified in activities to be sold or continued in partnership (€352 million in 2015).

<sup>(3)</sup> €17 million representing personnel expenses reclassified in activities to be sold or continued in partnership or to be sold (€75 million in 2015).

The Competitiveness and Employment Tax Credit (CICE) has been deducted from personnel expenses in the amount of €96 million (€108 million in 2015).

Details of pension costs are disclosed in Note 6.

### Depreciation and amortisation expense

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

<i>(in million euros)</i>	<b>2016</b>	2015
Capitalised development expenditure	(825)	(778)
Other intangible assets	(100)	(95)
Specific tooling	(650)	(651)
Other property, plant and equipment	(1,001)	(1,112)
<b>Total</b>	<b>(2,576)</b>	<b>(2,636)</b>

## 4.3. 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 11.2.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) Automotive division**

Development expenditure on vehicles and mechanical sub-assemblies (engines and gearboxes) incurred between the project launch (corresponding to the styling decision for vehicles) and the start-up of pre-series production is recognised in intangible assets. It is amortised from the start-of-production date over the asset's useful life, representing up to seven years for vehicles and ten years for mechanical sub-assemblies 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 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

<i>(in million euros)</i>	<i>Notes</i>	<b>2016</b>	2015
Total expenditure <sup>(1)</sup>		(2,361)	(2,249)
Capitalised development expenditure <sup>(2)</sup>		1,267	1,163
<b>Non-capitalised expenditure</b>		<b>(1,094)</b>	<b>(1,086)</b>
Amortisation of capitalised development expenditure	7.1	(821)	(772)
<b>Total</b>		<b>(1,915)</b>	<b>(1,858)</b>

<sup>(1)</sup> Including €437 million for Faurecia (€374 million in 2015).

<sup>(2)</sup> In addition to this expenditure, borrowing costs are capitalised pursuant to IAS 23 "Coûts d'emprunts" (Revised) (see Note 11.2.A).

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

## 4.4. NON-RECURRING OPERATING INCOME AND EXPENSES

<i>(in million euros)</i>	<i>Notes</i>	<b>2016</b>	2015
Net gains on disposals of real estate assets		101	47
Reversal of impairment loss on Automotive Division CGUs and other assets and provisions for Automotive Division onerous contracts	7.3.B	10	86
Other non-recurring operating income		6	10
<b>Total non-recurring operating income</b>		<b>117</b>	<b>143</b>
Impairment loss on Automotive Division CGUs and other assets and provisions for Automotive Division onerous contracts	7.3.B	(143)	(88)
Impairment loss on Other businesses CGUs	7.3.C	-	(5)
Restructuring costs	4.4.B	(547)	(793)
Other non-recurring operating expenses		(51)	(14)
<b>Total non-recurring operating expenses</b>		<b>(741)</b>	<b>(900)</b>

### A. Impairment test on Automotive division CGUs and provisions for Automotive division onerous contracts

The detail of impairment testing, provisions for onerous contracts and other impairment is disclosed in Note 7.3.

### B. Restructuring costs

Restructuring costs consist mainly of workforce reductions.

<i>(in million euros)</i>	<b>2016</b>	2015
Automotive Division	(456)	(734)
Automotive Equipment Division	(90)	(57)
Other businesses	(1)	(2)
<b>Total</b>	<b>(547)</b>	<b>(793)</b>

### Automotive division

In 2016, Automotive Division restructuring costs amounted to €456 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 €350 million and the reorganisation of its commercial operations in Europe in the amount of €58 million. Other restructuring costs relate mainly to the Group's subsidiaries in Latin America in the amount of €37 million.

## Automotive Equipment division (Faurecia Group)

In 2016, Faurecia group restructuring costs totalled €90 million, including €88 million in provisions for redundancy costs, mainly in Germany, the United States and France.

## NOTE 5 - REQUIREMENTS IN WORKING CAPITAL OF MANUFACTURING AND SALES COMPANIES

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

(in million euros)	31 December 2016			31 December 2015		
	Gross	Allowance	Net	Gross	Allowance	Net
Raw materials and supplies	807	(140)	667	787	(135)	652
Semi-finished products and work-in-progress	949	(31)	918	779	(30)	749
Goods for resale and used vehicles	911	(110)	801	796	(108)	688
Finished products and replacement parts	2,107	(146)	1,961	2,058	(151)	1,907
<b>Total</b>	<b>4,774</b>	<b>(427)</b>	<b>4,347</b>	<b>4,420</b>	<b>(424)</b>	<b>3,996</b>

### 5.2. 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 Automotive Division debts transferred to the Group's finance companies and to the finance companies in partnership.

(in million euros)	31 December 2016	31 December 2015
Trade receivables	1,726	1,796
Allowances for doubtful accounts	(166)	(172)
<b>Total - manufacturing and sales companies</b>	<b>1,560</b>	<b>1,624</b>
Elimination of transactions with the finance companies	(19)	(69)
<b>Total</b>	<b>1,541</b>	<b>1,555</b>

Assignments of trade receivables to financial institutions are disclosed in Note 11.6.F.

### 5.3. OTHER RECEIVABLES AND OTHER PAYABLES

#### A. Other receivables

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
State, regional and local taxes excluding income tax <sup>(1)</sup>	908	982
Personnel-related payables	38	40
Due from suppliers	196	167
Derivative instruments	41	72
Prepaid expenses	361	298
Miscellaneous other receivables	219	157
<b>Total</b>	<b>1,763</b>	<b>1,716</b>

<sup>(1)</sup> In 2016, the Group sold €35 million worth of French research tax credits and €87 million worth of French competitiveness and employment tax credits (see Note 11.6.F).

#### B. Other payables

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
Taxes payable other than income taxes	660	673
Personnel-related payables	1,019	997
Payroll taxes	354	404
Payable on fixed asset purchases	597	361
Customer prepayments	1,569	1,369
Derivative instruments <sup>(1)</sup>	17	56
Deferred income	800	544
Miscellaneous other payables	350	402
<b>Total</b>	<b>5,366</b>	<b>4,806</b>

<sup>(1)</sup> 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 11.7.A, "Management of financial risks".

### 5.4. CHANGE IN WORKING CAPITAL REQUIREMENTS OF MANUFACTURING AND SALES COMPANIES

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

<i>(in million euros)</i>	<b>2016</b>	2015
(Increase) decrease in inventories	(365)	(14)
(Increase) decrease in trade receivables	291	76
Increase (decrease) in trade payables	389	863
Change in income taxes	4	(11)
Other changes	152	28
	<b>471</b>	<b>942</b>
<i>Net cash flows with Group finance companies</i>	<i>(38)</i>	<i>12</i>
<b>Total</b>	<b>433</b>	<b>954</b>

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

### (1) Analysis by type

2016 <i>(in million euros)</i>	At	
	1 January	31 December
Inventories	(3,996)	(4,347)
Trade receivables	(1,624)	(1,560)
Trade payables	8,858	9,352
Income taxes	51	21
Other receivables	(1,716)	(1,763)
Other payables	4,806	5,366
	<b>6,379</b>	<b>7,069</b>
<i>Net cash flows with Group finance companies</i>	23	(15)
<b>Total</b>	<b>6,402</b>	<b>7,054</b>

### (2) Movements of the year

<i>(in million euros)</i>	2016	2015
<b>At 1 January</b>	<b>6,379</b>	<b>5,070</b>
IFRS 5 declassification	-	(131)
Cash flows from operating activities	484	1,137
Cash flows from investing activities	400	138
Changes in scope of consolidation and other	1	62
Translation adjustment	(164)	79
Revaluations taken to equity	(31)	24
<b>At 31 December</b>	<b>7,069</b>	<b>6,379</b>

The change in working capital in the consolidated statement of cash flows at 31 December 2016 (€471 million positive effect) corresponds to cash flows from operating activities (€484 million positive effect), exchange differences (€51 million positive effect), change in the ineffective portion of currency options (€45 million negative effect) and other movements (€19 million negative effect).

	2016	2015
<b>Cash flows from operating activities of manufacturing and sales companies</b>	<b>484</b>	<b>1,137</b>
Exchange differences	51	(130)
Change in the ineffective portion of currency options	(45)	(101)
Other changes	(19)	36
<b>Change in working capital in the statement of cash flows</b>	<b>471</b>	<b>942</b>

## NOTE 6 - EMPLOYEE BENEFITS EXPENSE

### 6.1. 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 benefits. 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 “income (expense) recognised directly in equity”, 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 recognized 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 (recognised in "Recurring operating income");
- The accretion expense of the net commitment of the return on plan hedging assets (in financial income and expense). 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 are paid under defined contribution and defined benefit plans. The Group's only obligation under defined contribution plans is to pay fixed contributions into the fund concerned. The payments are recognised in income for the year. Payments under defined benefit plans concern primarily France and the United Kingdom.

In France, the existing defined benefit plans concern:

- 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-2016;
- the closed Citroën supplementary plan (ACC) that covered 4,100 retired employees at end-2016.

Members of the management bodies enjoyed a defined benefit supplementary pension plan guaranteeing a supplementary pension of up to at most 30% of the reference compensation. On the basis of a proposal by the Chairman of the Managing Board, in December 2015 the Supervisory Board of Peugeot S.A. took the decision to terminate this plan. A new defined contribution pension plan has come into effect since 1 January 2016. This means that the Company will no longer offer guaranteed levels of retirement income, but will pay out an annual benefit that is directly tied to the Group's results and performance.

In 2015, this change in plan generated income of €34 million in the form of a provision reversal, net of plan switching costs. The Managing Board decided to pay out this €34 million to all employees in the form of discretionary profit-sharing, expensed in 2015.

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 2016, 18,800 beneficiaries were covered by these plans, including 600 active employees, 7,100 former employees not yet retired and 11,100 retired employees. The plans guarantee a replacement rate of up to 66% of the employee's final salary.

The supplementary pension plan for all Faurecia managerial employees in France comprises a defined benefit granting a rent relating to salary tranche C. A specific pension scheme dedicated to the executive committee members has been implemented in 2015. This new scheme, defined benefit plan for French members and defined contribution plan for foreign members, grants to each beneficiary, based on final salary, a level of annual rent determined according to the group operational result and the budget approved by the Board of Directors.

## B. Assumptions

	Euro zone	United-Kingdom
<b>Discount Rate</b>		
2016	1.50 %	2.80 %
2015	2.30 %	3.85 %
<b>Inflation Rate</b>		
2016	1.80 %	3.25 %
2015	1.80 %	3.00 %
<b>Average Duration (in years)</b>		
2016	12	14
2015	11	16

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 UK plans is inflation plus 1 %.

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 UK would lead to the following increases or decreases in projected benefit obligations:

	Discount rate +0.25 PT	Inflation rate +0.25 PT
France	-2.83%	2.02%
United Kingdom	-3.36%	3.04%

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 2016 of €9 million for French plans and €27 million for UK plans.

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

## C. Information on external funds

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

The breakdown of external funds is as follows:

	31 December 2016		31 December 2015	
	Equities	Bonds	Equities	Bonds
France	17 %	83 %	15 %	85 %
United Kingdom	19 %	81 %	20 %	80 %

The fair value of shares and bonds was at level 1 in 2016 and 2015.

In 2016, the actual return on external funds managed by the Group in France and by the pension trusts in the United Kingdom was +4.60 % for the French funds and +15.70 % for the UK 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, 40 % of the equity portfolio are invested in FTSE All Share Index tracker funds. The remaining 60 % are invested in funds that track the main European, US and Japanese stock market indices. 79 % of the bond portfolio are comprised of inflation-linked government bonds denominated in pounds sterling. The remaining 21 % are comprised mainly of corporate bonds rated A or higher.

In France, the Group is free to decide the amount of its contributions to the external funds. At 31 December 2016, no decision had been made as to the amount of contributions to be paid in 2017.

In the United Kingdom, the Group's annual contribution (excluding Faurecia) amounted to £29 million (€33 million) in 2016. It is estimated at £27 million (€31 million) for 2017, although this sum may change in light of the negotiations planned for 2017.

#### D. Movement for the year

##### ▪ Excluding minimum funding requirement (IFRIC 14)

(in million euros)	2016				2015			
	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
<b>Projected benefit obligation</b>								
<b>At beginning of period: Present value</b>	<b>(1,564)</b>	<b>(2,096)</b>	<b>(670)</b>	<b>(4,330)</b>	<b>(1,872)</b>	<b>(2,090)</b>	<b>(763)</b>	<b>(4,725)</b>
Impact of the declassification of the commitments of operations to be continued in partnership	-	-	-	-	15	-	3	18
Service cost	(43)	(10)	(16)	(69)	(59)	(16)	(52)	(127)
Interest cost	(36)	(71)	(17)	(124)	(34)	(79)	(20)	(133)
Benefit payments for the year	89	82	46	217	80	96	70	246
Unrecognised actuarial gains and (losses):								
- amount	(95)	(316)	(43)	(454)	180	107	82	369
- as a % of projected benefit obligation at beginning of period	6.1 %	15.1 %	6.4 %	10.5 %	9.6 %	5.1 %	10.7 %	7.8 %
Effect of changes in exchange rates	-	313	1	314	-	(119)	(8)	(127)
Effect of changes in scope of consolidation and other	-	-	-	-	-	(3)	-	(3)
Effect of curtailments and settlements	29	-	4	33	126	8	18	152
<b>At period-end: Present value</b>	<b>(1,620)</b>	<b>(2,098)</b>	<b>(695)</b>	<b>(4,413)</b>	<b>(1,564)</b>	<b>(2,096)</b>	<b>(670)</b>	<b>(4,330)</b>
<b>External fund</b>								
<b>At beginning of period: Fair value</b>	<b>932</b>	<b>2,657</b>	<b>285</b>	<b>3,874</b>	<b>1,043</b>	<b>2,566</b>	<b>285</b>	<b>3,894</b>
Impact of the declassification of the hedging assets of operations to be continued in partnership	-	-	-	-	(1)	-	-	(1)
Normative return on external funds	23	94	7	124	19	98	7	124
Actuarial gains and (losses):								
- amount	18	475	7	500	(41)	(105)	(5)	(151)
- as a % of projected benefit obligation at beginning of period	1.9 %	17.9 %	2.5 %	12.9 %	3.9 %	4.1 %	1.8 %	3.9 %
Translation adjustment	-	(403)	-	(403)	-	150	4	154
Employer contributions	20	36	12	68	10	44	17	71
Benefit payments for the year	(94)	(82)	(41)	(217)	(98)	(96)	(23)	(217)
<b>At period-end: Fair value</b>	<b>899</b>	<b>2,777</b>	<b>270</b>	<b>3,946</b>	<b>932</b>	<b>2,657</b>	<b>285</b>	<b>3,874</b>

## E. Reconciliation of balance sheet items

(in million euros)	2016				2015			
	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
<b>Present value of projected benefit obligation</b>	<b>(1,620)</b>	<b>(2,098)</b>	<b>(695)</b>	<b>(4,413)</b>	<b>(1,564)</b>	<b>(2,096)</b>	<b>(670)</b>	<b>(4,330)</b>
Fair value of external funds	899	2,777	270	3,946	932	2,657	285	3,874
<b>Net (liability) asset recognised in the balance sheet before minimum funding requirement (IFRIC 14)</b>	<b>(721)</b>	<b>679</b>	<b>(425)</b>	<b>(467)</b>	<b>(632)</b>	<b>561</b>	<b>(385)</b>	<b>(456)</b>
Minimum funding requirement liability (IFRIC 14)	-	(39)	-	(39)	-	(38)	-	(38)
<b>Net (liability) asset recognised in the balance sheet</b>	<b>(721)</b>	<b>640</b>	<b>(425)</b>	<b>(506)</b>	<b>(632)</b>	<b>523</b>	<b>(385)</b>	<b>(494)</b>
Of which, liability (Note 9.2)	(747)	(63)	(425)	(1,235)	(656)	(38)	(397)	(1,091)
Of which, asset	26	703	-	729	24	561	12	597
Of which, unfunded plans	0.0 %	0.0 %	9.6 %	1.5 %	2.1 %	0.0 %	10.3 %	2.4 %

## 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 expected return on external funds are recorded under "Financial expenses" and "Financial income" respectively.

Pension expenses break down as follows:

(in million euros)	2016				2015			
	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Service cost	(43)	(10)	(16)	(69)	(59)	(16)	(52)	(127)
Interest cost	(36)	(71)	(17)	(124)	(34)	(79)	(20)	(133)
Normative return on external funds	23	94	7	124	19	98	7	124
Effect of curtailments and settlements	29	-	4	33	126	8	18	152
<b>Total (before minimum funding requirement liability)</b>	<b>(27)</b>	<b>13</b>	<b>(22)</b>	<b>(36)</b>	<b>52</b>	<b>11</b>	<b>(47)</b>	<b>16</b>
Change in minimum funding requirement liability (IFRIC14)	-	4	-	4	-	(8)	-	(8)
<b>Total</b>	<b>(27)</b>	<b>17</b>	<b>(22)</b>	<b>(32)</b>	<b>52</b>	<b>3</b>	<b>(47)</b>	<b>8</b>

## 6.2. 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

#### (1) Plan characteristics

No plan was awarded between 2009 and 2016. Former plans awarded to certain employees, directors and officers of the Company and its subsidiaries, allowing them to purchase shares at a specified price, have the following characteristics:

	Date of		Last exercise date	Number of initial grantees	Exercise price (in euros)	Number of options granted
	Managing Board decision	Vesting date				
2008 Plan	22/08/2008	22/08/2011	19/08/2016	194	21.58	1,345,000

On 31 December 2016, the share price was €15.50.



## **(2) Changes in the number of options outstanding**

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

	2016		2015	
	Number	WAEP <sup>(1)</sup> (in euros)	Number	WAEP <sup>(1)</sup> (in euros)
Outstanding at beginning of period	1,569,581	24.5	2,942,961	29.7
Expired during the period	(1,569,581)	24.5	(1,373,380)	35.7
Outstanding at end of period	-	-	1,569,581	24.5
Exercisable at end of period	-	-	1,569,581	24.5

<sup>(1)</sup> Options' Weighted Average Exercise Price

Options outstanding at the year-end are as follows:

	31 December 2016	December 2015
(number of options)		
2008 Plan	-	1,569,581
<b>Total at 31 December</b>	<b>-</b>	<b>1,569,581</b>

## **(3) Personnel costs arising from stock option plans**

The Peugeot S.A. and Faurecia stock-option plans did not generate any personnel costs.

### **B. Performance share plans**

#### **(1) Peugeot S.A. performance share plan**

##### **(a) 2015 performance share plan**

###### **▪ Plan characteristics**

Following the authorisation given by the Extraordinary Shareholders' Meeting of 24 April 2013 and the Supervisory Board at its meeting of 17 February 2015, the Peugeot S.A. Managing Board adopted a performance share plan on 27 February 2015. This plan covers a maximum of 2,465,300 shares. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. For tax residents of France, performance shares will fully vest on 31 March 2017 and must be held until 31 March 2019. For other beneficiaries, the vesting period will run until 31 March 2019. No lock-up period is imposed thereafter.

Vesting is subject to performance conditions in terms of the aggregate operating free cash flow (FCF) of manufacturing and sales companies between 2014 and 2016, the net financial position of manufacturing and sales companies in 2016 and the recurring operating income of the Automotive Division in 2016.

###### **▪ Personnel costs arising from the performance share plan characteristics**

At year-end 2016 the plan covers a maximum total of 2,351,496 shares, resulting in the delivery of treasury shares.

The fair value of the shares granted is estimated at €15.47 for the calculation of the expense for French tax residents and €13.49 for other beneficiaries.

The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €16.6 million for 2016, excluding payroll taxes.

##### **(b) 2015 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 2 June 2016. This plan covers a maximum of 2,200,000 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 Automotive division's average recurring operating income (ROI) over the 2016-2018 period and Group revenue growth between 2015 and 2018 at constant exchange rates.

Taking into consideration the targets and the dates of notification to the beneficiaries of 3 and 16 June 2016, the shares will vest in two equal portions subject to continued employment on 3 and 16 June 2019 and 3 and 16 June 2020.

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

At year-end 2016 the plan covers a maximum total of 1,655,162 shares, resulting in the delivery of treasury shares.

For the purposes of calculating personnel costs, the weighted average fair value of the shares notified on 3 June is €11.89 and that of the shares notified on 16 June 2016 €10.65.

The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €3.3 million for 2016, 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 €17.8 million (compared with an expense of €9.9 million in 2015).

The details of performance share plans are provided in the following table:

Date of Managing Board decision:	(number of shares)	Maximum number of performance shares <sup>(1)</sup> due if:	
		- objective achieved	- objective exceeded
24/07/2013		745,000	968,500
28/07/2014		629,700	818,610
23/07/2015		624,628	811,931
25/07/2016		742,161	965,485

<sup>(1)</sup> Net of free shares granted cancelled.

Following the achievement of the performance target of the previous plans, 478,400 shares were granted in 2012 and 226,200 in 2014. The performance condition in the fourth plan granted by the Board on 23 July 2012 was not achieved.

**6.3. 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 2016.

(in million euros)	Notes	2016	2015
Number of Executive Committee members at 31 December		18	17
Fixed & variable compensation and other short-term benefits (excluding pensions)		17.2	15.7
Stock option and performance share costs <sup>(1)</sup>		6.9	4.2

<sup>(1)</sup> 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 2016 for the contribution to the new defined contribution pension plan totalled €4.2 million for the members of the Managing Board and the other members of the Executive Committee and breaks down into €2.1 million paid to a pension fund and €2.1 million paid in cash to the beneficiaries (taking into account a scheme based on taxation upon first deposit). The expense recognised in 2015 for services performed under the former defined-benefit pension plan totalled €5.6 million, before reversal of the provision connected with the closure of this plan.

In 2015, the change in pension plan generated income of €34 million for all beneficiaries in the form of a provision reversal, net of plan switching costs. The Managing Board paid out the resulting savings to all employees. This payout came on top of the Group's pre-existing compensation and profit-sharing schemes, and was expensed in 2015 (see Note 6.1.A).

Details of the performance shares granted in 2015 and 2016, plus the Peugeot S.A. stock options previously granted to members of the managing bodies and still exercisable at period-end, can be found in the following table:

<i>(number of options)</i>	<b>2016</b>	2015
Performance shares held at 31 December	1,585,000	865,000
Stock options held at 31 December	-	168,601

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 7 - GOODWILL AND INTANGIBLE ASSETS – PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment and intangible assets are carried at amortised cost less deductions and impairment, pursuant to IAS 36 (see Note 7.3).

### **7.1. GOODWILL AND INTANGIBLE ASSETS**

#### **A. Accounting policies**

Accounting policies relating to goodwill are described in Note 2.1.A.(3) and those related to research and development expenses in Note 4.3.1.(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**

<b>31 December 2016</b> <i>(in million euros)</i>	Goodwill	Development expenditure	Software and other	Intangible assets
<b>At beginning of period</b>	<b>1,382</b>	<b>4,352</b>	<b>417</b>	<b>4,769</b>
Purchases/additions <sup>(1)</sup>	-	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
<b>At period-end</b>	<b>1,514</b>	<b>4,860</b>	<b>594</b>	<b>5,454</b>

<sup>(1)</sup> Including borrowing costs of €92 million capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" (see Note 11.2.A).

31 December 2015 <i>(in million euros)</i>	Goodwill	Development expenditure	Software and other	Intangible assets
<b>At beginning of period</b>	<b>1,506</b>	<b>3,957</b>	<b>391</b>	<b>4,348</b>
IFRS 5 declassification	(125)	(25)	(3)	(28)
Purchases/additions <sup>(1)</sup>	-	1,239	106	1,345
Amortisation for the year	-	(778)	(95)	(873)
Impairment losses	-	(58)	5	(53)
Disposals	-	(1)	(3)	(4)
Change in scope of consolidation and other	(15)	1	13	14
Translation adjustment	16	17	3	20
<b>At period-end</b>	<b>1,382</b>	<b>4,352</b>	<b>417</b>	<b>4,769</b>

<sup>(1)</sup> Including borrowing costs of €75 million capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" (see Note 11.2.A).

## C. Breakdown of goodwill

<i>(in million euros)</i>	31 December 2016	31 December 2015
<b>Net</b>		
Automotive Division CGU	124	-
Faurecia CGU	172	172
Faurecia CGUs	1,218	1,210
<b>Total</b>	<b>1,514</b>	<b>1,382</b>

Impairment tests on goodwill allocated to the Automotive Equipment CGUs are discussed in Note 7.3.

## 7.2. 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 11.2.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 leasing companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 4.1.(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:

	<i>(in years)</i>
Buildings	20 - 30
Plant and equipment	4 - 16
Computer equipment	3 - 4
Vehicles and handling equipment	4 - 7
Fixtures and fittings	10 - 20

### **(b) Specific tooling**

In the Automotive Division, specific tooling is depreciated over the estimated lives of the corresponding models, which are generally shorter than the useful lives of the tooling concerned due to the frequency of model changes.

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

<b>31 December 2016</b> <i>(in million euros)</i>	Land and buildings	Plant and equipment	Leased vehicles <sup>(2)</sup>	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
<b>Net</b>							
<b>At beginning of period</b>	<b>2,174</b>	<b>4,712</b>	<b>2,570</b>	<b>21</b>	<b>269</b>	<b>1,148</b>	<b>10,894</b>
Purchases/additions <sup>(1)</sup>	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 <sup>(2)</sup>	70	357	(8)	-	38	(497)	(40)
Translation adjustment	4	21	(81)	-	-	3	(53)
<b>At period-end</b>	<b>2,116</b>	<b>5,122</b>	<b>2,475</b>	<b>22</b>	<b>305</b>	<b>1,253</b>	<b>11,293</b>
<i>Gross value</i>	<i>6,897</i>	<i>31,285</i>	<i>2,799</i>	<i>81</i>	<i>905</i>	<i>1,296</i>	<i>43,263</i>
<i>Accumulated depreciation and impairment</i>	<i>(4,781)</i>	<i>(26,163)</i>	<i>(324)</i>	<i>(59)</i>	<i>(600)</i>	<i>(43)</i>	<i>(31,970)</i>

<sup>(1)</sup> 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 11.2.A).

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

<b>31 December 2015</b>	Land and buildings	Plant and equipment	Leased vehicles <sup>(2)</sup>	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
<i>(in million euros)</i>							
<b>Net</b>							
<b>At beginning of period</b>	<b>2,396</b>	<b>5,240</b>	<b>2,309</b>	<b>12</b>	<b>305</b>	<b>569</b>	<b>10,831</b>
IFRS 5 declassification	(71)	(151)	-	(2)	(11)	(18)	(253)
Purchases/additions <sup>(1)</sup>	62	456	-	16	25	1,083	1,642
Depreciation for the year	(258)	(1,430)	(4)	(3)	(64)	-	(1,759)
Impairment losses	18	186	-	-	-	1	205
Disposals	(34)	(23)	-	(2)	(13)	-	(72)
Transfers and reclassifications	38	100	-	(1)	(47)	(90)	-
Change in scope of consolidation and other <sup>(2)</sup>	25	306	237	1	73	(404)	238
Translation adjustment	(2)	28	28	-	1	7	62
<b>At period-end</b>	<b>2,174</b>	<b>4,712</b>	<b>2,570</b>	<b>21</b>	<b>269</b>	<b>1,148</b>	<b>10,894</b>
<i>Gross value</i>	6,907	30,703	2,933	83	847	1,188	42,661
<i>Accumulated depreciation and impairment</i>	(4,733)	(25,991)	(363)	(62)	(578)	(40)	(31,767)

<sup>(1)</sup> Including property, plant and equipment acquired under finance leases for €15 million. Borrowing costs capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" amounted to €21 million (see Note 11.2.A).

<sup>(2)</sup> 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 €2,475 million 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 4.A.(1)(a).

## 7.3. 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 for impairment at each balance sheet date, whenever events or changes in circumstances indicate that it might be impaired. The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. The impairment test usually consists of estimating the asset's value in use. Value in use is measured as the net present value of estimated future cash flows. Assets with indefinite useful lives, i.e. mainly goodwill, are tested for impairment at least once a year.

The tests are performed at the level of cash generating unit (CGU) to which the assets belong. CGUs are defined as the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If a CGU's recoverable amount is less than its carrying amount, an impairment loss is recognised in profit or loss and, to the extent possible, as an adjustment to the carrying amount of any goodwill allocated to the CGU.

The Automotive Division comprises a number of Vehicle CGUs, each corresponding to a vehicle model. The assets included in a Vehicle CGU consist of tooling and other specific plant and equipment used to manufacture the model, as well as capitalised model development expenditure (see Note 4.3.A.(1)). The plants in Latin America and Russia comprise property, plant and equipment and intangible assets specific to each of these markets. The Automotive Division CGU consists of the Vehicle CGUs and all other fixed assets.

In the Automotive Equipment Division, 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 Division 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 Automotive division CGUs and provisions for Automotive division onerous contracts

The results of the impairment tests on the assets of the Automotive Division CGU, the Latin America and Russia plants, the Latin America CGU and each Vehicle CGU were updated at 31 December 2016. These tests are based on the Group's best estimates.

## **AUTOMOTIVE DIVISION CGU**

The Group updated the projections used for testing the impairment of the Automotive Division CGU in December 2016. Testing was based on the most recent medium-term plan (MTP), covering the years 2017–2021, and on an assessment of the main risks associated with this plan. The profitability assumed for the purposes of determining the terminal value is consistent with the historical performance of the Group's Automotive Business. The automotive market forecasts used are the Group's most recent estimates, which are based on external forecasts.

The after-tax discount rate applied was 9.5% for 2017–2021 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 2015.

Specific tests performed on Latin America and Russia plants have been also updated on the basis of the 2017–2021 MTP. It led to the recognition of a total impairment charge of €14 million related to the investments of the year in Russia, recorded in non-current operating income (loss).

As of 31 December 2016, taking into account impairment recognised previously, net impairment charges of the Latin America and Russia plants totalled €478 million.

As of 31 December 2016, taking into account impairment recognised previously, net impairment charges of the Automotive Division totalled €1,652 million. As such, the carrying amount of the intangible assets and property, plant and equipment of the Automotive Division was €10,801 million.

The sensitivity to changes in the main assumptions is as follows: impairment would increase by €373 million with a 0.5% higher discount rate, €312 million with a perpetual growth rate limited to 0.5%, €1,426 million as a result of a 0.5% reduction in the operating margin in the reference year used to calculate the terminal value and €1,712 million if these three factors were combined.

## **VEHICLE CGUs**

As of 31 December 2016, the impairment testing of assets dedicated to the Vehicle CGUs did not reveal impairment.

For the Vehicle CGUs corresponding to vehicles produced under cooperation agreements, in addition to testing of assets for impairment, provisions for long-term contract losses were recorded for any projected losses arising from purchase commitments. The updating of data relating to volumes and margins for these vehicles as well as forecast currency exchange rates for purchasing currencies, led to a reversal of the provision for losses on onerous contracts amounting to €1 million over the year. As of 31 December 2016, provisions totalled €48 million.

Other reversals of provisions and loss were recognised in the amount of €9 million, i.e. a total of €10 million including the reversal of the €1 million provision for loss on onerous contracts.

## **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 (2017–2019 plan revised at end-2016 based on the latest 2017 budget assumptions).

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 (2019) using a growth rate of 1.4% (1.5% in 2015). Future cash flows were discounted at an unchanged after-tax rate of 9.0% (9.5% in 2015), provided by an independent expert.

The test performed at end-2016 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:

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
• Automotive Seating	794	794
• Clean Mobility	376	370
• Interior Systems	48	46
<b>Total</b>	<b>1,218</b>	<b>1,210</b>

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 operating margin) 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 2016 was €2,356 million based on a share price of €36.835, 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 €1,488 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 2016.

#### **7.4. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES RELATED TO OPERATING ACTIVITIES**

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
Capital commitments for the acquisition of non-current assets	854	862
Orders for research and development work	33	61
Minimum purchase commitments	53	106
Non-cancellable lease commitments	1,473	1,693
<b>Total</b>	<b>2,413</b>	<b>2,722</b>

##### **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 2016, the Group had already paid €145 million into these two funds.



## C. Non-cancellable lease commitments

Periods	31 December 2016	31 December 2015
<i>(in million euros)</i>		
2016	-	290
2017	263	233
2018	209	205
2019	172	179
2020	148	164
2021	130	140
2022	107	-
Subsequent years	444	482
<b>Total non-cancellable lease commitments</b>	<b>1,473</b>	<b>1,693</b>

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 8 - OTHER NON-CURRENT ASSETS AND OTHER NON-CURRENT LIABILITIES

### 8.1. OTHER NON-CURRENT ASSETS

<i>(in million euros)</i>	Notes	31 December 2016	31 December 2015
Excess of payments to external funds over pension obligations	6.1.E	729	597
Investments in non-consolidated companies and units in the FAA funds		254	213
Derivative instruments <sup>(1)</sup>		28	-
Guarantee deposits and other		364	273
<b>Total</b>		<b>1,375</b>	<b>1,083</b>

<sup>(1)</sup> 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 11.8.C.(3)). They are reported as non-current assets because of the lock-up applicable to the Group's investment.

In light of the difficulties experienced by automotive equipment manufacturers, the FAA units were written down by €42 million at 31 December 2016 based on the valuation published by the fund manager, Caisse des Dépôts et Consignations. As the Group considers that the impairment loss will last, it was recognised through profit and loss in accordance with the accounting policies (see Note 11.8.C.(3)).

New equity investments acquired in non-consolidated companies in 2016 amounted to €96 million, mainly in connection with the Group's business development in new services.

### 8.2. OTHER NON-CURRENT LIABILITIES

<i>(in million euros)</i>	Notes	31 December 2016	31 December 2015
Liabilities related to vehicles sold with a buyback commitment	4.1.A.(1).(a)	3,126	3,179
Other		162	308
<b>Total</b>		<b>3,288</b>	<b>3,487</b>

## NOTE 9 - 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.

	31/12/2015	Additions	Releases (utilisations)	Releases (unused provisions)	Recognised in equity during the period	Change in scope of consolidation and other	31/12/2016
Pensions (Note 6.1)	1,091	67	(100)	(4)	136	45	1,235
Other employee benefit obligations and other	187	43	(29)	(3)	(2)	(2)	194
<b>Total non-current provisions</b>	<b>1,278</b>	<b>110</b>	<b>(129)</b>	<b>(7)</b>	<b>134</b>	<b>43</b>	<b>1,429</b>
Warranties	895	535	(415)	(85)	-	(6)	924
Commercial and tax claims and litigations	628	138	(47)	(139)	-	68	648
Restructuring plans <sup>(1)</sup>	1,068	405	(478)	-	-	1	996
Long-term and operating contract losses	304	285	(298)	-	-	151	442
Other	302	147	(42)	(39)	-	(4)	364
<b>Total current provisions</b>	<b>3,197</b>	<b>1,510</b>	<b>(1,280)</b>	<b>(263)</b>	<b>-</b>	<b>210</b>	<b>3,374</b>

<sup>(1)</sup> The main additions for restructuring plans in 2016 are discussed in Note 4.4.B.

Non-current provision releases mainly concern pensions. These reversals of moot pension provisions relate mainly to staff whose departure is expected under workforce adjustment mechanisms (see Note 4.4.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 5.3.A).

Provisions for tax claims concern a number of claims primarily outside France.

## NOTE 10 - 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 et Changan, located in China,
- since 2015 Finance joint ventures with Santander (see Note 2.3),
- as well as companies over which the Group has significant influence, mainly Gefco and since 2015 Peugeot Scooters.

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

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
<b>At beginning of period</b>	<b>2,637</b>	<b>1,666</b>
Dividends and profit transfers <sup>(1)</sup>	(381)	(356)
Share of net earnings	128	437
Newly consolidated companies <sup>(2)</sup>	484	780
Capital increase (reduction) <sup>(2)</sup>	42	47
Changes in scope of consolidation and other	188	(41)
Translation adjustment	(84)	104
<b>At period-end</b>	<b>3,014</b>	<b>2,637</b>
O/w Dongfeng Peugeot Citroën Automobile goodwill	82	85
O/w Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill	3	3
O/w Gefco goodwill	57	57

<sup>(1)</sup> Dividends and profit transfers in 2016 included €261 million in net dividends paid to the Group by the companies in partnership with DPCA, of which €14 million withheld.

<sup>(2)</sup> concerns mainly companies in partnership with Santander

## 10.2. SHARE IN NET ASSETS OF EQUITY-ACCOUNTED COMPANIES

<i>(in million euros)</i>	Latest % interest	<b>31 December 2016</b>	31 December 2015
Dongfeng Motor Company cooperation agreement :		1,192	1,258
• Dongfeng Peugeot Citroën Automobile <sup>(1)</sup>	50 %	1,043	1,067
• Dongfeng Peugeot Citroën Automobile Sales Co	50 %	143	184
• Dongfeng Peugeot Citroën International Co	50 %	6	7
Changan cooperation agreement : Changan PSA Automobiles Co., Ltd	50 %	(177)	120
Other		10	11
Automotive		1,025	1,389
Automotive equipment		115	97
Gefco <sup>(1)</sup>	25 %	153	146
Peugeot Scooters	49 %	1	9
Other activities		154	155
<b>Manufacturing and sales activities</b>		<b>1,294</b>	<b>1,641</b>
Finance companies in partnership with Santander Consumer Finance	50 %	1,450	916
Dongfeng Peugeot Citroën Automobile Finance Company Ltd <sup>(1)</sup>	25 %	77	65
<b>Finance activities</b>		<b>1,527</b>	<b>981</b>
<b>Total</b>		<b>2,821</b>	<b>2,622</b>

<sup>(1)</sup> Including goodwill (see Note 10.1)

The share in net assets of equity-accounted companies breaks down into €3,014 million (€2,637 million at 31 December 2015) for companies with positive net equity, reported under “Investments in equity-accounted companies” less €193 million (€15 million at 31 December 2015) for companies with negative net equity, reported under “Non-current provisions”.

### 10.3. SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES

<i>(in million euros)</i>	Latest % interest	<b>31 December 2016</b>	31 December 2015
Dongfeng Motor Company cooperation agreement :		242	350
• Dongfeng Peugeot Citroën Automobile <sup>(1)</sup>	50 %	129	177
• Dongfeng Peugeot Citroën Automobile Sales Co	50 %	113	173
• Dongfeng Peugeot Citroën International Co	50 %	-	-
Changan cooperation agreement : Changan PSA Automobiles Co., Ltd	50 %	(292)	(50)
Other		(43)	2
Automotive		(93)	302
Automotive equipment		20	13
Gefco <sup>(1)</sup>	25 %	14	6
Peugeot Scooters	49 %	(8)	(7)
Other activities		6	(1)
<b>Manufacturing and sales activities</b>		<b>(67)</b>	<b>314</b>
Finance companies in partnership with Santander Consumer Finance	50 %	181	112
Dongfeng Peugeot Citroën Automobile Finance Company Ltd <sup>(1)</sup>	25 %	14	11
<b>Finance activities</b>		<b>195</b>	<b>123</b>
<b>Total</b>		<b>128</b>	<b>437</b>

<sup>(1)</sup> Including goodwill (see Note 10.1)

The negative share in net earnings of Changan PSA Automobiles Co, Ltd accruing to PSA Group of €292 million includes the €29 million loss for the period and €263 million from impairment testing. The latter resulted in the impairment of the securities of this equity-accounted company by €87 million, the loan granted by the Group by €27 million, and in the funding of a provision for €149 million.

This test is based on PSA Group's best estimates. The after-tax discount rate applied was 12.5% for 2017-2021 and 13.5% for the terminal value based on a perpetual growth rate of 1%.

### 10.4. 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 Wuhan, 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	
	2016	2015	2016	2015
Revenue	7,455	9,864	54,795	68,991
Recurring operating income (loss)	524	828	3,858	5,805
Operating income (loss)	568	843	4,181	5,903
<i>Of which depreciation and impairment</i>	(299)	(297)	(2,202)	(2,076)
Net financial income (loss)	55	82	402	573
Income taxes	(138)	(225)	(1,015)	(1,568)
Profit (loss) from continuing operations	485	700	3,568	4,908
Profit (loss) from discontinued operations	-	-	-	-
Profit (loss) of the period	485	700	3,568	4,908
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	242	350		
Income and expenses recognised in equity, net	-	-		
<b>Other information</b>				
Net dividend received from the joint venture(s) by the PSA Peugeot Citroën group	260	332		

## Balance sheet items at 100%

	In million euros		In million yuans	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Assets</b>				
Non-current assets	3,380	3,263	24,746	23,040
Current assets	2,826	3,258	20,700	23,000
<i>Of which cash and cash equivalents</i>	1,224	1,880	8,957	13,271
<b>Liabilities</b>				
Non-current liabilities (excluding equity)	287	210	2,103	1,482
<i>Of which non-current financial liabilities</i>	287	88	2,103	622
Current liabilities	3,711	3,977	27,166	28,081
<i>Of which current financial liabilities</i>	22	194	164	1,367
Equity	2,208	2,334	16,177	16,477
<b>Transition table</b>				
Equity	2,208	2,334		
% of interest	50%	50%		
Group's share in equity	1,104	1,167		
Goodwill	82	84		
Investments in company at equity	1,186	1,251		

## 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	
	2016	2015	2016	2015
Revenue	368	498	2,702	3,486
Recurring operating income (loss)	(22)	(74)	(161)	(516)
Operating income (loss)	(488)	(71)	(3,561)	(496)
<i>Of which depreciation and impairment</i>	(464)	(32)	(3,383)	(224)
Net financial income (loss)	(24)	(28)	(177)	(198)
Income taxes	(72)	-	(529)	-
Profit (loss) from continuing operations	(584)	(99)	(4,267)	(694)
Profit (loss) from discontinued operations	-	-	-	-
Profit (loss) of the period	(584)	(99)	(4,267)	(694)
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	(292)	(50)		
Income and expenses recognised in equity, net	-	-		

### Other information

Net dividend received from the joint venture(s) by the PSA Peugeot Citroën group	-	-
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## Balance sheet items at 100%

Data at 31 December 2016 includes the impairment losses at 100% described in Note 10.3.

	In million euros		In million yuans	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Assets</b>				
Non-current assets	388	980	2,847	6,918
Current assets	192	286	1,408	2,022
<i>Of which cash and cash equivalents</i>	91	56	665	394
<b>Liabilities</b>				
Non-current liabilities (excluding equity)	408	454	2,990	3,211
<i>Of which non-current financial liabilities</i>	408	454	2,990	3,211
Current liabilities	525	572	3,845	4,041
<i>Of which current financial liabilities</i>	250	201	1,832	1,418
Equity	(353)	240	(2,580)	1,688
<b>Transition table</b>				
Equity	(353)	240		
% of interest	50%	50%		
Group's share in equity	(177)	120		

## C. Santander agreement and Dongfeng Motor Group 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 2016 eleven European countries as well as Brazil (see Note 2.3).

The partnership with Dongfeng Motor Group concerns the financing activities in China.

## Earnings items at 100%

In million euros	2016				2015		
	Europe	Brazil	China	Total	Europe	China	Total
<b>Net banking revenue</b>	<b>882</b>	<b>13</b>	<b>116</b>	<b>1,011</b>	<b>549</b>	<b>95</b>	<b>644</b>
General operating expenses and others	(323)	(7)	(28)	(358)	(192)	(23)	(215)
<b>Gross operating income</b>	<b>559</b>	<b>6</b>	<b>88</b>	<b>653</b>	<b>357</b>	<b>72</b>	<b>429</b>
Cost of risk	(28)	-	(9)	(37)	(35)	(22)	(57)
<b>Operating income</b>	<b>531</b>	<b>6</b>	<b>79</b>	<b>616</b>	<b>322</b>	<b>50</b>	<b>372</b>
Income taxes	(174)	(2)	(20)	(196)	(98)	(13)	(111)
<b>Profit (loss) for the period</b>	<b>357</b>	<b>4</b>	<b>59</b>	<b>420</b>	<b>224</b>	<b>37</b>	<b>261</b>
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	179	2	14	195	112	11	123
Income and expenses recognised in equity, net	(3)	-	-	(3)	-	-	-
<b>Other information</b>							
Net dividend received from the joint venture(s) by the PSA Peugeot Citroën group	(92)	-	-	(92)	-	-	-

## Balance sheet items at 100%

In million euros	31 December 2016				31 December 2015		
	Europe	Brazil	China	Total	Europe	China	Total
Customer loans and receivables	21,954	496	2,220	24,670	14,481	2,039	16,520
Other assets	2,419	62	101	2,582	1,577	101	1,678
<b>Total assets</b>	<b>24,373</b>	<b>558</b>	<b>2,321</b>	<b>27,252</b>	<b>16,058</b>	<b>2,140</b>	<b>18,198</b>
Financing liabilities	17,174	461	1,357	18,992	12,107	1,255	13,362
Other liabilities	4,383	13	665	5,061	2,118	637	2,755
Equity	2,816	84	299	3,199	1,833	248	2,081
<b>Total liabilities</b>	<b>24,373</b>	<b>558</b>	<b>2,321</b>	<b>27,252</b>	<b>16,058</b>	<b>2,140</b>	<b>18,198</b>

## 10.5. 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)	2016	2015
Sales to manufacturing and sales companies <sup>(1)</sup>	857	1,369
Sales and assignments to companies in partnership with Santander	5,172	4,617
Purchases <sup>(2)</sup>	(2,043)	(1,846)

<sup>(1)</sup> of which €735 million in sales to companies in partnership with DCPA (€1,217 million in 2015) and €33 million in sales to CAPSA (€69 million in 2015).

<sup>(2)</sup> of which €1,684 million in purchases from Gefco (€1,729 million in 2015).

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

(in million euros)	31 December 2016	31 December 2015
Long-term loans	51	-
Loans - due within one year	27	-
Accounts receivable	315	282
Accounts payable	(325)	(312)

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

## NOTE 11 - FINANCING AND FINANCIAL INSTRUMENTS – MANUFACTURING AND SALES COMPANIES

### 11.1. 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 11.8.

### 11.2. NET FINANCIAL INCOME (EXPENSE)

<i>(in million euros)</i>	<b>2016</b>	2015
Interest income <sup>(1)</sup>	95	187
Finance costs	(335)	(539)
Other financial income	203	108
Other financial expenses	(235)	(398)
<b>Net financial income (expense)</b>	<b>(272)</b>	<b>(642)</b>

<sup>(1)</sup> Including €85 million for the Automotive division and Other Businesses (€182 million in 2015).

Finance costs include in 2016 an exceptional charge of €65 million for the early redemption of bonds by Peugeot S.A. (see Note 11.6.A).

#### A. Finance costs

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

<i>(in million euros)</i>	<b>2016</b>	2015
Financial costs	(447)	(600)
Foreign exchange gain (loss) on financial transactions and other	(15)	(35)
Finance costs incurred	(462)	(635)
<i>Of which Automotive Division and Other Businesses</i>	<i>(311)</i>	<i>(449)</i>
Capitalised borrowing Costs	127	96
<b>Total</b>	<b>(335)</b>	<b>(539)</b>

#### ▪ 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

<i>(in million euros)</i>	<b>2016</b>	2015
Finance costs incurred	(462)	(635)
<i>Of which Automotive Division and Other Businesses</i>	(311)	(449)
Interest income	95	187
<i>Of which Automotive Division and Other Businesses</i>	85	182
<b>Total</b>	<b>(367)</b>	<b>(448)</b>
<i>Of which Automotive Division and Other Businesses</i>	(226)	(267)

## B. Other financial income and expenses

<i>(in million euros)</i>	<b>2016</b>	2015
Expected return on pension funds	26	21
Other financial income	177	87
<b>Financial income</b>	<b>203</b>	<b>108</b>
Interest cost on employee benefit obligations	(27)	(30)
Ineffective portion of the change in fair value of financial instruments	(45)	(101)
Other financial expenses	(163)	(267)
<b>Financial expenses</b>	<b>(235)</b>	<b>(398)</b>

## 11.3. 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 11.4).

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)

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
<b>Financial assets and liabilities of the manufacturing and sales companies</b>		
Non-current financial liabilities	(4,526)	(4,267)
Current financial liabilities	(1,661)	(3,229)
Other non-current financial assets	685	669
Current financial assets	629	570
Financial investments	110	352
Cash and cash equivalents	11,576	10,465
<b>(Net debt) Net financial position of the manufacturing and sales companies</b>	<b>6,813</b>	<b>4,560</b>
Of which external loans and borrowings	6,804	4,061
Of which financial assets and liabilities with finance companies	9	499
<b>Automotive Division and Other Businesses</b>	<b>7,288</b>	<b>5,586</b>

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

In 2016, the Group kept up the proactive refinancing strategy and conservative liquidity policy described in Note 11.7.A.

In 2016, the manufacturing and sales companies have strongly increased their net financial position resulting from the increase of net cash from operating activities exceeding the cash used in investing activities.

Net cash from operating activities for the year totalled positive €4,937 million, representing funds from operations of €4,466 million plus the positive impact of a €471 million decrease in working capital. Changes in working capital are discussed in Note 5.4.A.

Investments for the period in property, plant and equipment and intangible assets amounted to €3,076 million. Other financing resources for the period stood at €280 million.

Other cash inflows for the period were as follows:

- Banque PSA Finance dividend of €434 million including a special dividend of €273 million resulting from the implementation of the partnership with Santander;
- Various rights issues resulting especially from equity warrant bonds' conversions for a total amount of €332 million.

These various cash inflows and outflows have resulted in an increase in the net financial position of €2,907 million which breaks down as follows:

- Cash reserves increased by €1,359 million.
- Net debt before cash and cash equivalents decreased by €1,548 million as a result of the following variations :

<i>(in million euros)</i>	2016	2015
Increase in borrowings	1,262	975
Repayment of borrowings and conversion of bonds	(2,921)	(1,968)
(Increase) decrease in non-current financial assets	(70)	(9)
(Increase) decrease in current financial assets	160	(283)
Increase (decrease) in current financial liabilities	21	(391)
	<b>(1,548)</b>	<b>(1,676)</b>
<i>Net cash flows with Group finance companies</i>	<i>(443)</i>	<i>142</i>
<b>Total</b>	<b>(1,991)</b>	<b>(1,534)</b>

Loan repayments in the amount of €2,921 million include notably (see Note 11.6.A):

- Repayment of OCEANE bonds convertible or exchangeable for new or existing shares by Peugeot S.A. at their maturity in the amount of €535 million;
- Partial redemptions of bonds by Peugeot S.A. in June 2016 in the amount of €496 million;
- Repayment of debts by Peugeot S.A. at their March and October maturities in the amount of €700 million;
- Repayment of debts by Faurecia in the total amount of €490 million.

Furthermore, the non-cash changes represented a decrease of €654 million in the net debt of the Group.

#### 11.4. FINANCIAL SECURITY

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

€585 million (€57 million at 31 December 2015) and €503 million (€478 million at 31 December 2015) in current and non-current financial assets respectively were included in the calculation of financial security, representing a total of €1,088 million (€535 million at 31 December 2015).

<i>(in million euros)</i>	Notes	31 December 2016	31 December 2015
Cash and cash equivalents <sup>(1)</sup>	11.5.C	11,576	10,465
Financial investments	11.5.B	110	352
Current & non current financial assets		1,088	535
<b>Total</b>		<b>12,774</b>	<b>11,352</b>
Lines of credit (undrawn) – excluding Faurecia		3,000	3,000
Lines of credit (undrawn) – Faurecia		1,200	1,200
<b>Total financial security</b>		<b>16,974</b>	<b>15,552</b>
<i>of which Faurecia</i>		<i>2,840</i>	<i>2,234</i>

<sup>(1)</sup> of which €12 million in Argentina (€318 million at 31 December 2015).

## ▪ 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 2020:

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
Peugeot S.A. and GIE PSA Trésorerie	3,000	3,000
Faurecia	1,200	1,200
<b>Undrawn confirmed lines of credit</b>	<b>4,200</b>	<b>4,200</b>

The €2,000 million tranche of the Peugeot S.A. and GIE PSA Trésorerie facility matures in November 2020. The balance matures in November 2018 for €17 million and in November 2019 for €983 million.

This last €1,000 million tranche has a second optional one-year extension (November 2019 to November 2020) on hand's banks.

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 11.3. The Group's equity is that listed under "Total Equity" in liabilities.

All of these clauses were complied with at 31 December 2016.

Faurecia's additional borrowing capacity, other than through 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.

## 11.5. BREAKDOWN OF FINANCIAL ASSETS

### A. Other non-current and current financial assets

<i>(in million euros)</i>	<b>31 December 2016</b>		31 December 2015	
	Non-current	Current	Non-current	Current
Loans and receivables	285	627	269	562
Financial assets classified as "at fair value through profit or loss"	380	-	348	-
Derivative instruments	20	2	52	8
<b>Total financial assets, net</b>	<b>685</b>	<b>629</b>	<b>669</b>	<b>570</b>

### 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 €110 million (€352 million as of 31 December 2015).

### 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:

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
Mutual fund units and money market securities	8,389	7,740
Cash and current account balances	3,187	2,725
<b>Total - manufacturing and sales companies</b>	<b>11,576</b>	<b>10,465</b>
<i>o/w deposits with finance companies</i>	<i>(8)</i>	<i>(55)</i>
<b>Total</b>	<b>11,568</b>	<b>10,410</b>

Cash includes the proceeds from borrowings arranged to meet future financing needs (see note 11.3.A).

At 31 December 2016, cash equivalents mainly included money market funds for €6,494 million, bank deposits and overnight money market notes in the amount of €1,223 million, and commercial paper for €159 million.

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

## 11.6. BREAKDOWN OF FINANCIAL LIABILITIES

(in million euros)	Carrying amount at 31 December 2016		Carrying amount at 31 December 2015	
	Amortised cost or fair value		Amortised cost or fair value	
	Non-current	Current	Non-current	Current
Convertible bonds <sup>(1)</sup>	-	-	1	561
Other bonds	3,706	393	3,323	1,315
Finance lease liabilities	143	23	138	23
Other long-term borrowings	674	251	803	472
Other short-term financing and overdraft facilities	-	981	-	853
Derivative instruments and other	3	13	2	5
<b>Total financial liabilities</b>	<b>4,526</b>	<b>1,661</b>	<b>4,267</b>	<b>3,229</b>

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

### A. Main financing transactions during the year

The financial risk management policy is set out in Note 11.7.A.

The main transactions during the year were as follows:

#### ▪ Convertible bond issues by manufacturing and sales companies

Peugeot S.A. redeemed all the Oceane bonds convertible or exchangeable for new or existing shares issued on 23 June 2009 that matured on 4 January 2016, for €535 million.

On 15 January 2016, Faurecia redeemed early the remaining Oceane bonds convertible or exchangeable for new or existing shares issued on 18 September 2012 maturing on 1 January 2018, for €14 million.

#### ▪ Bond issues by manufacturing and sales companies (excluding Faurecia)

In March 2016, Peugeot S.A. repaid at maturity the €238 million bond.

In April 2016, Peugeot S.A. issued a €500 million 2.375% bond maturing in April 2023.

In June 2016, Peugeot S.A. made partial redemptions in a total amount of €496 million:

- €75 million on the €378 million bond maturing in July 2017;
- €252 million on the €810 million bond maturing in March 2018;
- €170 million on the €600 million bond maturing in January 2019.

In October 2016, Peugeot Citroën Automobiles repaid early the final €40 million tranche of the €200 million European Investment Bank loan falling due in July 2017.

In October 2016, Peugeot S.A. repaid at maturity the €150 million bond and the €312 million bond.

In 2016, PCA Do Brazil issued four bonds for €71 million (BRL186 million).

#### ▪ Bond issues by manufacturing and sales companies (Faurecia)

In April 2016, Faurecia issued €700 million in fixed-rate 3.625% bonds maturing in June 2023.

In April 2016, Faurecia completed the early redemption of its €490 million bond maturing in December 2016.

## B. Characteristics of bonds and other borrowings

<i>(in million euros)</i>	Carrying amount at 31 December 2016		Issuing currency	Due
	Non-current	Current		
<b>Manufacturing and sales companies (excluding Faurecia)</b>				
2003 bond issue - €600m	840	10	EUR	Q3/2033
2012 bond issue - €304m	-	311	EUR	Q3/2017
2013 bond issue - €559m	557	34	EUR	Q1/2018
2013 bond issue - €430m	428	27	EUR	Q1/2019
2016 bond issue - €500m	496	9	EUR	Q2/2023
<b>Faurecia</b>				
2015 bond issue - €700m	693	1	EUR	Q2/2022
2016 bond issue - €700m	692	1	EUR	Q2/2023
<b>Total bond issues</b>	<b>3,706</b>	<b>393</b>		
<b>Manufacturing and sales companies (excluding Faurecia) – euro-denominated loans</b>				
EIB loan <sup>(1)</sup> - €65m (€125m)	-	13	EUR	Q4/2017
EIB loan - €300m	59	57	EUR	2017 to 2018
FDES loan <sup>(1)</sup> - Zero coupon	24	-	EUR	Q1/2020
Borrowings - Morocco	3	-	EUR	2021
Borrowings - Iran	-	24	EUR	Q1/2017
Borrowings - Spain	138	19	EUR	2017 to 2026
Borrowings - Russia	22	31	EUR	2017 to 2019
Borrowings - Other France	56	-	EUR	2021
<b>Manufacturing and sales companies (excluding Faurecia) – foreign currency loans</b>				
Borrowings - Brazil	169	53	BRL	2018 to 2024
Borrowings - Russia	7	5	RUB	Q2/2019
Other borrowings	8	6	na	na
<b>Faurecia</b>				
Other borrowings	188	43	EUR	2017 to 2023
<b>Total other long-term borrowings</b>	<b>674</b>	<b>251</b>		

<sup>(1)</sup> EIB: European Investment Bank; FDES: French social and economic development fund.

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

<i>(in million euros)</i>	Issuing currency	Carrying amount at 31 December 2016	Carrying amount at 31 December 2015
Commercial paper	EUR	-	31
Short-term loans	N/A	363	440
Bank overdrafts	N/A	356	246
Payments issued <sup>(1)</sup>	N/A	112	12
Factoring liabilities on assets that have not been derecognised	N/A	150	124
<b>Total</b>		<b>981</b>	<b>853</b>

<sup>(1)</sup> 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:

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
Less than 1 year	-	43
1 to 5 years	94	43
Subsequent years	79	82
	<b>173</b>	<b>168</b>
Less interest portion	(7)	(7)
<b>Present value of future lease payments</b>	<b>166</b>	<b>161</b>
Of which short-term	23	23
Of which long-term	143	138

## E. Financing by the assignment of receivables

The Automotive Division 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 totalled €4,619 million (€2,573 million in 2015), previously financed by subsidiaries of Banque PSA Finance.

The sold receivables are derecognised when they meet the criteria specified in Note 5.2.

Other financing through the sale of receivables is as follows:

<i>(in million euros)</i>	<b>31 December 2016</b>		31 December 2015	
	<b>Total receivables sold to non-Group financial institutions</b>	Portion sold but not derecognised	<b>Total receivables sold to non-Group financial institutions</b>	Portion sold but not derecognised
<b>Portion financed by third party financial institution</b>				
<i>Financed portion<sup>(1)</sup></i>	<b>2,266</b>	<b>83</b>	<b>1,934</b>	-
<i>- of which Faurecia group</i>	864	27	665	-

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

Furthermore, Peugeot S.A. and Faurecia sold and derecognised in 2016 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 €87 million. The cash proceeds received in the twelve months to 31 December 2016 amounted to €86 million.

Besides, Faurecia sold and derecognised its 2015 French research tax credits (*credit d'impôt recherche – CIR*), for a total of €35 million. The cash proceeds received at 31 December 2016 amounted to €34million.

The sale of receivables constitutes usual short-term financing.

No transaction was carried out in December 2016 outside of the sale of receivables programme.

## 11.7. 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.

## **(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 2016, the net financial position of the manufacturing and sales companies was €6,813 million compared to a €4,560 million net financial position at 31 December 2015. The breakdown of the net financial position can be found in Note 11.3.A, and changes thereto in Note 11.3.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, €1,792 million of which had been drawn down at end-December 2016.

At 31 December 2016, the manufacturing and sales companies had financial security of €16,974 million (see Note 11.4) compared to €15,552 million at end-December 2015.

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 2016 (in million euros)	Assets	Liabilities	Undiscounted contractual cash flows					
			2017	2018	2019	2020	2021	> 5 years
<b>Financial liabilities</b>								
<b>Bonds - principal repayments</b>								
Manufacturing and sales companies - excl. Faurecia		(2,321)	-	(559)	(430)	-	-	(1,100)
Faurecia		(1,385)	-	-	-	-	-	(1,400)
<b>Other long-term debt - principal repayments</b>								
Manufacturing and sales companies - excl. Faurecia		(694)	(213)	(162)	(77)	(78)	(109)	(98)
Faurecia		(231)	(40)	(32)	(7)	(132)	(7)	(10)
<b>Total bonds and other borrowings</b>								
Manufacturing and sales companies - excl. Faurecia		(3,015)	(213)	(721)	(507)	(78)	(109)	(1,198)
Faurecia		(1,616)	(40)	(32)	(7)	(132)	(7)	(1,410)
<b>Total interest on bonds and other borrowings</b>								
Manufacturing and sales companies - excl. Faurecia		(391)	(304)	-	-	-	-	-
Faurecia		(2)	-	-	-	-	-	-
<b>Derivative instruments</b>								
Total derivative instruments	89	(51)	16	6	14	-	-	-
<b>TOTAL</b>	<b>89</b>	<b>(5,075)</b>	<b>(541)</b>	<b>(747)</b>	<b>(500)</b>	<b>(210)</b>	<b>(116)</b>	<b>(2,608)</b>

### **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 2016.

Drawing on the €3 billion syndicated credit facility established in April 2014 (see Note 11.4) 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 11.3. 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 contains only one covenant setting limits on debt.

Adjusted net debt* / EBITDA**	maximum	2.50
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\* 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 2017 and first quarter of 2018, 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:

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

<b>31 December 2015</b>	<i>(in million euros)</i>	Intraday to 1 year	2 to 5 years	Beyond 5 years	<b>Total</b>
Total assets	Fixed rate	354	145	427	<b>926</b>
	Variable rate	11,025	-	-	<b>11,025</b>
Total liabilities	Fixed rate	-	(2,382)	(1,686)	<b>(4,068)</b>
	Variable rate	(3,266)	-	-	<b>(3,266)</b>
<b>Net position before hedging</b>	Fixed rate	<b>354</b>	<b>(2,237)</b>	<b>(1,259)</b>	<b>(3,142)</b>
	Variable rate	<b>7,759</b>	-	-	<b>7,759</b>
Derivative financial instruments	Fixed rate	(470)	(61)	-	<b>(531)</b>
	Variable rate	531	-	-	<b>531</b>
<b>Net position after hedging</b>	Fixed rate	<b>(116)</b>	<b>(2,298)</b>	<b>(1,259)</b>	<b>(3,673)</b>
	Variable rate	<b>8,290</b>	-	-	<b>8,290</b>

### **(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 2016, the Automotive Division had cash flow hedges on the following currencies: GBP, CHF 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 2016 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 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)
<b>Net position before hedging</b>	<b>129</b>	<b>(122)</b>	<b>616</b>	<b>(60)</b>	<b>572</b>	<b>10</b>	<b>(126)</b>	<b>99</b>	<b>1,118</b>
Derivative financial instruments	(148)	67	(588)	55	(572)	6	43	(112)	(1,249)
<b>Net position after hedging</b>	<b>(19)</b>	<b>(55)</b>	<b>28</b>	<b>(5)</b>	<b>-</b>	<b>16</b>	<b>(83)</b>	<b>(13)</b>	<b>(131)</b>

31 December 2015 (in million euros)	GBP	JPY	USD	PLN	CHF	RUB	CZK	Other	Total
Total assets	386	45	567	171	29	91	53	234	1,576
Total liabilities	(57)	(23)	(25)	(14)	-	-	(101)	(96)	(316)
Future transactions	469	(130)	70	(135)	140	-	37	(131)	320
Exposure to fixed charge coverage commitments	-	(106)	-	-	-	-	-	-	(106)
<b>Net position before hedging</b>	<b>798</b>	<b>(214)</b>	<b>612</b>	<b>22</b>	<b>169</b>	<b>91</b>	<b>(11)</b>	<b>7</b>	<b>1,474</b>
Derivative financial instruments	(797)	108	(611)	(29)	(169)	(91)	20	(43)	(1,612)
<b>Net position after hedging</b>	<b>1</b>	<b>(106)</b>	<b>1</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>(36)</b>	<b>(138)</b>

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 2016 (see table below) would have the following direct impact on income before tax and equity :

(in million euros)	JPY / EUR	USD / EUR	PLN / 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	2	4	4	1	1
Impact on equity	3	3	4	-	2	-	-	-

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

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

<b>31 December 2015</b> <i>(in million euros)</i>	UAH / USD	USD / CAD	USD / BRL	USD / ARS	USD / DZD	JPY / RUB
Total assets	-	-	158	189	-	-
Total liabilities	(1)	(11)	(41)	(254)	(86)	-
Future transactions	-	(9)	-	-	-	-
<b>Net position before hedging</b>	<b>(1)</b>	<b>(20)</b>	<b>117</b>	<b>(65)</b>	<b>(86)</b>	<b>-</b>
Derivative financial instruments	-	22	(108)	174	-	-
<b>Net position after hedging</b>	<b>(1)</b>	<b>2</b>	<b>9</b>	<b>109</b>	<b>(86)</b>	<b>-</b>

### **(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 2016, 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 2016 would have been a €75 million increase (decrease) in consolidated equity at 31 December 2016 (versus €87 million at 31 December 2015). 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 2016 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 2016 (in million euros)	Carrying amount		Notional amount	Maturity		
	Assets	Liabilities		< 1 year	2 to 5 years	> 5 years
<b>Currency risk</b>						
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 <sup>(1)</sup>	-	-	2,048	2,040	8	-
Of which Intragroup	-	-				
<b>Total currency risks</b>	<b>68</b>	<b>(48)</b>	<b>3,451</b>	<b>3,305</b>	<b>146</b>	<b>-</b>
<b>Interest rate risk</b>						
Cash flow hedges:						
• Interest rate swaps and interest rate options	1	(2)	7	-	7	-
Trading instruments <sup>(2)</sup>	-	-	-	-	-	-
Of which Intragroup	-	-				
<b>Total interest rate risks</b>	<b>1</b>	<b>(2)</b>	<b>7</b>	<b>-</b>	<b>7</b>	<b>-</b>
<b>Commodity risk</b>						
Cash flow hedges:						
• Swaps	22	(3)	324	210	114	-
<b>Total commodity risks</b>	<b>22</b>	<b>(3)</b>	<b>324</b>	<b>210</b>	<b>114</b>	<b>-</b>
<b>TOTAL</b>	<b>91</b>	<b>(53)</b>	<b>3,782</b>	<b>3,515</b>	<b>267</b>	<b>-</b>
Of which:						
<b>Total fair value hedges</b>	<b>65</b>	<b>(41)</b>	<b>820</b>	<b>820</b>	<b>-</b>	<b>-</b>
<b>Total cash flow hedges</b>	<b>26</b>	<b>(12)</b>	<b>914</b>	<b>655</b>	<b>259</b>	<b>-</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Interest rate trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or investments.

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 2015 (in million euros)	Carrying amount		Notional amount	Maturity		
	Assets	Liabilities		< 1 year	2 to 5 years	> 5 years
<b>Currency risk</b>						
Fair value hedges:						
• Currency swaps, currency options and forward foreign exchange contracts	51	(5)	1,027	1,027	-	-
• Cross-currency swaps	-	-	8	-	8	-
Cash flow hedges:						
• Currency options and forward foreign exchange contracts	3	(6)	483	474	9	-
• Cross-currency swaps	50	-	51	-	51	-
Trading instruments <sup>(1)</sup>	24	(21)	2,821	2,783	38	-
Of which Intragroup	-	-	-	-	-	-
<b>Total currency risks</b>	<b>128</b>	<b>(32)</b>	<b>4,390</b>	<b>4,284</b>	<b>106</b>	<b>-</b>
<b>Interest rate risk</b>						
Cash flow hedges:						
• Interest rate swaps and interest rate options	2	(2)	10	-	10	-
Trading instruments <sup>(2)</sup>	-	-	-	-	-	-
Of which Intragroup	-	-	-	-	-	-
<b>Total interest rate risks</b>	<b>2</b>	<b>(2)</b>	<b>10</b>	<b>-</b>	<b>10</b>	<b>-</b>
<b>Commodity risk</b>						
Cash flow hedges:						
• Swaps	3	(47)	483	281	202	-
<b>Total commodity risks</b>	<b>3</b>	<b>(47)</b>	<b>483</b>	<b>281</b>	<b>202</b>	<b>-</b>
<b>TOTAL</b>	<b>133</b>	<b>(81)</b>	<b>4,883</b>	<b>4,565</b>	<b>318</b>	<b>-</b>
Of which:						
<b>Total fair value hedges</b>	<b>51</b>	<b>(5)</b>	<b>1,035</b>	<b>1,027</b>	<b>8</b>	<b>-</b>
<b>Total cash flow hedges</b>	<b>58</b>	<b>(55)</b>	<b>1,027</b>	<b>755</b>	<b>272</b>	<b>-</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Interest rate trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or investments.

## (2) Impact of hedging instruments on income and equity

### (a) Impact of cash flow hedges

(in million euros)	2016	2015
Change in effective portion recognised in equity	(10)	(72)
Change in ineffective portion recognised in profit or loss	(8)	(10)
Effective portion reclassified to the income statement under "Cost of goods and services sold"	(27)	(22)
Effective portion reclassified to the income statement under "Finance costs"	(36)	(2)

### (b) Impact of fair value hedges

(in million euros)	2016	2015
Change in ineffective portion recognised in profit or loss	(37)	(91)
<b>Net impact on income</b>	<b>(37)</b>	<b>(91)</b>

The "Net gain (loss) on hedges of borrowings" presented in Note 11.2.A also includes gains and losses on economic hedges that do not qualify for hedge accounting under IAS 39.

## 11.8. 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 11.8.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 2016		Analysis by class of instrument				
	Carrying amount	Fair value	Instruments at fair value through profit or loss	Available-for-sale financial assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
<i>(in million euros)</i>							
Other non-current financial assets	685	685	380	-	285	-	20
Other non-current assets <sup>(1)</sup>	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	-	-	-	-
<b>Assets</b>	<b>16,962</b>	<b>16,962</b>	<b>12,066</b>	<b>249</b>	<b>4,556</b>	<b>-</b>	<b>91</b>
Non-current financial liabilities	4,526	4,528	-	-	-	4,524	2
Other non-current liabilities <sup>(2)</sup>	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
<b>Liabilities</b>	<b>21,067</b>	<b>21,075</b>	<b>-</b>	<b>-</b>	<b>14,841</b>	<b>6,173</b>	<b>53</b>

<sup>(1)</sup> Other non-current assets exclude the amount of pension plan surpluses (see Note 8.1), which are not financial assets as defined by IAS 39.

<sup>(2)</sup> Excluding liabilities related to vehicles sold with a buyback commitment.

	31 December 2015		Analysis by class of instrument				
	Carrying amount	Fair value	Instruments at fair value through profit or loss	Available-for-sale financial assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
<i>(in million euros)</i>							
Other non-current financial assets	669	669	348	-	267	-	54
Other non-current assets <sup>(1)</sup>	475	475	-	202	273	-	-
Trade receivables	1,624	1,624	-	-	1,624	-	-
Other receivables	1,716	1,716	-	-	1,644	-	72
Current financial assets	570	570	-	-	562	-	8
Financial investments	352	352	352	-	-	-	-
Cash and cash equivalents	10,465	10,465	10,465	-	-	-	-
<b>Assets</b>	<b>15,871</b>	<b>15,871</b>	<b>11,165</b>	<b>202</b>	<b>4,370</b>	<b>-</b>	<b>134</b>
Non-current financial liabilities	4,267	4,230	-	-	-	4,267	-
Other non-current liabilities <sup>(2)</sup>	308	308	-	-	288	-	20
Trade payables	8,858	8,858	-	-	8,858	-	-
Other payables	4,806	4,806	-	-	4,750	-	56
Current financial liabilities	3,229	3,348	-	-	-	3,224	5
<b>Liabilities</b>	<b>21,468</b>	<b>21,550</b>	<b>-</b>	<b>-</b>	<b>13,896</b>	<b>7,491</b>	<b>81</b>

<sup>(1)</sup> Other non-current assets exclude the amount of pension plan surpluses (see Note 8.1), which are not financial assets as defined by IAS 39.

<sup>(2)</sup> 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

	31 December 2016			31 December 2015		
	Derivative instruments	Instruments at fair value through profit or loss	Available-for-sale financial assets	Derivative instruments	Instruments at fair value through profit or loss	Available-for-sale financial assets
<i>(en millions d'euros)</i>						
<b>Level 1 fair value inputs: quoted prices in active markets</b>						
Other non-current financial assets	-	380	-	-	348	-
Financial investments	-	110	-	-	352	-
Cash and cash equivalents	-	11,576	-	-	10,465	-
<b>Level 2 fair value inputs: based on observable market data</b>						
Other non-current financial assets	20	-	-	54	-	-
Other non-current assets	28	-	-	-	-	-
Other receivables	41	-	-	72	-	-
Current financial assets	2	-	-	8	-	-
<b>Level 3 fair value inputs: not based on observable market data</b>						
Other non-current financial assets	-	-	185	-	-	138
Other non-current assets	-	-	64	-	-	64
<b>Total financial assets measured at fair value</b>	<b>91</b>	<b>12,066</b>	<b>249</b>	<b>134</b>	<b>11,165</b>	<b>202</b>

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

	31 December 2016			31 December 2015		
	Derivative instruments	Instruments at fair value through profit or loss	Other liabilities	Derivative instruments	Instruments at fair value through profit or loss	Other liabilities
<i>(in million euros)</i>						
<b>Level 1 fair value inputs: quoted prices in active markets</b>						
<b>Level 2 fair value inputs: based on observable market data</b>						
Non-current financial liabilities	(2)	-	-	-	-	-
Other non-current liabilities	(22)	-	-	(20)	-	-
Other payables	(17)	-	-	(56)	-	-
Current financial liabilities	(12)	-	-	(5)	-	-
<b>Level 3 fair value inputs: not based on observable market data</b>						
<b>Total financial liabilities measured at fair value</b>	<b>(53)</b>	<b>-</b>	<b>-</b>	<b>(81)</b>	<b>-</b>	<b>-</b>

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

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

	31 December 2015		Fair value level		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<i>(in million euros)</i>					
<b>Liabilities</b>					
Non-current financial liabilities	4,267	4,230	3,358	872	-
Current financial liabilities	3,224	3,343	1,995	1,348	-



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

	2016	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
<i>(in million euros)</i>						
<b>Manufacturing and sales companies</b>						
Total interest income	11	-	-	11	-	-
Total interest expense	(320)	-	-	-	(320)	-
Remeasurement <sup>(1)</sup>	81	84	-	1	1	(5)
Disposal gains and dividends	(138)	-	35	(173)	-	-
Net impairment	-	-	(4)	4	-	-
<b>Total - manufacturing and sales companies</b>	<b>(366)</b>	<b>84</b>	<b>31</b>	<b>(157)</b>	<b>(319)</b>	<b>(5)</b>

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

	2015	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
<i>(in million euros)</i>						
<b>Manufacturing and sales companies</b>						
Total interest income	8	-	-	8	-	-
Total interest expense	(504)	-	-	-	(504)	-
Remeasurement <sup>(1)</sup>	(80)	180	-	(28)	1	(233)
Disposal gains and dividends	(224)	-	5	(229)	-	-
Net impairment	(12)	-	(9)	(3)	-	-
<b>Total - manufacturing and sales companies</b>	<b>(812)</b>	<b>180</b>	<b>(4)</b>	<b>(252)</b>	<b>(503)</b>	<b>(233)</b>

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

## 11.9. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

<i>(in million euros)</i>	31 December 2016	31 December 2015
Guarantees given	325	328
Pledged or mortgaged assets	538	521
	<b>863</b>	<b>849</b>

### ▪ 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:

<b>Pledges or mortgages expiring in the years indicated</b>	31 December 2016	31 December 2015
<i>(in million euros)</i>		
2016	-	451
2017	435	13
2018	16	16
2019	44	-
2020	-	-
Subsequent years	43	41
<b>Total pledged or mortgaged assets</b>	<b>538</b>	<b>521</b>
Total assets	45,153	49,110
Percentage of total assets	1.2%	1.1%

## NOTE 12 - FINANCING AND FINANCIAL INSTRUMENTS – FINANCE COMPANIES

### 12.1. 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;
- commissions paid to referral agents as well as directly attributable administrative expenses incurred with third parties on inception of loans and receivables, which are added to the outstanding principal;
- contributions received from the brands, which are deducted from the outstanding principal;
- unamortised loan set-up costs, which are deducted from the outstanding principal;
- deposits received at the inception of finance leases, which are deducted from the amount financed.

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

Loans and receivables are generally hedged against interest rate risks, with the hedged portion of the loan remeasured at fair value in accordance with hedge accounting 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 11.7.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 11.8.D.

## 12.2. IFRS 5 IMPACT ON THE MAIN INCOME STATEMENT AND BALANCE SHEET ITEMS AS OF 31 DECEMBER 2015

IFRS 5 impacts are described in Note 3.3.A of the 2015 consolidated financial statements.

### 12.3. CURRENT FINANCIAL ASSETS

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

##### (1) Analysis

<i>(in million euros)</i>	31 December 2016	31 December 2015	
Total net "Retail, Corporate and Equivalent"	286		331
Total net "Corporate Dealers"	60		129
Remeasurement of interest rate hedged portfolios	-		9
Eliminations	-		(10)
<b>Total</b>	<b>346</b>		<b>459</b>

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

<b>31 December 2016</b> <i>(in million euros)</i>	Net "Retail, Corporate and Equivalent"	Net "Corporate Dealers"	Total
Unallocated	14	(7)	7
Less than one year	162	55	217
Two to five years	143	-	143
Beyond five years	1	-	1
<b>Total gross loans and receivables outstanding</b>	<b>320</b>	<b>48</b>	<b>368</b>
Guarantee deposits on leases	(1)	-	(1)
Depreciation	(9)	(12)	(21)
<b>Total net loans and receivables outstanding</b>	<b>310</b>	<b>36</b>	<b>346</b>

##### (3) Allowances for credit losses

<i>(in million euros)</i>	31 December 2016		31 December 2015	
	Retail, Corporate and Equivalent	Corporate Dealer	Retail, Corporate and Equivalent	Corporate Dealer
Performing loans with no past due balances	291	63	323	128
Performing loans with past due balances and non-performing loans	22	8	27	8
<b>Total gross loans and receivables outstanding</b>	<b>313</b>	<b>71</b>	<b>350</b>	<b>136</b>
Items taken into account in amortised cost calculations and guarantee deposits	(19)	-	(8)	-
Depreciation	(8)	(11)	(11)	(7)
<b>Total net loans and receivables outstanding</b>	<b>286</b>	<b>60</b>	<b>331</b>	<b>129</b>

## 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 €530 million at 31 December 2016 (€486 million at 31 December 2015), including term loans, central bank deposits, French treasury bonds and investments in mutual funds.

## 12.4. FINANCING LIABILITIES – FINANCE COMPANIES

<i>(in million euros)</i>	31 December 2016	31 December 2015
Other debt securities and bond debt	301	34
Bank borrowings	125	330
	<b>426</b>	<b>364</b>
Customer deposits	4	161
	<b>430</b>	<b>525</b>
<i>Amounts due to Group manufacturing and sales companies</i>	(9)	(171)
<b>Total</b>	<b>421</b>	<b>354</b>

## A. Analysis by maturity

<i>(in million euros)</i>	31 December 2016	31 December 2015
• Less than one year	165	169
• Two to five years	261	161
• Beyond five years	-	34
<b>Total</b>	<b>426</b>	<b>364</b>

## B. Analysis by repayment currency

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

<i>(in million euros)</i>	31 December 2016	31 December 2015
EUR	21	73
USD	237	-
ARS	108	-
BRL	-	270
Other currencies	60	21
<b>Total</b>	<b>426</b>	<b>364</b>

## C. Credit lines

<i>(in million euros)</i>	31 December 2016	31 December 2015
Commitments of operations to be continued in partnership		
• Lines not transferred	-	1 382
• Transferred lines	-	118
Commitments of continuing operations	365	461
<b>Undrawn confirmed lines of credit</b>	<b>365</b>	<b>1 961</b>

In the first half of 2016, Banque PSA Finance (i) repaid and cancelled the bank lines of credit on which €185 million had been drawn down, (ii) cancelled the revolving bilateral lines of credit for €1.03 billion and (iii) cancelled the syndicated credit facility of €700 million signed on 5 February 2015. In parallel, Banque PSA Finance arranged a number of new revolving bilateral lines of credit for a total outstanding amount of €360 million. These transactions took place against the background of the partnership between Banque PSA Finance and Santander, resulting in a sharp reduction in Banque PSA Finance's financing needs and associated financial securities.

At 31 December 2016, the credit lines totalling €365 million are detailed as follows:

- €360 million in undrawn revolving bilateral lines of credit for €360 million, comprising mainly long-term financing commitments received;
- €5 million in undrawn various bank lines of credit.

## **12.5. 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, which provides the financing and applies its risk management policy 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 2016, following the transfer or discontinuation of securitisation activities in tandem with the creation of the joint ventures with Santander and the disposal, in early December 2016, of its savings business (consumer savings) in Belgium, only bond financing remained on the balance sheet of Banque PSA Finance.

Following the redemption of the tranche maturing in April 2016, Banque PSA Finance no longer has any bond tranche backed by a French State guarantee on its balance sheet.

The bank also has cash reserves of €474 million, including €50 million in high-quality liquid assets as of 31 December 2016 (see Note 12.3.C).

#### **Renewal of bank facilities**

Details of bank facilities are provided in Note 12.4.C.

#### **Covenants**

The revolving bilateral lines of credit (for a total outstanding amount of €360 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 12.1.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 11.7.B.

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

Offsetting notional amounts have been netted to make the financial statements easier to read.

31 December 2016 (in million euros)	Carrying amount		Notional amount	Maturity		
	Assets	Liabilities		< 1 year	2 to 5 years	> 5 years
<b>Currency risk</b>						
Fair value hedges:						
• Currency swaps	-	-	92	92	-	-
<b>Interest rate risk</b>						
Fair value hedges:						
• Interest rate swaps	5	(1)	268	30	238	-
<b>Total</b>	<b>5</b>	<b>(1)</b>	<b>360</b>	<b>122</b>	<b>238</b>	<b>-</b>
<i>Of which Intragroup</i>	-	-	-	-	-	-
<b>Total fair value hedges</b>	<b>5</b>	<b>(1)</b>	<b>360</b>	<b>122</b>	<b>238</b>	<b>-</b>
<b>Total cash flow hedges</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## (2) Impact of hedging instruments on income and equity

### ▪ Impact of fair value hedges

<i>(in million euros)</i>	2016	2015
Gains and losses on remeasurement of hedged customer loans recognised in profit or loss	1	(15)
Gains and losses on remeasurement of hedges of customer loans recognised in profit or loss	(2)	12
<b>Net impact on income</b>	<b>(1)</b>	<b>(3)</b>
Gains and losses on remeasurement of financial liabilities recognised in profit or loss	10	46
Gains and losses on remeasurement of hedges of financial liabilities recognised in profit or loss	(10)	(42)
<b>Net impact on income</b>	<b>-</b>	<b>4</b>

## 12.6. FINANCIAL INSTRUMENTS

### A. Financial instruments reported in the balance sheet

<i>(in million euros)</i>	31 December 2016		Analysis by class of instrument				
	Carrying amount	Fair value	Instruments at fair value through profit or loss	Available-for-sale financial assets	Loans, receivables and other liabilities	Borrowings at amortised cost	Derivative instruments
Other non-current financial assets	37	37	37	-	-	-	-
Other non-current assets	7	7	2	5	-	-	-
Loans and receivables - finance companies	346	346	-	-	346	-	-
Short-term investments - finance companies	103	103	103	-	-	-	-
Other receivables	92	92	-	-	87	-	5
Cash and cash equivalents	530	530	530	-	-	-	-
<b>Assets</b>	<b>1,115</b>	<b>1,115</b>	<b>672</b>	<b>5</b>	<b>433</b>	<b>-</b>	<b>5</b>
Financing liabilities - finance companies	430	430	-	-	-	430	-
Other payables	74	74	-	-	73	-	1
<b>Liabilities</b>	<b>504</b>	<b>504</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>430</b>	<b>1</b>

### 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

<i>(in million euros)</i>	31 December 2016		Fair value level		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>					
Loans and receivables - finance companies	346	346	-	-	346
<b>Liabilities</b>					
Financing liabilities - finance companies	425	425	299	-	126

## D. Effect of financial instruments on profit or loss

	2016	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
<i>(in million euros)</i>	Income Statement Impact					
<b>Finance companies</b>						
Total interest income	72	-	-	72	-	-
Total interest expense	(36)	-	-	-	(36)	-
Remeasurement <sup>(1)</sup>	(5)	(2)	-	1	10	(14)
Net impairment	(5)	-	-	(5)	-	-
<b>Total - finance companies</b>	<b>26</b>	<b>(2)</b>	<b>-</b>	<b>68</b>	<b>(26)</b>	<b>(14)</b>

<sup>(1)</sup> 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".

## 12.7. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

<i>(in million euros)</i>	31 December 2016	31 December 2015		
		Commitments of operations to be continued in partnership		Commitments of continuing operations
		Transferred	Not transferred	
Financing commitments to customers	10	203	-	5
	<b>10</b>	<b>203</b>	<b>-</b>	<b>5</b>

## NOTE 13 - 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.



### 13.1. INCOME TAXES OF FULLY-CONSOLIDATED COMPANIES

<i>(in million euros)</i>	2016	2015
<b>Current taxes</b>		
Corporate income taxes	(596)	(361)
<b>Deferred taxes</b>		
Deferred taxes arising in the year	40	(147)
Impairment losses on and unrecognised deferred tax assets	39	(198)
<b>Total</b>	<b>(517)</b>	<b>(706)</b>

#### 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.

Comparative (within the automotive sector and with other similar taxes in Europe) and in-depth analysis of indirect taxes has led the Group to classify the Corporate Value Added Tax (Cotisation sur la valeur ajoutée des entreprises – CVAE) in income taxes and withholding taxes on management fees in recurring operating income. This has the effect of reclassifying a net expense of €72 million in the year ended 31 December 2016, previously classified in recurring operating income, in income taxes. The same accounting treatment would have resulted in net reclassifications of €84 million in the year ended 31 December 2015.

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 2016.

The 2017 Finance Act changed the income tax rate in France to 28.92% from 2020, including the additional contribution.

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 five-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 in the balance sheet.

### 13.2. 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.

<i>(in million euros)</i>	<b>2016</b>	2015
Pre-tax profit (loss) from continuing operations	2,343	1,334
Pre-tax profit (loss) before tax on expenses related to operations to be continued in partnership	(16)	(174)
Pre-tax profit (loss) from operations to be continued in partnership	248	342
<b>Income (loss) before tax of fully-consolidated companies</b>	<b>2,575</b>	<b>1,502</b>
<i>French statutory income tax rate for the period</i>	<i>34.4%</i>	<i>38.0%</i>
<b>Theoretical tax expense for the period based on the French statutory income tax rate</b>	<b>(887)</b>	<b>(571)</b>
<b>Tax effect of the following items :</b>		
• Permanent differences	114	(185)
• Income taxable at reduced rates	70	25
• Tax credits	27	13
• Profit in France not subject to the surtax	-	25
• Effect of differences in foreign tax rates and other	83	154
<b>Income tax before impairment losses on the French tax group</b>	<b>(593)</b>	<b>(539)</b>
• Assets on French tax consolidation deficits of Peugeot S.A. generated during the year and unrecognised or impaired	76	(170)
• Other impairment losses	(37)	(28)
<b>Income tax expense</b>	<b>(554)</b>	<b>(737)</b>
• of which tax expense on continuing operations	(517)	(706)
• of which tax expense on expenses related to operations to be continued in partnership	6	60
• of which tax expense on operations to be continued in partnership	(43)	(91)

<sup>(1)</sup> The change in the tax rate in France resulted in the downward revision of deferred tax by €160 million. The net effect given the impairment of deferred tax assets is a tax benefit of €80 million.

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

### 13.3. CHANGE IN TAX ITEMS ON THE BALANCE SHEET

#### A. Analysis by nature

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
<b>Current Taxes</b>		
Assets	164	119
Liabilities	(172)	(164)
	<b>(8)</b>	<b>(45)</b>
<b>Deferred Taxes</b>		
Assets before offsetting of French tax group loss	1,170	1,163
Offsetting of French tax group loss	(577)	(582)
Net assets	593	581
Liabilities	(895)	(969)
	<b>(302)</b>	<b>(388)</b>

## B. Movements for the year

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
<b>Current taxes</b>		
<b>At beginning of period</b>	<b>(45)</b>	<b>(70)</b>
IFRS 5 declassification	-	(6)
Expense	(596)	(361)
Equity	-	-
Payments	599	385
Translation adjustments and other charges	34	7
<b>At end of period</b>	<b>(8)</b>	<b>(45)</b>
<b>Deferred Taxes</b>		
<b>At beginning of period</b>	<b>(388)</b>	<b>(50)</b>
IFRS 5 declassification	-	(42)
Expense	79	(216)
Equity	(20)	15
Translation adjustments and other charges	27	(95)
<b>At end of period</b>	<b>(302)</b>	<b>(388)</b>

## 13.4. DEFERRED TAX ASSETS AND LIABILITIES

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
<b>Tax credits</b>	-	<b>10</b>
<b>Deferred tax assets on tax loss carryforwards</b>		
<b>Gross <sup>(1)</sup></b>	<b>5,190</b>	<b>5,164</b>
Valuation allowances	(1,719)	(1,643)
Previously unrecognised deferred tax assets <sup>(2)</sup>	(2,894)	(2,939)
Deferred tax asset offset (French tax group) <sup>(3)</sup>	(453)	(415)
Other deferred tax assets offset	(9)	-
<b>Total deferred tax assets on tax loss carryforwards</b>	<b>115</b>	<b>167</b>
<b>Other deferred tax assets</b>	<b>478</b>	<b>404</b>
<b>Deferred tax assets</b>	<b>593</b>	<b>581</b>
Deferred tax liabilities before offsetting of the French tax group <sup>(4)</sup>	(1,348)	(1,384)
Deferred tax liabilities offset (French tax group) <sup>(1)</sup>	453	415
<b>Deferred tax liabilities</b>	<b>(895)</b>	<b>(969)</b>

<sup>(1)</sup> 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 2016.

<sup>(2)</sup> Of the impaired unrecognised deferred tax assets, €722 million (€677 million at 31 December 2015) are related to Faurecia, and €1,833 million are related to the French tax group (€1,973 million at 31 December 2015), including €32 million recognised directly in equity.

<sup>(3)</sup> 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 13.1).

<sup>(4)</sup> 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.

## NOTE 14 - EQUITY AND EARNINGS PER SHARE

### 14.1. 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 businesses.

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

There are no financial covenants based on consolidated equity. The 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 11.4).

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;
- 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. At 31 December 2016, 146,650,320 warrants had been exercised, out of a total of 342,060,365 warrants issued. Their exercise resulted in the delivery of 51,327,559 new shares and a cash inflow of €330 million. The number of warrants outstanding as at year-end was 132,528,775, corresponding to 46,835,071 shares at an exercise price of €6.43 each.

##### ▪ Grants of performance shares by Peugeot S.A.

The performance share plans established in the first half of 2015 and in the first half of 2016 are described in Note 6.2.B.

##### Analysis of share capital

<i>(in euros)</i>	2016	2015
Share capital at beginning of period	808,597,336	783,088,675
Rights issue reserved to the employees	-	3,499,973
Equity warrants converted into shares	51,327,559	22,008,688
<b>Share capital at end of period</b>	<b>859,924,895</b>	<b>808,597,336</b>

##### Situation at 31 December 2016

Share capital amounted to €859,924,895 at 31 December 2016, 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 2015, the stakes of SOGEP, Dong Feng Motor Group and the Peugeot family (FFP and Etablissements Peugeot Frères) each stood at 12.86% (13.7% at 31 December 2015). Pursuant to Article 11 of the Articles of Association revised at the Shareholders' Meeting of 25 April 2014, shares registered in the name of the same holder for at least two years carry double voting rights.

In accordance with the agreements concluded as part of the capital increases carried out in 2014, the Peugeot family companies undertook to neutralise the impact of their double voting rights at the Shareholders' Meeting by aligning their voting rights with the number of shares held by DFG and SOGEPA after said capital increases, i.e. 110,622,220 shares.

The share price on 31 December 2016 was €15.50.

### 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. No shares were bought back in 2016.

Changes in treasury stock are presented in the following table:

#### (1) Number of shares held

<i>(number of shares)</i>	<i>Notes</i>	<b>2016</b>	2015
		Transactions	Transactions
<b>At beginning of period</b>		<b>9,113,263</b>	<b>12,788,339</b>
Delivery of treasury shares as part of the capital increase reserved for employees		-	(1,199,990)
Conversion of OCEANE bonds		-	(2,475,086)
<b>At period-end</b>		<b>9,113,263</b>	<b>9,113,263</b>
<b>Allocation</b>			
• Shares held for allocation on conversion of 23 June 2009 OCEANE bonds		-	7,543,682
• Shares held for allocation on exercise of outstanding stock options	6.2.A	-	1,569,581
• Shares held for allocation on exercise of future stock options		4,448,263	-
• Coverage of the 2015 performance share plan	6.2.B	2,465,000	-
• Coverage of the 2016 performance share plan	6.2.B	2,200,000	-
		<b>9,113,263</b>	<b>9,113,263</b>

No purchases or cancellation of shares were made in 2015 or 2016.

#### (2) Change in value

<i>(in million euros)</i>	<b>2016</b>	2015
<b>At beginning of period</b>	<b>(238)</b>	<b>(296)</b>
Shares delivered following the conversion of OCEANE bonds	-	33
Shares delivered to employees as part of the "Accelerate" reserved capital increase	-	25
<b>At period-end</b>	<b>(238)</b>	<b>(238)</b>
Average price per share (in euros)	21.51	

The purchase price of treasury shares is deducted from equity.

The share price on 31 December 2016 was €15.50.

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

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

<i>(in million euros)</i>	<b>31 December</b>	31 December
	<b>2016</b>	2015
Peugeot S.A. legal reserve	80	78
Other Peugeot S.A. statutory reserves and retained earnings	13,650	12,042
Reserves and retained earnings of subsidiaries, excluding minority interests	(1,695)	(2,135)
<b>Total</b>	<b>12,035</b>	<b>9,985</b>

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

<i>(in million euros)</i>	<b>31 December 2016</b>	31 December 2015
<b>Reserves available for distribution:</b>		
Without any additional corporate tax being due	12,582	10,974
After deduction of additional tax <sup>(1)</sup>	1,068	1,068
<b>Total</b>	<b>13,650</b>	<b>12,042</b>
<b>Tax on distributed earnings</b>	<b>198</b>	<b>198</b>

<sup>(1)</sup> 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.

## 14.2. BASIC EARNINGS PER SHARE

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

### 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.

	<b>2016</b>	2015
Consolidated basic earnings of continuing operations - attributable to equity holders of the parent (in million euros)	1,525	648
Consolidated basic earnings - attributable to equity holders of the parent (in million euros)	1,730	899
Average number of €1 par value shares outstanding	802,566,768	787,640,535
<i>Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (in euros)</i>	<i>1.90</i>	<i>0.82</i>
<i>Basic earnings per €1 par value share (in euros) - attributable to equity holders of the parent</i>	<i>2.16</i>	<i>1.14</i>

### 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 the conversion of OCEANE convertible bonds when it is not accretive.

The Peugeot S.A. OCEANE bonds, performance share grants (see Note 6.2.B) and the equity warrants had a potential dilutive effect on 31 December 2016.

The following tables show the effects of the calculation:

#### **(1) Effect on the average number of shares**

<i>Notes</i>	<b>2016</b>	2015
Average number of €1 par value shares outstanding	802,566,768	787,640,535
Dilutive effect, calculated by the treasury stock method, of:		
• Outstanding OCEANE convertible bonds	-	35,963,672
• Equity warrants	91,404,878	106,823,333
• Performance share plans	4,115,300	1,848,975
<b>Diluted average number of shares</b>	<b>898,086,946</b>	<b>932,276,515</b>

**(2) Effect of Faurecia dilution on consolidated earnings of continuing operations - attributable to equity holders of the parent**

<i>(in million euros)</i>	<b>2016</b>	2015
Consolidated profit (loss) from continuing operations - attributable to equity holders of the parent	1,525	648
Dilutive effect of Faurecia (Oceane bond conversions, stock options and performance share grants)	-	(1)
<b>Consolidated profit (loss) from continuing operations (after Faurecia dilution effect)</b>	<b>1,525</b>	<b>647</b>
<i>Diluted earnings of continuing operations - attributable to equity holders of the parent per €1 par value share (in euros)</i>	<i>1.70</i>	<i>0.70</i>

**(3) Effect of Faurecia dilution on consolidated earnings - attributable to equity holders of the parent**

<i>(in million euros)</i>	<b>2016</b>	2015
Consolidated profit (loss) attributable to equity holders of the parent	1,730	899
Dilutive effect of Faurecia (Oceane bond conversions, stock options and performance share grants)	-	(1)
<b>Consolidated profit (loss) after Faurecia dilution</b>	<b>1,730</b>	<b>898</b>
<i>Diluted earnings attributable to equity holders of the parent per €1 par value share (in euros)</i>	<i>1.93</i>	<i>0.96</i>

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 2015 and 2016.

## **NOTE 15 - 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.

### **15.1. ANALYSIS OF NET CASH AND CASH EQUIVALENT REPORTED IN THE STATEMENTS OF CASH FLOWS**

<i>(in million euros)</i>	<i>Notes</i>	<b>31 December 2016</b>	31 December 2015
Cash and cash equivalents	11.5.C	11,576	10,465
Payments issued	11.6.C	(112)	(12)
<b>Net cash and cash equivalents - manufacturing and sales companies</b>		<b>11,464</b>	<b>10,453</b>
<b>Net cash and cash equivalents - finance companies</b>	12.3.C	<b>530</b>	<b>893</b>
<i>Elimination of intragroup transactions</i>		<i>(8)</i>	<i>(55)</i>
<b>Total</b>		<b>11,986</b>	<b>11,291</b>

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

<i>(in million euros)</i>	Notes	2016	2015
Depreciation and amortisation expense	4.2	(2,576)	(2,636)
Impairment of:			
• capitalised development costs	7.1.B	(47)	(58)
• intangible assets	7.1.B	2	5
• property, plant and equipment	7.2.B	120	205
Other		4	(8)
<b>Total</b>		<b>(2,497)</b>	<b>(2,492)</b>

## 15.3. 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:

<i>(in million euros)</i>	2016	2015
Interest received	86	175
Interest paid	(377)	(534)
<b>Net interest received (paid)</b>	<b>(291)</b>	<b>(359)</b>

## 15.4. DETAIL OF CASH FLOW FROM OPERATIONS TO BE CONTINUED IN PARTNERSHIP

<i>(in million euros)</i>	2016	2015
Other expenses related to the non-transferred financing of operations to be continued in partnership	(11)	(115)
Change in liabilities related to the financing of operations to be continued in partnership	(2,299)	(8,124)
<b>Net cash related to the non-transferred debt of finance companies to be continued in partnership</b>	<b>(2,310)</b>	<b>(8,239)</b>
Profit (loss) from operations to be continued in partnership	204	251
Change in assets and liabilities of operations to be continued in partnership	759	599
Net dividends received from operations to be continued in partnership	(120)	(88)
<b>Net cash from the transferred assets and liabilities of operations to be continued in partnership</b>	<b>843</b>	<b>762</b>

## 15.5. 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:

<i>(in million euros)</i>	2016	2015
Net cash from (used in) operating activities of continuing operations	4,937	5,432
Net cash from (used in) investing activities of continuing operations	(2,673)	(2,692)
Dividends received from Banque PSA Finance	434	918
<b>Free Cash Flow</b>	<b>2,698</b>	<b>3,658</b>
Minus, net cash from non-recurring operating operations	164	(145)
<b>Operational Free Cash Flow from manufacturing and sales operations</b>	<b>2,534</b>	<b>3,803</b>

Non-recurring operational cash flows mainly include cash flows from restructuring, changes in equity investments and the exceptional portion of the dividend paid by Banque PSA Finance in 2016.



## NOTE 16 - OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

Off-balance sheet commitments given in the normal course of business were as follows at 31 December 2016:

<i>(in million euros)</i>	<i>Notes</i>	<b>31 December 2016</b>	31 December 2015
<b>Manufacturing and sales companies</b>			
■ Financing commitments	11.9	863	849
■ Operating commitments	7.4	2,413	2,722
		<b>3,276</b>	<b>3,571</b>
<b>Finance companies</b>	12.7	<b>10</b>	<b>208</b>

### 16.1. CONTINGENT LIABILITIES

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. These enquiries are ongoing. Furthermore, on March 24, 2016, two class actions were filed against several suppliers of emissions control systems, alleging anticompetitive practices in regard to Exhaust Systems, and seeking unspecified amounts of civil damages. Faurecia Emissions Control Technologies US, LLC is one of the companies named as defendants, and Faurecia S.A. has been named as an additional defendant. On November 9, 2016 a third class action was filed. In the event anti-competitive practices are proven, possible sanctions include fines, criminal charges or civil damages. At present the Group is unable to predict the consequences of such enquiries and class actions including the level of fines or sanctions that could be imposed: therefore, no accruals were accounted for as of December 31, 2016.

The Group has duly noted that the Directorate General for Competition, Consumer Affairs and Fraud Control (DGCCRF) has sent its conclusions on the investigations in connection with the polluting emissions of diesel vehicles to the Public Prosecutor in January 2017. The Group believes that it is compliant with applicable regulations.

### 16.2. COMMITMENTS CONNECTED WITH THE GEFECO 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 2015, 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 in December 2012, the Group gave guarantees regarding the satisfactory performance of the logistics contracts and a five-year exclusivity clause. At 31 December 2016, the Group had not identified any material risks associated with these representations and warranties.

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.

## NOTE 17 - 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 10.5. Other than these transactions, there were no significant transactions with other related parties.

## NOTE 18 - SUBSEQUENT EVENTS

On 25 January 2017, The PSA Group and the CK Birla Group sign joint-venture agreements to produce and sell vehicles and components in India by 2020. The partnership entails two joint-venture agreements between the PSA Group and the CK Birla Group companies. As part of the first agreement, the PSA Group will hold a majority stake in the joint-venture company being set-up with HMFCL for the assembly and distribution of PSA passenger cars in India. As per the second agreement, a 50:50 joint-venture is being set-up between the PSA Group and AVTEC Ltd for manufacture and supply of powertrains. The manufacturing sites for both vehicle assembly and powertrains will be based in the state of Tamil Nadu. The initial manufacturing capacity will be set at about 100,000 vehicles per year

## NOTE 19 - FEES PAID TO THE AUDITORS

<i>(in million euros)</i>	Mazars		Ernst & Young		PricewaterhouseCoopers	
	2016	2015	2016	2015	2016	2015
<b>Audit</b>						
Statutory and contractual audit services						
• Peugeot S.A.	0.2	0.2	0.3	0.3	-	-
• Fully-consolidated subsidiaries	2.3	2.3	7.7	8.6	4.5	3.8
<i>o/w France</i>	1.4	1.2	2.8	2.5	1.2	1.2
<i>o/w International</i>	0.9	1.1	4.9	6.1	3.3	2.6
<b>Sub-total</b>	<b>2.5</b>	<b>2.5</b>	<b>8.0</b>	<b>8.9</b>	<b>4.5</b>	<b>3.8</b>
<i>o/w Faurecia</i>	-	-	4.1	4.8	4.5	3.8
Excluding Faurecia	2.5	2.5	3.9	4.1	-	-
	100%	100%	92%	93%	82%	90%
<b>Other services provided to subsidiaries</b>						
• Peugeot S.A.	-	-	-	0.1	-	-
• Fully-consolidated subsidiaries	-	-	0.7	0.6	1.0	0.4
<i>o/w France</i>	-	-	0.7	0.6	0.8	0.2
<i>o/w International</i>	-	-	-	-	0.2	0.2
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>0.7</b>	<b>0.7</b>	<b>1.0</b>	<b>0.4</b>
<i>o/w Faurecia</i>	-	-	0.5	0.6	0.8	0.2
Excluding Faurecia	-	-	0.2	0.1	0.2	0.2
			8%	7%	18%	10%
<b>TOTAL</b>	<b>2.5</b>	<b>2.5</b>	<b>8.7</b>	<b>9.6</b>	<b>5.5</b>	<b>4.2</b>
<i>o/w Faurecia</i>	-	-	4.6	5.4	5.3	4.0
Excluding Faurecia	2.5	2.5	4.1	4.2	0.2	0.2

Faurecia's Statutory Auditors are PricewaterhouseCoopers and EY.



Company	Country	% Interest	Company	Country	% Interest
<b>Automotive Equipment</b>					
Faurecia (société)	France	46	Faurecia Venures	France	46
Faurecia Argentina SA	Argentina	46	SIEBRET	France	46
Faurecia Sistemas de Escape Argentina	Argentina	46	SIEDOUBS	France	46
Faurecia Automotive Belgium	Belgium	46	SIELEST	France	46
Faurecia Industrie NV	Belgium	46	SIEMAR	France	46
Faurecia Automotive do Brasil	Brasil	46	TRECIA	France	46
Faurecia sistemas do Escapamento do Brasil	Brasil	46	EMCON Technologies Germany (Augsburg)	Germany	46
Faurecia ECT Canada Ltd	Canada	46	Faurecia Abgastechnik	Germany	46
Changchun Faurecia Xuyang Automotive Seatings (CFXAS)	China	46	Faurecia Automotive GmbH	Germany	46
Changchung Faurecia Xuyang Interiors Systems Co Ltd	China	46	Faurecia Autositze GmbH & Co KG	Germany	46
Changsha Faurecia Emissions Control Technologies Co. Ltd - Chine	China	46	Faurecia Innenraum System GmbH	Germany	46
Chengdu Faurecia Limin Interior & Exterior Systems Co Ltd	China	46	Leistriz Abgastechnik Stollberg GmbH	Germany	46
Chongqing Guangneng Faurecia Interior Systems Co Ltd	China	46	EMCON Technologies Hungary KFT	Hungary	46
Cummings Beijing	China	46	F. Emission Control Technologies India PVT Ltd	India	46
DONGFENG FAURECIA AUTOMOTIVE INTERIOR SYSTEMS CO. LTD	China	46	Faurecia Automotiv Seating India Private	India	46
EMCON Emmi. Technologies (Chongqing) Co Ltd	China	46	Faurecia Technology Center India Pty Ltd	India	46
EMCON Env. Technologies (Anting) Co Ltd	China	46	FECT India	India	46
EMCON Env. Technologies (Yantai) Co Ltd	China	46	Faurecia Azin Pars Company	Iran	46
Emissions Control Technologies Foshan Company Limited	China	46	Faurecia Emission Control Technologies Italy SRL	Italy	46
Faurecia (Changchun) Automotiv Systems Co	China	46	Faurecia Howa Interior's Japan	Japan	46
Faurecia (China) Holding Co	China	46	Faurecia Japan K.K.	Japan	46
Faurecia (Guangzhou) Automotive Systems Co Ltd	China	46	Faurecia AST Luxembourg SA	Luxembourg	46
Faurecia (Jimo) Emissions Control Technologies Co., Ltd.	China	46	Faurecia Hicom Emissions Control Technologies (M) Sdn	Malaya	46
Faurecia (Nanjing) Automotive Systems Co Ltd	China	46	EMCON Technologies Holdings II S. de RL	Mexico	46
Faurecia (Quidao) Exhaust Systems	China	46	Exhaust Services Mexicana SA de CV	Mexico	46
Faurecia (Shanghai) Automotiv Systems Co Ltd	China	46	Faurecia Howa Interiors de Mexico SA de CV - Mexique	Mexico	46
Faurecia (Shanghai) Business Consulting Co Ltd	China	46	Faurecia Sistemas Automotrices de Mexico SA de CV	Mexico	46
Faurecia (Shenyang) Automotive Systems Co Ltd	China	46	Servicios Corporativos de Personal Especializado SA de CV	Mexico	46
Faurecia (Tianjin) Automotive Systems Co., Ltd.	China	46	Faurecia Automotive Systems Technologies	Morocco	46
Faurecia (Wuhan) Automotive Components Systems Co Ltd	China	46	Faurecia Equipements Automobiles Maroc	Morocco	46
Faurecia (Wuxi) Seatings Components Co Ltd	China	46	Faurecia Fotele Samochodowe Sp.Zo.o	Poland	46
Faurecia (Wuxu) Exhausts Systems Co Ltd	China	46	Faurecia Gorzow Sp Zo o	Poland	46
Faurecia (Yancheng) Automotive Systems Co Ltd	China	46	Faurecia Grojec R&D Center	Poland	46
Faurecia Emissions Control Technologies (Chengdu) Co Ltd	China	46	Faurecia Legnica Sp.Zo.o	Poland	46
Faurecia Emissions Control Technologies (Ningbo Hangzhou Bay New District) Co. Ltd	China	46	Faurecia Walbrzych Sp.Zo.o.	Poland	46
Faurecia Exhaust systems Changchun	China	46	EDA - Estofagem de Assentos Ltda	Portugal	46
Faurecia Exhaust Systems Qingpu Co., Ltd.	China	46	Faurecia Assentos de Automoveis Ltda	Portugal	46
Faurecia GSK (Wuhan) Automotive Seating Co Ltd	China	46	Faurecia Sistemas de Escape Portugal	Portugal	46
Faurecia Honghu Exhaust Systems Shanghai	China	46	Faurecia Sistemas de Interior de Portugal	Portugal	46
Faurecia NHK (Xingyang) Automotive Seating Co., Ltd	China	46	SASAL	Portugal	46
Faurecia PowerGreen Emissions Control Technologies Co. Ltd	China	46	Euro Auto - Plastik SRL	Rumania	46
Faurecia Tongda Exhaust System (Wuhan) Co Ltd	China	46	Faurecia Seating Talmaciu Srl	Rumania	46
Foshan Faurecia Xuyang Interior Syst. Cny Limited	China	46	Faurecia ADP	Russia	46
Nanchang	China	46	Faurecia Autocomponent Exterior Systems	Russia	46
Ningbo	China	46	Faurecia Automotive OOO	Russia	46
Shanghai Faurecia Automotive Seating Co Ltd	China	46	Faurecia Metallo Produkcia Exhaust Systems	Russia	46
EMCON Technologies Czech Republik	Czech Republic	46	Faurecia Automotive Slovakia Sro	Slovakia	46
Faurecia Automotive Czech Republik	Czech Republic	46	A I Manufacturers Pty Ltd	South Africa	46
Faurecia Components Pisek Sro	Czech Republic	46	Emission Control Tehnologies SA (Cape Town)(Pty) Ltd	South Africa	46
Faurecia Exhaust Systems Moravia	Czech Republic	46	Faurecia Exhaust Systems South-Africa (Pty) Ltd	South Africa	46
Faurecia Exhaust Systems S.r.o.	Czech Republic	46	Faurecia Interior Systems South Africa(Pty) Ltd	South Africa	46
Faurecia Interior Systems Bohemia	Czech Republic	46	Faurecia Emissions Control Systems Korea	South Korea	46
Faurecia Interiors Pardubice S.r.o	Czech Republic	46	Faurecia Shin Sung	South Korea	46
ÉCSA - Etudes et Construction de Sièges pour l'Automobile	France	46	Asientos de Castilla Leon	Spain	46
Faurecia ADP holding	France	46	Asientos de Galicia	Spain	46
Faurecia Automotive Holdings	France	46	Asientos del Norte	Spain	46
Faurecia Automotive Industrie SNC	France	46	EMCON Technologies Spain SL	Spain	46
Faurecia Automotives Composites	France	46	Faurecia Asientos para Automovil España	Spain	46
Faurecia Exhaust International	France	46	Faurecia Automotive España	Spain	46
Faurecia Exhaust International Faurecia Metalloprodukcja Holding	France	46	Faurecia Holding España S.L.	Spain	46
Faurecia Exteriors International	France	46	Faurecia Interior Systems España SA	Spain	46
Faurecia Hanbach	France	46	Faurecia Interior Systems SALC España SL	Spain	46
Faurecia Industries	France	46	Faurecia Sistemas de Escape España	Spain	46
Faurecia Intérieur Industrie SNC	France	46	Incalplas S. L.	Spain	46
Faurecia Intérieurs Mornac - France	France	46	Tecnoconfort	Spain	46
Faurecia Intérieurs Saint Quentin	France	46	Valencia Modulos de Puerta SL	Spain	46
Faurecia Investments	France	46	Faurecia Interior Systems Sweden AB	Sweden	46
Faurecia Seating Fliers	France	46	Emission Control Tehnologies Co Ltd	Thailand	46
Faurecia Services Groupe	France	46	Faurecia & Summit Interior Systems	Thailand	46
Faurecia Sièges d'Automobile SAS	France	46	Faurecia Exhaust Systems Rayong	Thailand	46
Faurecia Systèmes d'Échappements	France	46	EMCON Technologies Dutch Holdings BV	The Netherlands	46

Company	Country	% Interest	Company	Country	% Interest
EMCON Technologies Newcon Technol. Ned. BV	The Netherlands	46	PSA Services Ltd	Malta	100
Faurecia Automotive Seatings BV	The Netherlands	46	BPF Mexico	Mexico	100
Faurecia Polifleks Otomotiv Svtaş	Turkey	46	Bank PSA Finance Rus	Russia	100
EMCON Technologies UK Ltd	United Kingdom	46	PSA Finance Nederland B.V.	The Netherlands	100
Faurecia Automotiv Seating UK ltd	United Kingdom	46	PSA Financial Holding B.V.	The Netherlands	100
Faurecia Midlands Ltd	United Kingdom	46	BPF Pazarlama A.H.A.S.	Turkey	100
SAI Automotive Fradley	United Kingdom	46	Economy Drive Cars Ltd	United Kingdom	100
SAI Automotive Washington Ltd	United Kingdom	46	Vernon Wholesale Investments Company Ltd	United Kingdom	100
Faurecia Automotiv Seating Inc	United States	46	PSA Finance Belux	Belgium	50 *
Faurecia Emissions Control Technologies, USA, LLC	United States	46	Banco PSA Finance Brasil SA	Brasil	50 *
Faurecia Exhaust Systems Inc	United States	46	PSA Corretora de Seguros e Serviços Ltda. (PFBR)	Brasil	50 *
Faurecia Interior Louisville	United States	46	Dongfeng Peugeot Citroën Automobile Finance Company <sup>(1)</sup>	China	25 *
Faurecia Interior Systems Holding LLC	United States	46	Auto ABS DFP Master Compartiment France 2013	France	50 *
Faurecia Interior Systems Saline LLC	United States	46	Auto ABS FCT2 2013-A (FONDS A)	France	50 *
Faurecia Interior Systems USA - Detroit Inc	United States	46	Compagnie pour la Location de Véhicules - CLV	France	50 *
Faurecia Madison Automotive Seating INC	United States	46	CREDIRPAR	France	50 *
FAURECIA North America Holdings LLC	United States	46	FCT Auto ABS - Compartiment 2013-2	France	50 *
Faurecia USA Holdings Inc	United States	46	FCT Auto ABS French Leases Master	France	50 *
FKN North America	United States	46	FCT Auto ABS French Loans Master	France	50 *
Faurecia Automotiv de Uruguay	Uruguay	46	FCT Auto ABS3 - Compartiment 2014-01	France	50 *
SAS Automotriz Argentina SA	Argentina	23 *	Société Financière de Banque - SOFIB	France	50 *
SAS Automotive Belgium	Belgium	23 *	FCT Auto ABS German Loans Master	Germany	50 *
SAS Automotiv do Brasil	Brasil	23 *	PSA Bank Deutschland GmbH	Germany	50 *
FMM Pernambuco componentes automotivos Ltda	Brasil	16 *	ABS Italian Loans Master S.r.l.	Italy	50 *
Beijing WKW-FAD Automotive Parts Co., Ltd	China	23 *	Banca Italia S.P.A	Italy	50 *
DONGFENG FAURECIA AUTOMOTIVE EXTERIOR SYSTEMS CO. LTD	China	23 *	PSA Insurance Europe Ltd	Malta	50 *
DONGFENG FAURECIA AUTOMOTIVE PARTS SALES COMPANY LIMITED	China	23 *	PSA Life Insurance Europe Ltd	Malta	50 *
Dongguan Csm Faurecia Automotive Systems Company Limited	China	23 *	PSA Bank Polska S.A.	Poland	50 *
Jinan Faurecia Limin Interior & Exterior Systems Co Ltd	China	23 *	PSA Finance Polska	Poland	50 *
Lanzhou Faurecia Limin Interior & Exterior Systems Co Ltd	China	23 *	FCT Auto ABS Compartiment 2016-5	Spain	50 *
SAS (Wuhu) Automotive systems Co Ltd	China	23 *	FTA Auto ABS - Compartiment 2012-3	Spain	50 *
Xiangtan Faurecia Limin Interior & Exterior Systems Co Ltd	China	23 *	PSA Finance, Succursale en España EFC, SA	Spain	50 *
Zhesiang Faurecia Limin Interior & Exterior Systems Co Ltd	China	23 *	Auto ABS Swiss Lease 2013 GmbH	Switzerland	50 *
Wuhan Hongtai Changpeng Automotive Components Co., Ltd.	China	23 *	PSA Finance Suisse S.A.	Switzerland	50 *
Changchun Faurecia Xuyang Automotive Components Technologies R&D	China	21 *	PSA Finance Nederland BV	The Netherlands	50 *
Changchun Xuyang Acoustics & Soft Trim Co	China	19 *	Auto ABS UK Loans PLC - Compartiment 2012-5	United Kingdom	50 *
SAS Autosystemtechnik Sro	Czech Republic	23 *	PSA Wholesale Ltd	United Kingdom	50 *
AUTOMOTIVE PERFORMANCE MATERIALS (APM)	France	23 *			
Cockpit Automotive Systems Douai	France	23 *			
SAS Automotiv France	France	23 *			
SAS Autosystemtechnik GmbH & Co KG	Germany	23 *			
SAS Autosystemtechnik Verwaltung GmbH	Germany	23 *			
NHK F. Krishna India Automotive Seating Private Limited	India	9 *			
LIGNEOS Srl	Italy	23 *			
Faurecia NHK Co Ltd	Japan	23 *			
SAS Automotive Systems & Services SA de CV	Mexico	23 *			
SAS Automotive Systems SA de CV	Mexico	23 *			
SAS Autosystem de Portugal Unipessoal Ltda	Portugal	23 *			
Vanpro Assentos Limitada	Portugal	23 *			
SAS Automotive Sro	Slovakia	23 *			
SAS Automotive RSA (PTY) Ltd	South Africa	23 *			
Componentes de Vehiculos de Galicia	Spain	23 *			
Copo Iberica	Spain	23 *			
INDUSTRIAS COUSIN FRERES, S.L.	Spain	23 *			
SAS Autosystemtechnik SA	Spain	23 *			
SAS Otosistem Teknik Ticaret Ve Limited Sirketi	Turkey	23 *			
Teknik Malzeme Ticaret ve Sanayi A.S.	Turkey	23 *			
SAS Automotive USA, Inc.	United States	23 *			
DMS LEVERAGE LENDER (LLC)	United States	21 *			
Faurecia JV in Detroit	United States	21 *			

#### Finance companies

Banque PSA Finance	France	100
BPF Algérie	Algeria	100
PSA Finance Argentina	Argentina	50
PSA Assurance SAS	France	100
PSA Finance Hungaria Rt	Hungary	100
PSA factor Italia S.p.A.	Italy	100
PSA Renting Italia	Italy	100
PSA Insurance Ltd	Malta	100
PSA Insurance Manager Ltd	Malta	100
PSA Life Insurance Ltd	Malta	100

<sup>(1)</sup> o/w 12.5 % through Dongfeng Peugeot Citroën Automobile

# IV – STATUTORY AUDITORS’ REPORT ON THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Peugeot S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the managing board. Our role is to express an opinion on these consolidated financial statements based on our audit.

## I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- The preparation of the consolidated financial statements requires your group to make estimates and assumptions regarding the valuation of certain assets, liabilities, income and expenses, the most significant of which are outlined in note 1.2 to the consolidated financial statements “Accounting principles – Use of Estimates and Assumptions”. For all of these matters, we examined the appropriateness of the accounting rules and methods used and the information given in this note to the consolidated financial statements. In addition, we examined the consistency of the assumptions used, their translation into figures, and the available documentation, and on that basis we assessed the reasonableness of the estimates made.
- Notes 7.3 “Asset Impairment” and 10.3 “Share in net earnings of companies at equity” to the consolidated financial statements describe the accounting methods and assumptions used for impairment tests. We verified that the impairment tests were carried out correctly, and the reasonableness of the underlying estimates and assumptions, we reviewed the calculations which led to the recognition of the impairment and we verified that these notes to the consolidated financial statements provide relevant information.
- As indicated in note 13 to the consolidated financial statements “Income taxes”, deferred tax assets and liabilities are accounted for in the statement of financial position. This note indicates, amongst other things, that the existing tax-loss carry forwards relating to the French tax consolidation which have not been offset by deferred tax liabilities as at December 31, 2016 have not been recognized, on the basis of tax estimates consistent with the impairment testing of the Automotive Division CGU. We examined the group's tax forecasts, deferred tax assets and liabilities timelines and the consistency of overall assumptions used for this depreciation.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris-La Défense, February 23, 2017

The statutory auditors  
*French original signed by*

MAZARS

ERNST & YOUNG et Autres

Jean-Louis Simon

Jérôme de Pastors

Christian Mouillon

Jean-François Belorgey

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PSA GROUP/Direction de la communication - Mockup: Omer Korkmaz

Designed & published by  LABRADOR +33 (0)1 53 06 30 80





**PEUGEOT S.A.**

Incorporated in France with issued capital of €859,924,895

Governed by a Managing Board and a Supervisory Board

Registered Office: 75, avenue de la Grande-Armée

75116 Paris - France

R.C.S. Paris B 552 100 554 - Siret 552 100 554 00021

Phone: + 33 (0)1 40 66 55 11 - Fax: + 33 (0)1 40 66 54 14

[groupe-psa.com/en](http://groupe-psa.com/en)