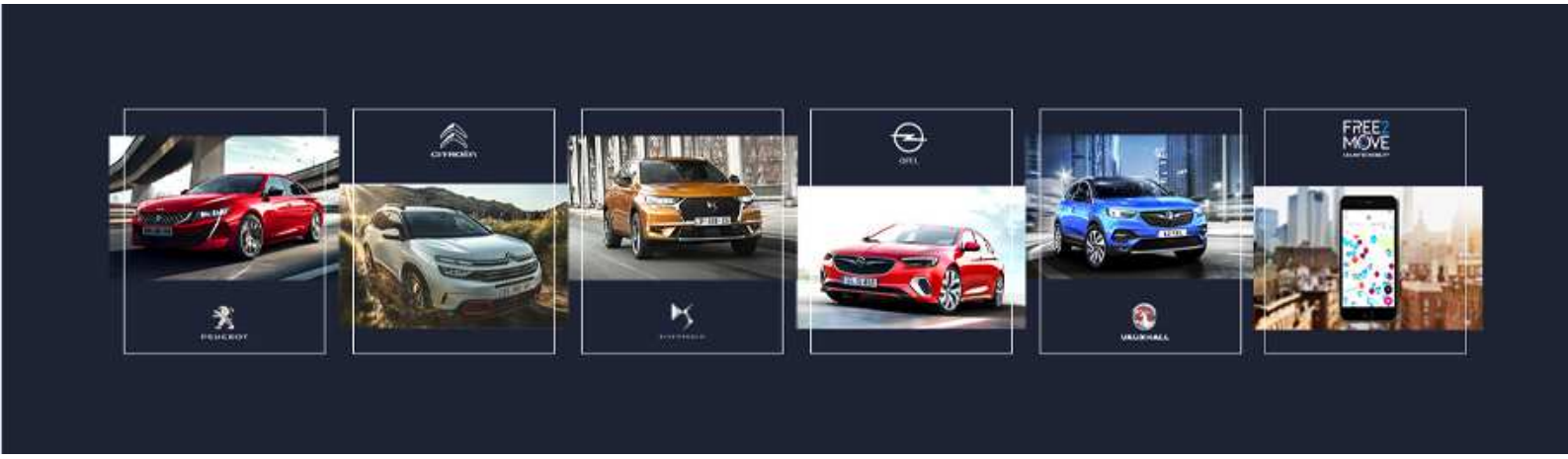
PSA GROUPE

2018

ANNUAL RESULTS



2018 Annual Results

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I. MANAGEMENT AND SUPERVISORY BODIES AT 31 DECEMBER 2018

Supervisory Board

CHAIRMAN

Mr Louis GALLOIS

OTHER SUPERVISORY BOARD MEMBERS

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

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

DONGFENG MOTOR (HONG KONG) INTERNATIONAL CO. LTD., represented by M.LI Shaozhu (entitled Vice-Chairman pursuant to the Shareholders' Agreement)

Mrs Catherine BRADLEY

Mrs Pamela KNAPP

Mr Christian LAFAYE (employee representative member)

Mrs Helle KRISTOFFERSEN

BPIfrance Participations, represented by Mrs Anne GUERIN (entitled as Vice-Chairman pursuant to the Shareholders' Agreement)

Mr AN Tiecheng

Lion Participations, représentée par M. Daniel BERNARD

FFP, represented by M.Robert PEUGEOT

Mr Henri Philippe REICHSTUL

Mrs Bénédicte JUYAUX (employee shareholder representative member)

NON-VOTING ADVISORS

Mr Frédéric BANZET

Mr Alexandre OSSOLA

Mr Lv HAITAO

Managing Board

CHAIRMAN

Mr Carlos TAVARES

MEMBERS OF THE MANAGING BOARD

Mr. Maxime PICAT
Mr. Jean-Christophe QUEMARD

II. ANNUAL MANAGEMENT REPORT

1. GROUP ACTIVITIES

1.1. Overview of sales activities

A new record set in 2018 at 3.9M units with worldwide sales up 6.8%.

- **Sales increase for the 5th year in a row with improved pricing power, in a context of economic and geopolitical headwinds**
- **Core Model strategy as a trigger: success of new launches and European leadership in Light Commercial Vehicles**

This profitable growth, reaching circa 3.878.000 units, has been leveraged by Groupe PSA product offensive in motion with more than 70 regional launches in 2 years, customer driven Core Model Strategy deployment and commercial network commitment.

- Groupe PSA products have been on all short final lists of prestigious automotive contests every year since 2014 and have been awarded this year "Van of the Year IVOTY 2019" (Peugeot Partner, Citroën Berlingo Van, Opel Vauxhall Combo) and 'Best Buy Car of Europe 2019' AUTOBEST (Citroën Berlingo Van, Opel Vauxhall Combo Life and Peugeot Rifter), following Citroën C3 Aircross last year;
- Groupe PSA Core technology has also been awarded with the International Engine of the Year prize for the 4th year in a row for its Turbo three-cylinder petrol engine (110 and 130 hp);
- Groupe PSA SUV models are particularly successful, driven by the Peugeot 2008, 3008[1], 5008 (leader in Europe), Citroën C3 Aircross[2], C3-XR, C5 Aircross, DS 7 Crossback, Opel/Vauxhall Crossland X, Mokka X, and Grandland X. The momentum will continue in 2019 with major launches for all brands;
- The Group announced its electrification offensive for all brands, with first PHEV[3] and EV[4] models available for customers in 2019, starting with the DS brand.

Groupe PSA achieved new record LCV sales: 564 147 vehicles sold, + 18.3%.

- Groupe PSA renewed its range of compact vans in 2016 and of B-LCV in 2018 and has consolidated its leading position in Europe in every sub-segments, grasping almost 1 out of 4 LCV customers;
- The Group's LCV offensive has set the basis for overseas growth with the successful launch of production of Peugeot Expert and Citroën Jumpy in Eurasia and the very promising start of our comprehensive range of LCV products and services for Latin American clients.

Europe[5]: Change of scale with 17.1% market share.

Groupe PSA took full advantage of its perfectly managed new WLTP standard implementation phase to gain a competitive edge in the last four months of the year. Group market share reaches 17.1% by end 2018, up +3.8 pt, underpinned by Peugeot and Citroën brands that are the best progressing brands in 2018, with almost +5% sales increase for both brands among the top 10 brands in Europe.

Peugeot stands out for its success: SUV European leader, number 1 in Spain, number 1 in France on B2C and B2B passenger cars. Citroën reaches its best level of sales in 7 years. DS Automobiles marks a breakthrough with 6.7% of sales increase, supported by DS7 Crossback launch. Opel/Vauxhall is continuing its product offensive driven by the X family.

Groupe PSA exceeds market performance and is improving in all main markets: France (+2.6 pt), Spain (+4.2 pt), Italy (+3.9 pt), Great Britain (+4.8 pt), Germany (+3.7 pt).

Middle East – Africa: the Group remains offensive in a chaotic regional context.

Despite strong headwinds mainly due to wind down in Iran[6] and Turkish market downturn, Groupe PSA market share increased in Morocco (+1.7pt), Tunisia (+1pt) and Egypt (+3.1pt) and the Group remains market leader in French Overseas Departments.

The regional industrial footprint is under deployment to become operational in 2019 with the start of production of Kenitra plant in Morocco, as a key milestone.

China & South East Asia: Groupe PSA works to overcome China situation and prepares its commercial offensive in South East Asia.

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[1] *Peugeot 4008 in China*

[2] *C4 Aircross in China*

[3] *PHEV: Plug-in Hybrid Electric Vehicle*

[4] *EV : Electric Vehicle*

[5] *PCD OV figures*

[6] *Iran: Volumes industrialized in Iran are not more recorded in consolidated sales since May 1st 2018*

In a declining Chinese passenger vehicle market (-2%), sales are down 34.2%. The Group is working on action plans with its partners to tackle current issues. The Group is implementing its electrification strategy with the Fukang brand, followed by PCD[7] electrified models from 2019 onwards. Moreover, the core model strategy is under execution to propose a product offering designed for Chinese clients.

Sales in South East Asia doubled versus 2017, amounting to 10,882 vehicles. The joint venture with Naza Corporation Holdings (Malaysia) will start delivering its first productions in 2019 with the Peugeot 3008 and 5008.

Latin America: the drop in sales is largely linked to the strong decline of the Argentinian market (-32% in H2) related to the country's economic context, with a significant exchange rate impact and a difficult Brazilian market, while sales remain well oriented in the Pan-American zone (54,887 units, +13,3%) composed mainly by Chile, Mexico, Colombia, Peru, Uruguay and Ecuador.

The launch of the new C4 Cactus SUV industrialized in the region, is encouraging. The local manufacturing of the LCV range is in process (launch of the Jumpy MiniBus version, Berlingo, Boxer and Jumper in Brazil, Jumpy and Expert Crewcab in Argentina and the electric Partner in Chile and Uruguay).

India-Pacific: sales growth is notably driven by the Group successful business in Japan (+9.6%). The manufacturing project in India, developed in partnership with the CK Birla Group, is on track.

Eurasia: stable sales. Sales increase notably in Ukraine (+7%). The good dynamic of Peugeot 3008, C4 Sedan and the newly produced LCVs in Kaluga since April (Peugeot Expert and Citroën Jumpy) are encouraging.

1.2. Consolidated worldwide sales

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

2. ANALYSIS OF CONSOLIDATED ANNUAL RESULTS

The Group's operations are organised around five main business segments described in Note 3 to the consolidated financial statements at 31 December 2018. Subsequent events are presented in Note 18 to the financial statements.

2.1. Group profit (loss) for the period*

(in million euros)	**31 December 2017**	**31 December 2018**	**Change**
Revenue	62,256	74,027	11,771
Recurring operating income	**3,978**	**5,689**	**1,711**
As a percentage of revenue	6,4%	7,7%	
Non-recurring operating income and expenses	(904)	(1,289)	(385)
Operating income	3,074	4,400	1,326
Net financial income (loss)	(238)	(446)	(208)
Income taxes	(699)	(615)	84
Share in net earnings of companies at equity	217	(44)	(261)
Profit (loss) from operations held for sale or to be continued in partnership	(7)	-	7
Consolidated profit (loss) for the period	**2,347**	**3,295**	**948**
Profit (loss) for the period attributable to owners of the parent	***1,924***	***2,827***	***903***

** IFRS15 application with 2017 restated (excluding essentially monoliths)*

[7] *PCD: Peugeot Citroën DS*

2.2. Group revenue*

The table below shows consolidated revenue by division:

(in million euros)	**31 December 2017**	**31 December 2018**	**Change**
Automotive Peugeot Citroën DS	40,735	43,027	2,292
Automotive Opel Vauxhall	7,238	18,306	11,068
Faurecia	16,962	17,525	563
Other businesses and eliminations**	(2,679)	(4,831)	(2,152)
Revenue	**62,256**	**74,027**	**11,771**

** IFRS15 application with 2017 restated (excluding essentially monoliths)*

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

Peugeot Citroën DS (PCD) Automotive revenues were up 5.6% compared to 2017, mainly thanks to the favourable effect of product mix (+4.0%), price (+1.3%), volumes and country mix (+1.2%) and of sales to partners (+1.7%) that more than compensates the negative impact of adverse exchange rate changes (-2.7%).

Opel Vauxhall (OV) Automotive revenues amounted to €18,306 million in 2018 compared to €7,238 million for the last 5 months of 2017.

At constant exchange rates and perimeter (excluding OV), **Group revenues** were up 23.3% compared to 2015, year of reference of Groupe PSA strategic plan of profitable growth Push to Pass.

2.3. Group Recurring Operating Income*

The following table shows Recurring Operating Income by business segment:

(in million euros)	**31 December 2017**	**31 December 2018**	**Change**
Automotive Peugeot Citroën DS	2,966	3,617	651
Automotive Opel Vauxhall	(179)	859	1,038
Faurecia	1,156	1,263	107
Other businesses and eliminations**	35	(50)	(85)
Recurring operating income	**3,978**	**5,689**	**1,711**

** IFRS15 application with 2017 restated (excluding essentially monoliths)*

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

In 2018, the **PCD Automotive recurring operating margin**, which corresponds to the ratio of the PCD Automotive recurring operating income to the PCD Automotive revenues, stood at 8.4% compared to 7.3% in 2017. **OV Automotive recurring operating margin** stood in 2018 at 4.7% compared to -2.5% for the last 5 months of 2017.

Group recurring operating margin stood at 7.7% compared to 6.4% in 2017.

The 21.9% increase in the **PCD Automotive recurring operating income** was due to the company's improved performance (+€1 381 million), despite an unfavourable operating environment (-€728 million):

- the negative effect of the **PCD Automotive division's operating environment** stemmed from a (€466) million effect of "foreign exchange and others", associated essentially with the weakening of the Argentinian peso and higher raw material and other external costs amounting to (€279) million;
- the improved **performance of the PCD Automotive business** was due essentially to a positive product mix effect amounting to +€536 million, positive price effect amounting to +€328 million as well as lower production and fixed costs amounting to +€588 million. These effects were partially offset by R&D (-€63 million) and other effects (-€11 million).

OV Automotive recurring operating income stood at €859 million in 2018 compared to a €179 million loss for the last 5 months of 2017.

Faurecia's recurring operating income was €1 263 million, up €107 million.

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

Non-recurring operating income and expenses represented a net expense of (€1,289) million compared to (€904) million in 2017. They primarily included PCD Automotive division restructuring costs totalling (€432) million – mainly in Europe for (€364) million, OV Automotive division totalling (€512) million – and Faurecia Group for (€103) million.

Net financial income and expenses amounted to (€446) million compared to (€238) million in 2017. See Note 11 to the consolidated financial statements at 31 December 2018.

The **income tax expenses** amounted to (€615) million in 2018 compared to (€699) million in 2017. See Note 13 to the Consolidated Financial Statements at 31 December 2018.

The **share in net earnings of companies at equity** amounted to (€44) million in 2018, compared to €217 million in 2017. See Note 10.3 to the consolidated financial statements at 31 December 2018.
The contribution of the Dongfeng joint ventures (DPCA and DPCS) represented (€234) million, down €204 million. Changan PSA Automobiles Co., Ltd (CAPSA) made a negative contribution of (€68) million in 2018 compared to (€24) million in 2017.
The contribution of the joint ventures under the partnership between Banque PSA Finance and Santander Consumer Finance amounted to €241 million, up €40 million. The contribution of the joint ventures under the partnership between Banque PSA Finance and BNP Paribas covering the financing activity of OV amounted to €106 million in 2018 compared to €8 million in 2017[8].

The net **income, Group share,** of €2,827 million was up €903 million. **Basic earnings per share** were €3.16 versus €2.18 in 2017. And **diluted earnings per share** were €3.01 up from €2.05 in 2017.

A **dividend** of €0.78 per share will be submitted for approval at the next Shareholders' Meeting with an ex-dividend date considered to be on 2 May 2019, and the payment date on 6 May 2019.

2.5. Banque PSA Finance*

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

(in million euros)	**31 December 2017**	**31 December 2018**	**Change**
Revenue	1,476	1,989	513
Net banking revenue	1,145	1,611	466
Cost of risk**	0.27%	0.13%	-0.14 pt
Recurring operating income	**632**	**939**	**307**
Penetration rate	30.0%	28.7%	(1.3) pt
Number of new contracts (leasing and financing)	845,768	1,074,838	+27.1%

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

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

2.6. Faurecia*

(in million euros)	**31 December 2017**	**31 December 2018**	**Change**
Revenue	16,962	17,525	563
Recurring operating income	**1,156**	**1,263**	**107**
As a % of revenue	6.8%	7.2%	
Operating income	**1,060**	**1,115**	**55**
Net financial income (expense)	(131)	(163)	(32)
Consolidated profit (loss) for the period	**696**	**793**	**97**
Free cash flow	129	403	274
Net financial position	(646)	(545)	101

** IFRS15 application with 2017 restated (excluding essentially monoliths)*

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

2.7. Outlook

Market outlook
In 2019, the Group anticipates a stable automotive market in Europe, a decline of 1% in Latin America and of 3% in China as well as growth of 5% in Russia.

New operational outlook
Having overpassed the initial targets of the Push to Pass plan for the period 2015-2018, Groupe PSA sets the following new target for the period 2019-2021 (including Opel Vauxhall):

- Deliver over 4.5% Automotive recurring operating margin[9] on average in 2019-2021.

Groupe PSA announces also a new dividend policy for 2019-2021 with a pay out ratio increased to 28% from fiscal year 2019.

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

[9] Automotive division (PCDOV) recurring operating income related to revenue

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 2018.

The **net financial position of manufacturing and sales companies** at 31 December 2018 was a net cash position of €9,098 million, up €2,904 million compared with 31 December 2017. Within this positive net financial position, Faurecia had €545 million in net debt at 31 December 2017, compared to €646 million in net debt at end-December 2017.

The Group continued to actively manage its debt in 2018. In order to extend the average maturity of its debt, Peugeot S.A. issued a bond of 650 M€ bond maturing in March 2025.

Liquidity reserves for the manufacturing and sales companies amounted to €21,371 million at 31 December 2018, versus €17,522 million at 31 December 2017, with €16,421 million in cash and cash equivalents, financial investments and current & non-current financial assets, and €4,950 million in undrawn lines of credit (see Note 11.4 to the consolidated financial statements at 31 December 2018).

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 2018.
The **Free Cash Flow** generated over the period amounted to €3,501 million, including a €403 million contribution from Faurecia. The Free Cash Flow over the period mainly stemmed from:

- €7,657 million in cash flows generated by recurring operations of which a contribution of €1,131 million of OV;
- €(1,042) million in cash flows related to restructuring plans including €(499) million for OV;
- €1,607 million improvement in the working capital requirement, including €294 million in trade payables, €1,342 million in trade receivables, and €368 million in inventories. New vehicle inventory levels are presented below ; OV contribution amounts to €1,603 million ;
- €(4,721) million in capitalised capital expenditure and research & development, including Faurecia's share which represented €(1,313) million and the share of OV which represented €(878) million at 31 December 2018 and of which €(164) million in exceptional investments/asset disposals at the end of 2018. Total research and development expenses incurred increased in 2018 compared to 2017 and are presented in Note 4 to the consolidated financial statements at 31 December 2018.

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

(in thousands of new vehicles)	**31 December 2018**	**31 December 2017**	**31 December 2016**
Group	110	97	99
Independent dealer network*	374	347	307
TOTAL	**485**	**445**	**406**

**including importers*

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

(in thousands of new vehicles)	**31 December 2018**	**31 December 2017**	**31 December 2016**
Group	53	98	NA
Independent dealer network	142	129	NA
TOTAL	**195**	**227**	**NA**

Excluding Free Cash Flow, the changes in net financial position represented €(596) million. These are mainly related to dividends paid to Group shareholders in the amount of €(474) million as well as the dividends paid to Faurecia minority shareholders for €(143) million.

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 2018.

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 2018 Registration Document (Chapter 1.5) that will be published in March 2019, 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 2018, Group sales in the UK represent around 400,000 vehicles). A one point gross change in the pound sterling euro exchange rate has an impact of around €42 million on the Automotive recurring operating income. The long-term impact of the UK's exit from the European Union will depend on the exit terms and their consequences, which are not currently known. There are also risks related to the development, launch and sale of new vehicles (for example petrol/diesel mix), risks related to the emergence of new business models driven by new forms of mobility, customer and dealer risks, raw material risks, supplier risks, industrial risks, environmental risks, workplace health and safety risks, risks associated with cooperation agreements, risks associated with the strategic partnership with Dongfeng risks related to the non-execution of the PACE plan, information system risks as well as the risks related to climate change.

- **Financial market risks**

The Group is exposed to liquidity risk, interest rate risk, exchange rate risk, counterparty risk, credit risk and other market risks related in particular to fluctuations in commodity prices. Note 11.7 to the consolidated financial statements at 31 December 2018 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 2018).

- **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 2018).

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

Contents

The consolidated financial statements of the PSA Group are presented for the years ended 31 December 2018 and 2017. The 2016 consolidated financial statements are included in the Registration Document that was filed with the French securities regulator (*Autorité des Marchés Financiers*) on 3 April 2017 under no. D.17-0289.

CONSOLIDATED STATEMENTS OF INCOME

(in million euros)	Notes	2018 Manufacturing and sales companies	Finance companies	Eliminations	Total
Continuing operations					
Revenue	*4.1*	**73 972**	**71**	**(16)**	**74 027**
Cost of goods and services sold		(59 180)	(69)	**16**	(59 233)
Selling, general and administrative expenses		(6 598)	(25)	**-**	(6 623)
Research and development expenses	*4.3*	(2 482)	-	**-**	(2 482)
Recurring operating income (loss)		**5 712**	**(23)**	**-**	**5 689**
Non-recurring operating income	*4.4 - 7.3*	332	-	-	332
Non-recurring operating expenses	*4.4 - 7.3*	(1 620)	(1)	-	(1 621)
Operating income (loss)		**4 424**	**(24)**	**-**	**4 400**
Financial income		178	10	-	188
Financial expenses		(634)	-	-	(634)
Net financial income (expense)	*11.2*	**(456)**	**10**	**-**	**(446)**
Income (loss) before tax of fully consolidated companies		**3 968**	**(14)**	**-**	**3 954**
Current taxes		(1 008)	-	-	(1 008)
Deferred taxes		395	(2)	-	393
Income taxes	*13*	**(613)**	**(2)**	**-**	**(615)**
Share in net earnings of companies at equity	*10.3*	(404)	360	-	(44)
Consolidated profit (loss) from continuing operations		**2 951**	**344**	**-**	**3 295**
Attributable to equity holders of the parent		*2 481*	*346*	-	*2 827*
Operations held for sale or to be continued in partnership					
Profit (loss) from operations held for sale or to be continued in partnership		**-**	**-**	**-**	**-**
Consolidated profit (loss) for the period		**2 951**	**344**	**-**	**3 295**
Attributable to equity holders of the parent		*2 481*	*346*	-	*2 827*
Attributable to minority interests		*470*	*(2)*	-	*468*

(in euros)	
Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 14.2)	3.16
Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 14.2)	3.16
Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 14.2)	3.01
Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 14.2)	3.01

(in million euros)	Notes	2017 restated [1] Manufacturing and sales companies	Finance companies	Eliminations	Total
Continuing operations					
Revenue	*4.1*	**62 140**	**139**	**(23)**	**62 256**
Cost of goods and services sold		(49 797)	(98)	23	(49 872)
Selling, general and administrative expenses		(6 226)	(27)	-	(6 253)
Research and development expenses	*4.3*	(2 153)	-	-	(2 153)
Recurring operating income (loss)		**3 964**	**14**	**-**	**3 978**
Non-recurring operating income	*4.4 - 7.3*	202	3	-	205
Non-recurring operating expenses	*4.4 - 7.3*	(1 106)	(3)	-	(1 109)
Operating income (loss)		**3 060**	**14**	**-**	**3 074**
Financial income		163	4	-	167
Financial expenses		(404)	(1)	-	(405)
Net financial income (expense)	*11.2*	**(241)**	**3**	**-**	**(238)**
Income (loss) before tax of fully consolidated companies		**2 819**	**17**	**-**	**2 836**
Current taxes		(552)	(13)	-	(565)
Deferred taxes		(137)	3	-	(134)
Income taxes	*13*	**(689)**	**(10)**	**-**	**(699)**
Share in net earnings of companies at equity	*10.3*	(9)	226	-	217
Consolidated profit (loss) from continuing operations		**2 121**	**233**	**-**	**2 354**
Attributable to equity holders of the parent		*1 704*	*227*	-	*1 931*
Operations held for sale or to be continued in partnership					
Profit (loss) from operations held for sale or to be continued in partnership		**(7)**	**-**	**-**	(7)
Consolidated profit (loss) for the period		**2 114**	**233**	**-**	**2 347**
Attributable to equity holders of the parent		*1 697*	*227*	-	*1 924*
Attributable to minority interests		*417*	*6*	-	*423*

(in euros)	
Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 14.2)	2.18
Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 14.2)	2.17
Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 14.2)	2.05
Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 14.2)	2.04

[1] *These financial statements have been restated applying IFRS 15. The impacts on the 2017 consolidated financial satements are presented in Note 1.2*

2017 figures of the manufacturing and sales companies cover five months of the Opel Vauxhall Automotive segment's operations.

CONSOLIDATED COMPREHENSIVE INCOME

(in million euros)	Before tax	2018 Income tax benefit (expense)	After tax
Consolidated profit (loss) for the period	**3 910**	**(615)**	**3 295**
Fair value adjustments to cash flow hedges	16	-	16
- of which, reclassified to the income statement	(10)	7	(3)
- of which, recognised in equity during the period	26	(7)	19
Gains and losses from remeasurement of financial assets	-	-	-
- of which, reclassified to the income statement	-	-	-
- of which, recognised in equity during the period	-	-	-
Exchange differences on translating foreign operations	(187)	-	(187)
Amounts to be potentially reclassified to profit or loss	**(171)**	**-**	**(171)**
Actuarial gains and losses on defined benefits' pension obligations	334	(68)	266
Amounts not to be reclassified to profit or loss	**334**	**(68)**	**266**
Total other amounts of comprehensive income (loss)	**163**	**(68)**	**95**
- of which, companies at equity	(27)	-	(27)
Total consolidated comprehensive income (loss) for the period	**4 073**	**(683)**	**3 390**
- of which, attributable to equity holders of the parent			2 933
- of which, attributable to minority interests			457

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

(in million euros)	Before tax	2017 [1] Income tax benefit (expense)	After tax
Consolidated profit (loss) for the period	**3 046**	**(699)**	**2 347**
Fair value adjustments to cash flow hedges	35	(8)	27
- of which, reclassified to the income statement	(4)	4	-
- of which, recognised in equity during the period	39	(12)	27
Gains and losses from remeasurement of financial assets	6	(1)	5
- of which, reclassified to the income statement	-	-	-
- of which, recognised in equity during the period	6	(1)	5
Exchange differences on translating foreign operations	(421)	-	(421)
Amounts to be potentially reclassified to profit or loss	**(380)**	**(9)**	**(389)**
Actuarial gains and losses on defined benefits' pension obligations	(104)	26	(78)
Amounts not to be reclassified to profit or loss	**(104)**	**26**	**(78)**
Total other amounts of comprehensive income (loss)	**(484)**	**17**	**(467)**
- of which, companies at equity	(113)	-	(113)
Total consolidated comprehensive income (loss) for the period	**2 562**	**(682)**	**1 880**
- of which, attributable to equity holders of the parent			1 571
- of which, attributable to minority interests			309

[1] These financial statements have been restated applying IFRS 15. The impacts on the 2017 consolidated financial satements are presented in Note 1.2

2017 figures of the manufacturing and sales companies cover five months of the Opel Vauxhall Automotive segment's operations.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

(in million euros)	Notes	31 December 2018 Manufacturing and sales companies	Finance companies	Eliminations	Total
Goodwill	7.1	3 608	-	-	3 608
Intangible assets	7.1	9 145	56	-	9 201
Property, plant and equipment	7.2	14 134	2	-	14 136
Investments in companies at equity	10	1 072	2 372	-	3 444
Investments in non-consolidated companies		397	12	-	409
Other non-current financial assets	11.5.A	684	28	-	712
Other non-current assets	8.1	1 143	117	-	1 260
Deferred tax assets	13	1 027	9	-	1 036
Total non-current assets		**31 210**	**2 596**	**-**	**33 806**
Operating assets					
Loans and receivables - finance companies	12.2.A	-	179	-	179
Short-term investments - finance companies		-	79	-	79
Inventories	5.1	6 710	-	-	6 710
Trade receivables - manufacturing and sales companies	5.2	1 929	-	(25)	1 904
Current taxes	13	363	13	-	376
Other receivables	5.3.A	2 500	82	(2)	2 580
		11 502	**353**	**(27)**	**11 828**
Current financial assets	11.5.A	**842**	**-**	**-**	**842**
Financial investments	11.5.B	**50**	**-**	**-**	**50**
Cash and cash equivalents	11.5.C & 12.2.C	**14 961**	**466**	**(1)**	**15 426**
Total current assets		**27 355**	**819**	**(28)**	**28 146**
Total assets		**58 565**	**3 415**	**(28)**	**61 952**

EQUITY AND LIABILITIES

(in million euros)	Notes	31 December 2018 Manufacturing and sales companies	Finance companies	Eliminations	Total
Equity	14				
Share capital					905
Treasury stock					(270)
Retained earnings and other accumulated equity, excluding minority interests					16 450
Minority interests					2 509
Total equity					**19 594**
Non-current financial liabilities	11.6	5 257	-	-	5 257
Other non-current liabilities	8.2	4 926	-	-	4 926
Non-current provisions	9	1 392	-	-	1 392
Deferred tax liabilities	13	774	7	-	781
Total non-current liabilities		**12 349**	**7**	**-**	**12 356**
Operating liabilities					
Financing liabilities - finance companies	12.3	-	328	(1)	327
Current provisions	9	4 921	144	-	5 065
Trade payables		13 551	-	-	13 551
Current taxes	13	522	3	-	525
Other payables	5.3.B	8 324	55	(27)	8 352
		27 318	**530**	**(28)**	**27 820**
Current financial liabilities	11.6	**2 182**	**-**	**-**	**2 182**
Total current liabilities		**29 500**	**530**	**(28)**	**30 002**
Total equity and liabilities					**61 952**

(in million euros)	Notes	31 December 2017 restated [1] Manufacturing and sales companies	Finance companies	Eliminations	Total
Goodwill	7.1	3 320	1	-	3 321
Intangible assets	7.1	8 215	54	-	8 269
Property, plant and equipment	7.2	13 215	3	-	13 218
Investments in companies at equity	10	1 356	2 116	-	3 472
Investments in non-consolidated companies		391	2	-	393
Other non-current financial assets	11.5.A	487	23	-	510
Other non-current assets	8.1	1 211	101	-	1 312
Deferred tax assets	13	796	13	-	809
Total non-current assets		**28 991**	**2 313**	**-**	**31 304**
Operating assets					
Loans and receivables - finance companies	12.2.A	-	331	-	331
Short-term investments - finance companies		-	114	-	114
Inventories	5.1	7 289	-	-	7 289
Trade receivables - manufacturing and sales companies	5.2	2 460	-	(34)	2 426
Current taxes	13	338	15	-	353
Other receivables	5.3.A	2 687	85	(2)	2 770
		12 774	**545**	**(36)**	**13 283**
Current financial assets	11.5.A	**1 269**	**-**	**-**	**1 269**
Financial investments	11.5.B	**165**	**-**	**-**	**165**
Cash and cash equivalents	11.5.C & 12.2.C	**11 582**	**320**	**(8)**	**11 894**
Total current assets		**25 790**	**865**	**(44)**	**26 611**
Total assets		**54 781**	**3 178**	**(44)**	**57 915**

(in million euros)	Notes	31 December 2017 restated [1] Manufacturing and sales companies	Finance companies	Eliminations	Total
Equity	14				
Share capital					905
Treasury stock					(270)
Retained earnings and other accumulated equity, excluding minority interests					13 929
Minority interests					2 142
Total equity					**16 706**
Non-current financial liabilities	11.6	4 778	-	-	4 778
Other non-current liabilities	8.2	4 280	-	-	4 280
Non-current provisions	9	1 596	-	-	1 596
Deferred tax liabilities	13	890	7	-	897
Total non-current liabilities		**11 544**	**7**	**-**	**11 551**
Operating liabilities					
Financing liabilities - finance companies	12.3	-	415	(8)	407
Current provisions	9	4 663	119	-	4 782
Trade payables		13 362	-	-	13 362
Current taxes	13	225	9	-	234
Other payables	5.3.B	8 297	81	(36)	8 342
		26 547	**624**	**(44)**	**27 127**
Current financial liabilities	11.6	**2 531**	**-**	**-**	**2 531**
Total current liabilities		**29 078**	**624**	**(44)**	**29 658**
Total equity and liabilities					**57 915**

[1] *These financial statements have been restated applying IFRS 15. The impacts on the 2017 consolidated financial satements are presented in Note 1.2*

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in million euros)	Notes	2018 Manufacturing and sales companies	Finance companies	Eliminations	Total
Consolidated profit (loss) from continuing operations		**2 951**	**344**	**-**	**3 295**
Adjustments for non-cash items:					
• Depreciation, amortisation and impairment	*15.2*	2 983	12	-	2 995
• Provisions		271	33	-	304
• Changes in deferred and current taxes		(143)	1	-	(142)
• (Gains) losses on disposals and other		(196)	(9)	-	(205)
Share in net (earnings) losses of companies at equity, net of dividends received		445	(256)	-	189
Revaluation adjustments taken to equity and hedges of debt		78	(6)	-	72
Change in carrying amount of leased vehicles		226	-	-	226
Funds from operations		**6 615**	**119**	**-**	**6 734**
Changes in working capital	*5.4.A*	1 607	47	7	1 661
Net cash from (used in) operating activities of continuing operations		**8 222**	**166**	**7**	**8 395**
Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies		31	7	-	38
Capital increase and acquisitions of consolidated companies and equity interests		(704)	(9)	-	(713)
Proceeds from disposals of property, plant and equipment and of intangible assets		509	-	-	509
Investments in property, plant and equipment [(1)]	*7.2.B*	(2 510)	-	-	(2 510)
Investments in intangible assets [(2)]	*7.1.B*	(2 045)	(16)	-	(2 061)
Change in amounts payable on fixed assets		(198)	-	-	(198)
Other		196	-	-	196
Net cash from (used in) investing activities of continuing operations		**(4 721)**	**(18)**	**-**	**(4 739)**
Dividends paid:					
• To Peugeot S.A. shareholders		(474)	-	-	(474)
• To minority shareholders of subsidiaries		(143)	-	-	(143)
Proceeds from issuance of shares		27	-	-	27
(Purchases) sales of treasury stock		(48)	-	-	(48)
Changes in other financial assets and liabilities	*11.3.B*	631	-	-	631
Other		-	-	-	-
Net cash from (used in) financing activities of continuing operations		**(7)**	**-**	**-**	**(7)**
Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership		**-**	**-**	**-**	**-**
Impact of hyperinflation in Argentina		22	-	-	22
Effect of changes in exchange rates		(66)	-	-	(66)
Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership		**3 450**	**148**	**7**	**3 605**
Net cash and cash equivalents at beginning of period		**11 491**	**314**	**(8)**	**11 797**
Net cash and cash equivalents at end of period	*15.1*	**14 941**	**462**	**(1)**	**15 402**

[(1)] Of which for the manufacturing and sales activities, €673 million for the Automotive Equipment segment, €1,464 million for the Peugeot Citroën DS Automotive segment and €373 million for the Opel Vauxhall Automotive segment.

[(2)] Of which for the manufacturing and sales activities, €117 million for the Peugeot Citroën DS Automotive segment, excluding research and development.

(in million euros)	Notes	2017 retated [1] Manufacturing and sales companies	Finance companies	Eliminations	Total
Consolidated profit (loss) from continuing operations		**2 121**	**233**	**-**	**2 354**
Adjustments for non-cash items:					
• Depreciation, amortisation and impairment	*15.2*	2 741	13	-	2 754
• Provisions		225	(5)	-	220
• Changes in deferred and current taxes		137	(3)	-	134
• (Gains) losses on disposals and other		(134)	(5)	-	(139)
Share in net (earnings) losses of companies at equity, net of dividends received		240	(88)	-	152
Revaluation adjustments taken to equity and hedges of debt		28	-	-	28
Change in carrying amount of leased vehicles		(90)	-	-	(90)
Funds from operations		**5 268**	**145**	**-**	**5 413**
Changes in working capital	*5.4.A*	123	(78)	1	46
Net cash from (used in) operating activities of continuing operations [2]		**5 391**	**67**	**1**	**5 459**
Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies		81	4	-	85
Capital increase and acquisitions of consolidated companies and equity interests		(840)	(525)	270	(1 095)
Proceeds from disposals of property, plant and equipment and of intangible assets		323	-	-	323
Investments in property, plant and equipment [3]	*7.2.B*	(2 351)	-	-	(2 351)
Investments in intangible assets [4]	*7.1.B*	(1 931)	(16)	-	(1 947)
Change in amounts payable on fixed assets		(239)	-	-	(239)
Other		66	2	-	68
Net cash from (used in) investing activities of continuing operations		**(4 891)**	**(535)**	**270**	**(5 156)**
Dividends paid:					
• To Peugeot S.A. shareholders		(431)	-	-	(431)
• To minority shareholders of subsidiaries		(129)	(6)	-	(135)
Proceeds from issuance of shares		305	270	(270)	305
(Purchases) sales of treasury stock		(137)	-	-	(137)
Changes in other financial assets and liabilities	*11.3.B*	43	-	(1)	42
Other		2	-	-	2
Net cash from (used in) financing activities of continuing operations		**(347)**	**264**	**(271)**	**(354)**
Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership		**(7)**	**-**	**-**	**(7)**
Effect of changes in exchange rates		(119)	(2)	-	(121)
Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership		**27**	**(206)**	**-**	**(179)**
Net cash and cash equivalents at beginning of period		**11 464**	**520**	**(8)**	**11 976**
Net cash and cash equivalents at end of period	*15.1*	**11 491**	**314**	**(8)**	**11 797**

[1] The 2017 financial statements have been restated applying IFRS 15. The impact resulted in an improvment in the change in working capital and an increase in the funds from operations (increase in the net depreciation provision) in the amount of €178 million at 31 December 2017 (see Note 1.2).

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

[3] Of which for the manufacturing and sales activities, €743 million for Automotive Equipment Division and €1,462 million for the Automotive Division.

[4] Of which for the manufacturing and sales activities, €134 million for Automotive Equipment Division, excluding research and development.

2017 figures of the manufacturing and sales companies cover five months of the Opel Vauxhall Automotive segment's operations.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in million euros)	Share capital	Treasury stock	Retained earnings excluding revaluations	Revaluations - excluding minority interests: Cash flow hedges	Remeasurement of the fair value of financial assets	Actuarial gains and losses on pension obligations	Effect of changes in exchange rates	**Equity - Attributable to equity holders of the parent**	Equity - Minority interests	**Total equity**
At 31 December 2016	**860**	**(238)**	**12 108**	**6**	**18**	**(31)**	**(66)**	**12 657**	**1 961**	**14 618**
1st implementation of IFRS 15	-	-	18	-	-	-	-	18	(24)	(6)
At 31 December 2016 restated (1)	**860**	**(238)**	**12 126**	**6**	**18**	**(31)**	**(66)**	**12 675**	**1 937**	**14 612**
Effect of IFRS 15 in 2017	-	-	(3)	-	-	-	-	(3)	(5)	(8)
Income and expenses recognised in equity for the period	-	-	1 929	22	5	(80)	(302)	1 574	314	1 888
Measurement of stock options and performance share grants	-	-	29	-	-	-	-	29	11	40
Repurchase of treasury stock	-	(116)	(18)	-	-	-	-	(134)	(22)	(156)
Effect of changes in scope of consolidation and other	-	-	(6)	-	-	-	-	(6)	27	21
Issuance of shares	45	-	243	-	-	-	-	288	17	305
Peugeot SA equity warrants delivered to General Motors	-	-	541	-	-	-	-	541	-	541
Treasury shares delivered to employeess	-	84	(53)	-	-	-	-	31	-	31
Dividends paid by Peugeot S.A.	-	-	(431)	-	-	-	-	(431)	-	(431)
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(137)	(137)
At 31 December 2017 restated (1)	**905**	**(270)**	**14 357**	**28**	**23**	**(111)**	**(368)**	**14 564**	**2 142**	**16 706**
1st implementation of IFRS 9	-	-	31	-	(23)	-	-	8	-	8
Impact of hyperinflation in Argentina	-	-	29	-	-	-	-	29	2	31
At 1st January 2018 restated (2)	**905**	**(270)**	**14 417**	**28**	**-**	**(111)**	**(368)**	**14 601**	**2 144**	**16 745**
Income and expenses recognised in equity for the period	-	-	2 827	9		257	(160)	2 933	457	3 390
Measurement of stock options and performance share grants	-	-	38	-		-	-	38	11	49
Dividends linked to equity warrants granted to General Motors	-	-	(12)	-		-	-	(12)	-	(12)
Effect of changes in scope of consolidation and other	-	-	21	-		-	-	21	46	67
Issuance of shares	-	-	-	-		-	-	-	25	25
Treasury stock	-	-	(22)	-		-	-	(22)	(25)	(47)
Dividends paid by Peugeot S.A.	-	-	(474)	-		-	-	(474)	-	(474)
Dividends paid by other Group companies	-	-	-	-		-	-	-	(149)	(149)
At 31 December 2018	**905**	**(270)**	**16 795**	**37**		**146**	**(528)**	**17 085**	**2 509**	**19 594**

(1) Financial statements restated after the first application of IFRS 15.
(2) Financial statements restated after the first application of IFRS 9 and IFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 2018

Preliminary note

The consolidated financial statements for 2018 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on 18 February 2019 with Note 18 taking into account events that occurred in the period up to the Supervisory Board meeting on 25 February 2019.

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 2018 As the IFRS standards not adopted by the European Union do not have a material impact on the Group's consolidated financial statements, they are thus also compliant with the IFRS framework.

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

The main new IFRS standards applicable to the Group in 2018 are as follows (see Note 1.2):

- IFRS 15 – Revenue from Contracts with Customers;
- IFRS 9 – Financial Instruments.

In addition, IAS 29 has been applied to the operations in Argentina (see Note 1.3).

Except the standard IFRS 16 (see Note 1.6), the new IFRS standards that will be applied in the years to come have potentially no material impact on the consolidated financial statements.

1.2. FIRST APPLICATION OF IFRS 15 AND IFRS 9 – ACCOUNTING PRINCIPLES AND IMPACTS ON THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

A. Accounting principles

The Group has chosen to apply IFRS 15 retrospectively. The opening and closing consolidated statements of financial position for 2017, the consolidated statement of income for 2017 as well as the consolidated statement of cash flows for 2017 have been restated.

For IFRS 9, the Group has decided to apply the three phases:

- on a prospective basis for phases 1 and 2, with the cumulative impact of the transition recorded through the adjustment of the opening consolidated equity balance at 1 January 2018, and without restatement of the comparative period, as authorized by the standard;
- on a prospective basis effective 1 January 2018 for phase 3.

The applicable accounting principles for 2018 applying IFRS 15 and IFRS 9 are described in the following Notes:

- 4.1.A – Revenue;
- 5.2 – Trade receivables;
- 9 – Current and non-current provisions;
- 11.7.B – Hedging instruments (manufacturing and sales companies);
- 11.8 – Financial instruments (manufacturing and sales companies);
- 12.1 – Financing and financial instruments – Finance companies;

B. Impact on the 2017 consolidated financial statements

(1) Consolidated statement of income

(in million euros)	2017 Reported in February 2018	IFRS 15 impact in 2017	2017 Restated
Continuing operations			
Sales and revenue	**65 210**	**(2 954)**	**62 256**
Recurring operating income (loss)	**3 991**	**(13)**	**3 978**
Operating income (loss)	**3 087**	**(13)**	**3 074**
Income (loss) before tax of fully consolidated companies	**2 849**	**(13)**	**2 836**
Consolidated profit (loss) from continuing operations	**2 365**	**(11)**	**2 354**
Operations held for sale or to be continued in partnership			
Profit (loss) from operations held for sale or to be continued in partnership	(7)	-	(7)
Consolidated profit (loss) for the period	**2 358**	**(11)**	**2 347**
Attributable to equity holders of the parent	*1 929*	*(5)*	*1 924*
Attributable to minority interests	*429*	*(6)*	*423*

The impact of the first application of IFRS 15 on the consolidated revenue published for 2017 for Groupe PSA is €2,954 million for the Group excluding inter companies' revenue, and €3,220 million for the Automotive Equipment segment. The impact is only from the Automotive Equipment segment and mainly concerns sales of monoliths[1] by Faurecia, products ordered by customers for whom Faurecia is considered as an agent. Indeed, these components are used in catalyst and their technical specifications are directly settled between final customer and monoliths producer. They are bought by Faurecia to be integrated to emission control systems sold to final customers without direct added value.

(2) Consolidated statement of financial position

ASSETS

(in million euros)	At 31 December 2017 Reported in February 2018	IFRS 15 impact in 2017	At 31 December 2017 Restated	IFRS 9 impact	At 1st January 2018 IFRS 9 & 15 restated
Total non-current assets	**31 006**	**298**	**31 304**	**11**	**31 315**
Operating assets	**13 171**	**112**	**13 283**	**(3)**	**13 280**
Current financial assets	**1 269**	**-**	**1 269**	**-**	**1 269**
Financial investments	**165**	**-**	**165**	**-**	**165**
Cash and cash equivalents	**11 894**	**-**	**11 894**	**-**	**11 894**
Total current assets	**26 499**	**112**	**26 611**	**(3)**	**26 608**
Total assets	**57 505**	**410**	**57 915**	**8**	**57 923**

EQUITY AND LIABILITIES

(in million euros)	At 31 December 2017 Reported in February 2018	IFRS 15 impact in 2017	At 31 December 2017 Restated	IFRS 9 impact	At 1st January 2018 IFRS 9 & 15 restated
Equity					
Total equity	**16 720**	**(14)**	**16 706**	**8**	**16 714**
Total non-current liabilities	**11 551**	**-**	**11 551**	**-**	**11 551**
Operating liabilities	**26 703**	**424**	**27 127**	**-**	**27 127**
Current financial liabilities	**2 531**	**-**	**2 531**	**-**	**2 531**
Total current liabilities	**29 234**	**424**	**29 658**	**-**	**29 658**
Total equity and liabilities	**57 505**	**410**	**57 915**	**8**	**57 923**

[1] Monoliths are precious metals and ceramics used in emission control systems.

The impacts of the application of IFRS 15, at 1 January 2017, are the following:

- €410 million on assets (€298 million on non-current assets and €112 million on operating assets);
- €424 million on operating liabilities;
- -€14 million on equity.

(3) Consolidated statement of Cash Flows

(in million euros)	2017 Reported in February	IFRS 15 impact in 2017	Restatement Financing activities [(1)]	2017 Restated
Funds from operations	**5 350**	**63**	**-**	**5 413**
Changes in working capital	(73)	115	4	46
Net cash from (used in) operating activities of continuing operations	**5 277**	**178**	**4**	**5 459**
Net cash from (used in) investing activities of continuing operations	**(4 978)**	**(178)**	**-**	**(5 156)**
Net cash from (used in) financing activities of continuing operations	**(354)**	**-**	**-**	**(354)**
Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership	**(7)**	**-**	**-**	**(7)**
Effect of changes in exchange rates	(121)	-	-	(121)
Increase (decrease) in cash from continuing operations held for sale or to be continued in partnership	**(183)**	**-**	**4**	**(179)**
Net cash and cash equivalents at beginning of period	**11 986**	**-**	**(10)**	**11 976**
Net cash and cash equivalents of continuing operations at end of period	**11 803**	**-**	**(6)**	**11 797**

[(1)] In accordance with ANC recommendation 2017-02 on the format of consolidated financial statements for banking sector institutions, Banque PSA Finance has changed the presentation of the statement of cash flows.

The explanatory notes to the financial statements of the fiscal year 2017 have been restated applying IFRS 15.

1.3. 1.3IMPACT OF HYPERINFLATION IN ARGENTINA - APPLICATION OF IAS 21 AND IAS 29

Cumulative inflation over three years in Argentina exceeded the 100% threshold at 1 July 2018, resulting in the retroactive application of IAS 29 at 1 January 2018. This consists in the revaluation of non-monetary assets and liabilities (property, plant and equipment, intangible assets, inventories and equity) by taking into account inflation since their recognition in the consolidated balance sheet. The offset of this revaluation at 1 January 2018 is recognised in equity. The revaluations for the 2018 financial year are presented under "other financial income / expenses". The various lines of the statement of income for the financial year are revalued to take into account inflation since the completion of each transaction. The offset is presented under "other financial income / expenses". Cash flows are also revalued according to the same principles. The offset is presented in a specific line of the statement of cash flows "impact of hyperinflation".

In application of ***IAS 21 - The effects of changes in foreign exchange rates***, the statement of income and the cash flows are converted at the closing rate.

The main effects of the application of hyperinflation accounting are:

- -€114 million in revenue;
- -€96 million on recurring operating income (loss);
- +€79 million in net financial income (expense);
- -€19 million in net profit or loss.

1.4. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of consolidated 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 explanatory 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.

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

For the preparation of the 2018 consolidated annual financial statements, special attention was paid to the following items:

- The recoverable amount of intangible assets and property, plant and equipment (see Note 7.3), as well as the recoverable amount of investments in companies at equity (see Note 10.3);
- Fair value of assets and liabilities as part of a business combination (see Note 2.3.A);
- Recognition of development expenditures as assets (see Note 4.3);
- Useful lives of assets. The Group has reviewed the useful lives of its property, plant and equipment in order to conform to the observed periods (see Note 7.2). Overall, this analysis resulted in a lengthening of the depreciation periods, leading to a decrease in the depreciation expenses for the Peugeot Citroën DS and Opel Vauxhall Automotive segments of €133 million over the financial year;
- Provisions (particularly restructuring provisions, pensions, warranty provisions for new cars as well as claims and litigation) (see Note 4.4.B, Note 6.1 and Note 9);
- Sales incentives (see Note 4.1.A.(1).(a));
- Residual values of vehicles sold with buyback commitment (see Note 7.2.C and Note 8.2).
- Deferred tax assets (see Note 13).

1.5. 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 consolidated 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).

1.6. APPLICATION OF IFRS 16 WITHIN GROUPE PSA

Groupe PSA decided to apply IFRS 16 Leases at 1 January 2019 (mandatory application date). This standard replaces IAS 17 and the IFRIC 4, SIC 15 and SIC 27 interpretations.

For lessees, accounting is now based on a single model, resulting from the elimination of the distinction between operating leases and finance leases.

IFRS 16 stipulates the recognition of any leases on the balance sheet of the lessees, with the recognition of an asset (representing the right-of-use of the leased asset for the term of the lease) and of a debt (for the obligation to pay rent).

For lessors, the distinction between operating leases and finance leases remains, with a mode of recognition that is essentially unchanged.

The assumptions used by Groupe PSA from among the transition and exemption options provided by IFRS 16 are the following:

- Transition measures:
    - use of the simplified retrospective approach. No restatement of the comparative periods. The cumulative impact of the first-time application of IFRS 16 is recognised as an adjustment to opening equity at 1 January 2019;
    - at 1 January 2019, old leases are exempt from re-assessment;
    - the lease liability is assessed at the present value of the rental payments remaining due. The Group makes use of knowledge acquired after the fact, for example, to determine the term of a lease that contains renewal or termination options;
    - the right-of-use as at the transition date is equal to the liability of the lease, adjusted for the amount of the rent payments paid in advance or to be paid. The initial direct costs are included in the valuation of the right-of-use on the transition date.
- Permanent exemptions:
    - exemption of old leases with a residual term of less than 12 months at 1 January 2019, and subsequently, exemption of new short-term leases (term of less than 12 months including renewal periods with an economic incentive);
    - **the lease term** refers to the non-cancellable period of each lease except if the Group is reasonably certain it will exercise the contractually stipulated renewal or termination options.

- **the discount rate** applied as at the transition date is the incremental borrowing rate corresponding to the lease term. Subsequently, the same will apply if the implicit lease rate is unknown.

The quantified impacts are being determined and audited. At 1 January 2019, the net financial position would be reduced by an amount between €1.4 billion and €1.6 billion. The recognition of rentals on the balance sheet will also result in an increase in non-current assets. The types of property leased is mostly real estate assets and, to a lesser extent, some material-handling equipment and IT infrastructures.
The new standard will also impact the following indicators: recurring operating income (improvement), net financial income (deterioration), Free Cash Flow (improvement).

NOTE 2 - SCOPE OF CONSOLIDATION

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 are not consolidated for materiality or feasibility reason would not in aggregate have a material effect on the consolidated financial statements. These securities are recognised as equity investments in accordance with the general principles set out in Note 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 of the Group.

In accordance with ***IAS 36 – Impairment of Assets***, goodwill is not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired (see Note 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 companies at equity" and tested for impairment at the level of the equity-accounted companies concerned.

(4) Other changes in scope of consolidation

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

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

B. Conversion methods

(1) Translation of the financial statements of foreign subsidiaries

(a) Standard method

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

(b) Specific method

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

(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 statement of financial position date, monetary items are translated at the closing rate and the resulting translation adjustment is recognised in profit or loss, as follows:

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

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 five main segments (see Note 3):

- The Peugeot Citroën DS Automotive segment, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot, Citroën and DS brands. It mainly comprises wholly owned subsidiaries, as well as jointly controlled subsidiaries for the production of vehicles or subassemblies in Europe and for industrial and commercial activities in China. These jointly controlled subsidiaries are consolidated in accordance with IFRS 11 (see Note 2.1);
- The Opel Vauxhall Automotive segment, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Opel and Vauxhall brands. It mainly comprises wholly owned subsidiaries;
- The Automotive Equipment segment, corresponding to the Faurecia group comprising the Interior Systems, the Seating and the Clean Mobility businesses. Faurecia is listed on Euronext. Peugeot S.A. holds 46.34% of Faurecia's

capital and 63.11% of its voting rights which give exclusive control by the Group. The exercise of all the dilutive instruments issued by Faurecia would have no impact on the Group's exclusive control;

- The Finance segment, corresponding to the Banque PSA Finance group, which provides retail financing to customers of the Peugeot, Citroën, DS, Opel and Vauxhall brands and wholesale financing to the brands' dealer networks. Banque PSA Finance is classified as a financial institution. This mainly stems from the partnership between Banque PSA Finance and Santander Consumer Finance for the Peugeot, Citroën and DS brands as well as from the partnership with BNP Paribas for the Opel and Vauxhall brands.

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

	31 December 2018	31 December 2017
Fully consolidated companies		
Manufacturing and sales companies [1]	325	317
Finance companies	18	18
	343	**335**
Joint operations		
Manufacturing and sales companies	3	3
Companies at equity		
Manufacturing and sales companies	38	55
Finance companies [2]	43	43
	81	**98**
Consolidated companies	**427**	**436**

[1] *of which 39 new companies fully consolidated, of which 34 for the Automotive Division Opel Vauxhall at 31/12/2017.*

[2] *of which 14 new companies accounted at equity, of which 12 for the Finance Division Opel Vauxhall at 31/12/2017.*

2.3. FINALISATION OF THE ACQUISITION OF THE OPEL VAUXHAULL BUSINESSES

On 6 March 2017, Groupe PSA signed an agreement with General Motors Co. (GM) to purchase the majority of its Opel Vauxhall's subsidiaries and some European operations of GM Financial in partnership with BNP Paribas.

A. **Automotive businesses**

On 31 July 2017, Groupe PSA completed the acquisition of Opel's and Vauxhall's automotive subsidiaries from GM. The allocation of the purchase price became definitive on 31 July 2018. It did not result in a material revision of the goodwill of €1,823 million, or the fair values of the identified assets and liabilities.

B. **Financing activities**

On 1 November 2017, Banque PSA Finance, a wholly-owned subsidiary of Groupe PSA and BNP Paribas Personal Finance, a wholly-owned subsidiary of BNP Paribas, finalised the joint acquisition of all of GM Financial's European operations, encompassing the existing Opel Bank, Opel Financial Services and Vauxhall Finance brands. Work to identify and measure the fair value of the assets and liabilities was finalised on 30 June 2018. Groupe PSA made the definitive allocation of this first consolidation difference without any material impact to the consolidated financial statements.

NOTE 3 - SEGMENT INFORMATION

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

The definition of operating segments is provided in Note 2.2.

3.1. BUSINESS SEGMENTS

The columns for each segment shown in the table below are on a stand-alone basis. All intersegment transactions are eliminated and, for the purposes of reconciliation with the Group's financial statements, are shown under the heading "Eliminations and unallocated" 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 (loss). For the other segments, as cash positions and taxes are managed jointly in some countries, only operating income and share in net earnings of equity-accounted companies are presented by segment.

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

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

2018	Automotive				Finance companies		Eliminations and	
(in million euros)	Peugeot Citroën DS	Opel Vauxhall	Automotive Equipment	Other Businesses	100%	Réconciliation	unallocated [1]	**Total**
Revenue								
• third parties	41 638	16 913	15 418	3	1 807	(1 752)	-	74 027
• intragroup, intersegment	1 389	1 393	2 107	145	182	-	(5 216)	-
Total [2]	**43 027**	**18 306**	**17 525**	**148**	**1 989**	**(1 752)**	**(5 216)**	**74 027**
Recurring operating income (loss)	**3 617**	**859**	**1 263**	**(19)**	**939**	**(962)**	**(8)**	**5 689**
Non-recurring operating income	321	7	4	-	-	-	-	332
Restructuring costs	(432)	(512)	(104)	(4)	(4)	4	-	(1 052)
Impairment of CGUs, provisions for onerous contracts and other	(277)	-	(21)	-	(1)	-	-	(299)
Other non-recurring operating income and (expenses), net	(172)	(71)	(27)	-	(7)	7	-	(270)
Operating income (loss)	**3 057**	**283**	**1 115**	**(23)**	**927**	**(951)**	**(8)**	**4 400**
Interest income			10		-	-	9	19
Finance costs			(120)		-	-	(168)	(288)
Other financial income			7		23	(13)	152	169
Other financial expenses			(60)		1	(1)	(286)	(346)
Net financial income (expense)	**-**	**-**	**(163)**	**-**	**24**	**(14)**	**(293)**	**(446)**
Income taxes expense			(190)		(290)	288	(423)	(615)
Share in net earnings of companies at equity	(448)	-	31	13	13	347	-	(44)
Consolidated profit (loss) from continuing operations			**793**		**674**	**(330)**		**3 295**
Profit (loss) from operations to be sold or continued in partnership	-	-	-	-	-	-	-	-
Consolidated profit (loss) for the period			**793**		**674**	**(330)**		**3 295**
Capital expenditure *(excluding sales with a buyback commitment)*	**2 746**	**541**	**1 269**	**-**	**40**	**(23)**		**4 573**
Depreciation provision	**(1 832)**	-90	**(879)**	**-**	**(33)**	**19**		**(2 815)**

[1] The "Eliminations and unallocated" column includes eliminations of intersector sales between the Finance companies and the other sectors (€166 million).

[2] of which a turnover of €41,337 million for manufacturer's activity of the Automotive division Peugeot Citroën DS and a turnover of €18,227 million for manufacturer's activity of the Automotive division Opel Vauxhall.

In 2018, on a fully consolidated basis, Banque PSA Finance (Finance Companies segment) generated net banking revenue of €1,611 million. Net provision expense (cost of risk) amounted to €38 million.

In 2018, after application of IFRS 5, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €2 million.

2017 restated [1] (in million euros)	Automotive: Peugeot Citroën DS	Automotive: Opel Vauxhall	Automotive Equipment	Other Businesses	Finance companies: 100%	Finance companies: Réconciliation	Eliminations and unallocated [2]	Total
Revenue								
• third parties	40 281	6 864	14 993	2	1 347	(1 231)	-	62 256
• intragroup, intersegment	454	374	1 969	88	129	-	(3 014)	-
Total [3]	**40 735**	**7 238**	**16 962**	**90**	**1 476**	**(1 231)**	**(3 014)**	**62 256**
Recurring operating income (loss)	**2 966**	**(179)**	**1 156**	**23**	**632**	**(618)**	**(2)**	**3 978**
Non-recurring operating income	176	2	4	20	3	-	-	205
Restructuring costs	(426)	(440)	(86)	1	(1)	1	-	(951)
Impairment of CGUs, provisions for onerous contracts and other	(96)	-	-	-	-	-	-	(96)
Other non-recurring operating income and (expenses), net	(11)	(38)	(14)	4	(14)	11	-	(62)
Operating income (loss)	**2 609**	**(655)**	**1 060**	**48**	**620**	**(606)**	**(2)**	**3 074**
Interest income			12		-	-	30	42
Finance costs			(114)		-	-	(94)	(208)
Other financial income			-		5	(1)	121	125
Other financial expenses			(29)		(1)	-	(167)	(197)
Net financial income (expense)	**-**	**-**	**(131)**	**-**	**4**	**(1)**	**(110)**	**(238)**
Income taxes expense			(261)		(204)	194	(428)	(699)
Share in net earnings of companies at equity	(55)	-	35	11	17	209	-	217
Consolidated profit (loss) from continuing operations			**703**		**437**	**(204)**		**2 354**
Profit (loss) from operations to be continued in partnership	-	-	(7)	-	-	-	-	(7)
Consolidated profit (loss) for the period			**696**		**437**	**(204)**		**2 347**
Capital expenditure (excluding sales with a buyback commitment)	**2 717**	**169**	**1 217**	**-**	**30**	**(13)**		**4 120**
Depreciation provision	**(1 877)**	**(25)**	**(796)**	**-**	**(19)**	**7**		**(2 710)**

[1] Financial statements restated after the first application of IFRS 15.

[2] The "Eliminations and unallocated" column includes eliminations of intersegment sales between the Finance companies and the other segments (€106 million).

[3] of which a revenue of €39,076 million for manufacturer's activity of the Peugeot Citroën DS Automotive segment and a revenue of €7,186 million for manufacturer's activity of Opel Vauxhall.

2017 figures of the Opel Vauxhall Automotive segment include the operations of the five last months.

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

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

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.

(in million euros)	Europe [1]	Eurasia	China & South-Asia	India Pacific	Latin America	Middle East & Africa	North America	Total
2018								
Revenue	58 007	557	3 147	1 478	3 842	2 802	4 194	74 027
Property, plant and equipment	12 151	122	541	141	651	166	364	14 136
2017 restated [2]								
Revenue	46 269	477	2 920	1 226	4 490	2 975	3 899	62 256
Property, plant and equipment	11 511	143	453	123	578	73	337	13 218

[2] Financial statements restated after the first application of IFRS 15.

[1] of which France :

(in million euros)	2018	2017
Revenue	16 306	14 751
Property, plant and equipment	5 991	5 779

NOTE 4 - OPERATING INCOME

Operating income corresponds to profit (loss) before net financial income or expense, current and deferred taxes and the Group's share in the net earnings of equity-accounted companies. It includes the revenue, the cost of goods and services sold, the selling, general and administrative expenses (general administrative expenses, indirect selling expenses and warranty costs) as well as the research and development expenses.

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

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

4.1. REVENUE

A. Accounting policies

IFRS 15 – Revenue from contracts with customers bases the recognition of revenue on the transfer of the control of goods and services to the customer, whereas ***IAS 18 – Revenue*** based it on the transfer of the risks and rewards.

(1) Manufacturing and sales companies

(a) Peugeot Citroën DS and Opel Vauxhall Automotive segments

The bulk of automotive business revenue is from the sale of new and used vehicles, and the sale of spare parts. The transfer of control takes place at the same time as the transfer of risks and rewards.

For new vehicles, this transfer generally corresponds to the date when the vehicles are made available to independent dealers or the delivery date, in the case of direct sales to end customers.

The cost of current and future sales incentive programmes is deducted from net income in the period in which the sales were registered. They are provisioned country by country on the basis of historical costs for the previous three months. 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, as a deduction from revenue.

Rebilling of expenses incurred as part of operations in which the Group is considered to be an agent are not included in revenue, but as a deduction from costs incurred. The same applies to sales of raw materials, parts, and subassemblies to sub-contractors that are destined to be bought back at cost.

The Group provides services to its customers (mostly servicing and maintenance contracts and warranty extensions), for consideration or free of charge. These represent distinct performance obligations under IFRS 15, for which the associated revenue is recognised over time as and when the service is performed.

The warranties provided to end customers are designed to cover defects in the vehicles sold. Insurance type guarantees are subject to provisions in accordance with IAS 37 (see Note 9).

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

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. It is depreciated on a straight-line basis over the term of the lease, less its residual value, representing the estimated 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.

Transportation service contracts were analysed, and the Group confirms that it operates as principal.

Revenue from engineering product performances is recognised over the term of the license agreement on a straight-line basis, insofar as the Group is required to update the underlying technology it owns, or at the same rate as the sales of vehicles and subassemblies when licensing revenue is conditional on certain volumes.

To date, the Group does not have a significant financial component that would require adjustments between revenue and net financial income (expense) under IFRS 15.

(b) Automotive Equipment segment

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

Sales of monoliths[1], products ordered by customers for which the Group acts as agent according to IFRS 15, are no longer recognised in revenue.

Concerning tools, transfer of control is usually carried out shortly before the launch of production, and the revenue is now recognised at that date.

Development work is generally considered as a capitalisable pre-production expense and does not create, in this case, a recognition of revenue that is separate from the revenue from the parts. Development work is recognised under intangible assets (see Note 4.3.A).

(2) Finance companies

IFRS 15 sets the accounting principles for revenue pertaining to contracts entered into with customers. Contracts that concern specific standards are excluded: lease contracts, insurance contracts, and financial instruments. Consequently, most of Banque PSA Finance's revenues are excluded from the scope of IFRS 15. There has not been a significant change due to the application of IFRS 15.

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

Most of the finance activities are managed in partnership with Santander and BNP Paribas. The revenue of these operations is not included in the Group's consolidated revenue as these companies are accounted for by the equity method (see Notes 10.4.C et 10.4.D). The revenue of all financing activities at 100% is presented in Note 3.1.

B. Key figures

(in million euros)	**2018**	2017
Sales of vehicles and other goods	72 417	60 490
Service revenue	1 555	1 650
Financial services revenue	55	116
Total	**74 027**	**62 256**

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 gross interest income, insurance premiums and other gross revenues.

[1] Monoliths are precious metals and ceramics used in emission control systems.

4.2. RECURRING OPERATING EXPENSES ANALYSED BY NATURE

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

Staff costs

Group staff costs of the consolidated companies included in the recurring operating income are as follows:

(in million euros)	**2018**	2017
Automotive Division Peugeot Citroën DS [1]	(4 486)	(4 537)
Automotive Division Opel Vauxhall [2]	(2 309)	(1 101)
Automotive Equipment Division	(3 304)	(3 177)
Finance companies	(6)	(7)
Other businesses	(137)	(98)
Total	**(10 242)**	**(8 920)**

[1] *Including €3,990 million representing staff costs of manufacturing activities of the Peugeot Citroën DS Automotive segment (€4,030 million in 2017).*
[2] *Including €2,301 million representing staff costs of manufacturing activities of the Opel Vauxhall Automotive segment (€1,088 million from August to December 2017).*

The Competitiveness and Employment Tax Credit (CICE) has been deducted from personnel expenses in the amount of €83 million (€103 million in 2017).

Details of pension costs are disclosed in Note 6.

Depreciation expense

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

(in million euros)	**2018**	2017
Capitalised development expenditure	(1 065)	(939)
Other intangible assets	(123)	(98)
Specific tooling	(669)	(616)
Other property, plant and equipment	(958)	(1 057)
Total	**(2 815)**	**(2 710)**

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 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 depreciation of capitalised development costs.

(1) Peugeot Citroën DS and Opel Vauxhall Automotive segment

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

(2) Automotive Equipment Division

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

B. Research and development expenses, net

(in million euros)	*Notes*	**2018**	2017
Total expenditure [1]		(3 914)	(3 586)
Capitalised development expenditure [2] [3]		2 099	2 021
Non-capitalised expenditure		**(1 815)**	**(1 565)**
Amortisation of capitalised development expenditure	*7.1*	(667)	(588)
Total		**(2 482)**	**(2 153)**

[1] Including €2,041 million for the Peugeot Citroën DS Automotive segment (€2,055 million in 2017) and €831 million for the Opel Vauxhall automotive segment (€408 million in 2017 for the five last months of the year).
[2] In addition to this expenditure, borrowing costs are capitalised pursuant to IAS 23 - Borrowing costs (Revised) (see Note 11.2.A).
[3] The development expenditure is capitalised in intabgible assets for €1,897 million in 2018 (€1,798 million in 2017) and the balance in inventories.

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

In addition, the depreciation of the capitalised development expenditure is classified in "Cost of goods and services sold" for €399 million in 2018 (€348 million in 2017).

4.4. NON-RECURRING OPERATING INCOME AND EXPENSES

(in million euros)	*Notes*	**2018**	2017
Net gains on disposals of real estate assets		312	164
Reversal of impairment loss on CGUs, other assets and provisions for onerous contracts of the Peugeot Citroën DS Automotive segment	*7.3.B*	10	12
Reversal of impairment loss on CGUs, other assets and provisions for onerous contracts of the Opel Vauxhall Automotive segment		8	1
Other non-recurring operating income on other CGUs		2	28
Total non-recurring operating income		**332**	**205**
Impairment loss on CGUs, other assets and provisions for onerous contracts of the Peugeot Citroën DS Automotive segment	*7.3.B*	(449)	(107)
Impairment loss on CGUs, other assets and provisions for onerous contracts of the Opel Vauxhall Automotive segment		(71)	(38)
Impairment loss on other CGUs	*7.3.C*	(22)	-
Restructuring costs	*4.4.B*	(1 052)	(951)
Other non-recurring operating expenses on other CGUs		(27)	(13)
Total non-recurring operating expenses		**(1 621)**	**(1 109)**

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

The main items of impairment testing, provisions for onerous contracts and other impairment are disclosed in Note 7.3.B.

B. Restructuring costs

Restructuring costs consist mainly of workforce reductions.

(in million euros)	**2018**	2017
Peugeot Citroën Automotive segment	(432)	(426)
Opel Vauxhall Automotive segment	(512)	(440)
Automotive Equipment segment	(104)	(86)
Other businesses segment	(4)	1
Total	**(1 052)**	**(951)**

Peugeot Citroën DS Automotive segment

In 2018, Peugeot Citroën DS Automotive segment restructuring costs amounted to €432 million.
They relate chiefly to the recognition of the restructuring plans covering the industrial sites in Europe in the amount of €306 million, including redundancy costs for €217 million(Jobs and Skills Matching System –DAEC–, Jobs and Skills Reallocation Plan –PREC–, Employment Safeguarding Plan –PSE– and older employee plans) as well as the reorganisation of the commercial operations in Europe in the amount of €58 million. Other restructuring costs relate mainly to subsidiaries in Latin America for €18 million.

Opel Vauxhall Automotive segment

In 2018, Opel Vauxhall Automotive segment restructuring costs amounted to €512 million. They relate chiefly to the recognition of the restructuring plans covering the industrial sites in Europe in the amount of €448 million and the reorganisation of the commercial operations in Europe in the amount of €64 million.

Automotive Equipment segment (Faurecia Group)

In 2018, Faurecia group restructuring costs totalled €104 million, including €101 million in provisions for redundancy costs, mainly in Germany, the United States, France and Spain.

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 each production facility.

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

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

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

	31 December 2018			31 December 2017		
(in million euros)	Gross	Allowance	Net	Gross	Allowance	Net
Raw materials and supplies	1 280	(154)	1 126	1 272	(153)	1 119
Semi-finished products and work-in-progress	1 028	(33)	995	1 017	(30)	987
Goods for resale and used vehicles	1 016	(62)	954	1 204	(83)	1 121
Finished products and replacement parts	3 873	(238)	3 635	4 289	(227)	4 062
Total	**7 197**	**(487)**	**6 710**	**7 782**	**(493)**	**7 289**

5.2. TRADE RECEIVABLES

Following the application of IFRS 9, a provision for impairment is recorded on the trade receivables of manufacturing and sales companies upon their initial recognition, based on an assessment of expected credit losses at maturity. The impairment is then reviewed according to the increase in the risk of non-recovery, if applicable. 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 IFRS 9 and with no change with IAS 39, the Group derecognises receivables for which the contractual rights to receive the cash flows have been transferred along with substantially all of the risks and rewards of ownership. In analysing the transfer of risks, dilution risk is not included inasmuch as it has been defined and correctly segregated notably from the risk of late payment. Transferred receivables are not derecognised when the default risk is retained by the Group. Costs incurred in transferring a receivable are recognised in financial expense.

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

(in million euros)	**31 December 2018**	31 December 2017
Trade receivables	2 272	2 767
Allowances for doubtful accounts	(343)	(307)
Total - manufacturing and sales companies	**1 929**	**2 460**
Elimination of transactions with the finance companies	(25)	(34)
Total	**1 904**	**2 426**

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

5.3. OTHER RECEIVABLES AND OTHER PAYABLES

A. Other receivables

(in million euros)	**31 December 2018**	31 December 2017
State, regional and local taxes excluding income tax [1]	1 171	1 198
Personnel-related payables	39	41
Due from suppliers	204	195
Derivative instruments	110	274
Prepaid expenses	567	444
Miscellaneous other receivables	409	535
Total	**2 500**	**2 687**

[1] In 2018, the Group sold €96 million worth of French research tax credits and €78 million worth of French competitiveness and employment tax credits (see Note 11.6.E).

B. Other payables

(in million euros)	**31 December 2018**	31 December 2017
Taxes payable other than income taxes	1 162	1 108
Personnel-related payables	1 273	1 207
Payroll taxes	334	358
Payable on fixed asset purchases	1 310	1 625
Customer prepayments	3 105	2 004
Derivative instruments [1]	59	203
Deferred income	678	943
Miscellaneous other payables	403	849
Total	**8 324**	**8 297**

[1] This item corresponds to the fair value of instruments purchased by the Group to hedge raw materials risks as well as currency risks on current or forecast operating receivables and payables. These instruments are analysed by maturity in Note 11.7.B, "Management of financial risks".

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

A. Analysis of the change in working capital

(in million euros)	**2018**	2017
(Increase) decrease in inventories	368	(50)
(Increase) decrease in trade receivables	1 342	(476)
Increase (decrease) in trade payables	294	1 177
Change in income taxes	(67)	(124)
Other changes	(330)	(404)
	1 607	**123**
Net cash flows with Group finance companies	*(1)*	*17*
Total	**1 606**	**140**

B. Analysis of the change in statement of financial position's items

(1) Analysis by type

2018 *(in million euros)*	At 1 January	At 31 December
Inventories	(7 289)	(6 710)
Trade receivables	(2 460)	(1 929)
Trade payables	13 362	13 551
Income taxes	(113)	159
Other receivables	(2 687)	(2 500)
Other payables	8 297	8 324
	9 110	**10 895**
Net cash flows with Group finance companies	(15)	*(22)*
Total	**9 095**	**10 873**

(2) Movements of the year

(in million euros)	**2018**	2017
At 1 January	**9 110**	**7 283**
Cash flows from operating activities	2 022	74
Cash flows from investing activities	(269)	(144)
Changes in scope of consolidation and other [(1)]	(120)	1 898
Translation adjustment	164	28
Revaluations taken to equity	(12)	(29)
At 31 December	**10 895**	**9 110**

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

The change in working capital in the consolidated statement of cash flows at 31 December 2018 (€1,607 million positive effect) corresponds to cash flows from operating activities (€2,022 million positive effect), exchange differences (€37 million negative effect), change in the ineffective portion of currency options (€97 million negative effect) and other movements (€281 million negative effect).

	2018	2017
Cash flows from operating activities of manufacturing and sales companies	**2 022**	**74**
Exchange differences	(37)	15
Change in the ineffective portion of currency options	(97)	28
Other changes	(281)	6
Change in working capital in the statement of cash flows	**1 607**	**123**

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 bonuses. These benefits are paid under defined contribution and defined benefit plans.

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

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

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

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

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

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

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

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:

- The service cost and past service cost (recognised in "Recurring income");
- The accretion expense of the net commitment of the return on plan hedging assets (in other financial income and expenses). These two components (accretion and return on assets) are determined based on the discount rate of commitments.

Other employee benefit obligations recognised in the statement of financial position concern:

- long-service awards payable by French and foreign subsidiaries;
- healthcare costs paid by certain subsidiaries in the United States.

A. Plan descriptions

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

In France, the existing defined benefit plans covering almost exclusively the Peugeot Citroën DS employees 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 2,400 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 11,100 retired employees at end-2018;
- the closed Citroën supplementary plan (ACC) that covered 4,100 retired employees at end-2018.

In the United Kingdom, the Group has four trustee-administered defined benefit plans for the Peugeot Citroën DS and Opel Vauxhall Automotive segmenst. These plans have been closed to new Peugeot Citroën DS entrants since May 2002. At 31 December 2018, 17,200 beneficiaries were covered by these plans, including 2,900 active employees, 5,600 former employees not yet retired and 8,700 retired employees. The plans guarantee a replacement rate of up to 66% of the employee's final salary of the Peugeot Citroën DS Automotive segment’s staff.

In Germany, the main defined benefit plan relates to Opel Automobile GmbH covering beneficiaries in these companies at 31 December 2018 in the form of:

- the retirement bonuses provided for by collective bargaining agreements;
- the supplementary pension plan covering 18,200 employees, 1,200 former employees not yet retired and 200 retired employees.

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

B. Assumptions

	Euro zone	United-Kingdom
Discount Rate		
2018	**1.95 %**	**2.95 %**
2017	1.60 %	2.60 %
Inflation Rate		
2018	**1.80 %**	**3.30 %**
2017	1.80 %	3.20 %
Average Duration (in years)		
2018	**17**	**18**
2017	17	15

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

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

The assumptions regarding future salary increases take into account inflation and forecast individual pay rises in each country. The assumption for French plans is inflation plus individual pay rise according to the employee's age. The assumption for the United Kingdom plans is inflation plus 1 %. In Germany, the assumption is for inflation plus 2.30% for hourly employees and 2.55% for salaried employees.

Mortality, staff turnover and retirement age 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, the United Kingdom and Germany would lead to the following increases or decreases in projected benefit obligations:

	Discount rate +0.25 PT	Inflation rate +0.25 PT
France	**-2.74%**	**1.91%**
United Kingdom	**-3.96%**	**3.57%**
Germany	**-4.76%**	**1.37%**

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 2018 of €9 million for French plans, €28 million for the United Kingdom plans and €27 million for the German plans.

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

C. Information on external funds

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

The breakdown of external funds is as follows:

	31 December 2018		31 December 2017	
	Equities	Bonds	Equities	Bonds
France	22 %	78 %	19 %	81 %
United Kingdom	10 %	90 %	12 %	88 %
Germany	0 %	100 %	0 %	100 %

The fair value of shares and bonds was at level 1 in 2017 and 2018.

In 2018, the actual return on external funds managed by the Group in France, in Germany and by the pension trusts in the United Kingdom was -3.8 % for the French funds, -1.4 % for the United Kingdom funds and equal to zero for the German 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 (minimum investment grade), in European corporate bonds rated A or higher and in European inflation-linked government bonds.

In the United Kingdom, all the equities are invested in global equity funds. 64 % of the bond portfolio are comprised of inflation-linked government bonds denominated in pounds sterling. The remaining 36 % are comprised mainly of corporate bonds rated A or higher.

In Germany, bond investments are 78 % in corporate bonds with an average rating of A-, 8 % in EU government bonds (minimum investment grade) and 14 % in short-term money market instruments.

In France, the Group is free to decide the amount of its contributions to the external funds. At 31 December 2018, no decision had been made as to the amount of contributions to be paid in 2019.

In the United Kingdom, the Group's annual contribution (excluding Faurecia) amounted to £30 million (€34 million) in 2018. It is estimated at £23 million (€26 million) for 2019, although this sum may change in light of the negotiations planned for 2019.

In Germany, the Group’s annual contribution (excluding Faurecia) amounted to €1 million. It is estimated at €2 million for 2019.

D. Movement for the year

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

(in million euros)	2018 France	2018 United Kingdom	2018 Germany	2018 Other	2018 Total	2017 France	2017 United Kingdom	2017 Germany	2017 Other	2017 Total
Projected benefit obligation										
At beginning of period: Present value	**(1 498)**	**(2 274)**	**(3 024)**	**(554)**	**(7 350)**	**(1 620)**	**(2 098)**	**(425)**	**(270)**	**(4 413)**
Service cost	(42)	(41)	(109)	(14)	(206)	(49)	(62)	(48)	(14)	(173)
Interest cost	(22)	(59)	(50)	(9)	(140)	(24)	(56)	(26)	(7)	(113)
Benefit payments for the year	104	178	18	32	332	111	114	11	35	271
Unrecognised actuarial gains and (losses):	-	-	-	-		-	-	-	-	
- amount	98	55	313	42	508	86	(187)	(151)	3	(249)
- as a % of projected benefit obligation at beginning of period [(1)]	*6.5 %*	*2.4 %*	*10.4 %*	*7.6 %*	*6.9 %*	*5.3 %*	*8.9 %*	*5.4 %*	*1.1 %*	*5.6 %*
Past service cost	-	(6)	-	6	-	-	-	-	-	-
Effect of changes in exchange rates	-	16	-	3	19	-	75	-	15	90
Effect of changes in scope of consolidation and other	(1)	(1)	1	(14)	(15)	(3)	(60)	(2 385)	(316)	(2 764)
Effect of curtailments and settlements	4	(4)	4	3	7	1	-	-	-	1
At period-end: Present value	**(1 357)**	**(2 136)**	**(2 847)**	**(505)**	**(6 845)**	**(1 498)**	**(2 274)**	**(3 024)**	**(554)**	**(7 350)**
External fund										
At beginning of period: Fair value	**859**	**2 764**	**2 704**	**297**	**6 624**	**899**	**2 777**	**130**	**140**	**3 946**
Normative return on external funds	12	72	45	5	134	13	75	22	4	114
Actuarial gains and (losses):	-	-	-	-		-	-	-	-	
- amount	(4)	(109)	(51)	(12)	(176)	20	81	46	(3)	144
- as a % of projected benefit obligation at beginning of period [(1)]	*0.5 %*	*3.9 %*	*1.9 %*	*4.0 %*	*2.7 %*	*2.2 %*	*2.9 %*	*1.7 %*	*2.1 %*	*3.6 %*
Translation adjustment	-	(22)	-	1	(21)	-	(97)	-	(8)	(105)
Employer contributions	33	37	4	24	98	45	42	15	7	109
Benefit payments for the year	(114)	(176)	(19)	(31)	(340)	(118)	(114)	(11)	(25)	(268)
Effect of changes in exchange rates and other	3	1	(81)	97	20	-	-	2 502	182	2 684
At period-end: Fair value	**789**	**2 567**	**2 602**	**381**	**6 339**	**859**	**2 764**	**2 704**	**297**	**6 624**

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

E. Reconciliation of statement of financial position's items

(in million euros)	2018 France	2018 United Kingdom	2018 Germany	2018 Other	2018 Total	2017 France	2017 United Kingdom	2017 Germany	2017 Other	2017 Total
Present value of projected benefit obligation	**(1 357)**	**(2 136)**	**(2 847)**	**(505)**	**(6 845)**	**(1 498)**	**(2 274)**	**(3 024)**	**(554)**	**(7 350)**
Fair value of external funds	789	2 567	2 602	381	6 339	859	2 764	2 704	297	6 624
Net (liability) asset recognised in the balance sheet before minimum funding requirement (IFRIC 14)	**(568)**	**431**	**(245)**	**(124)**	**(506)**	**(639)**	**490**	**(320)**	**(257)**	**(726)**
Minimum funding requirement liability (IFRIC 14)	-	(37)	-	-	(37)	-	(37)	-	-	(37)
Net (liability) asset recognised in the balance sheet	**(568)**	**394**	**(245)**	**(124)**	**(543)**	**(639)**	**453**	**(320)**	**(257)**	**(763)**
Of which, liability (Note 10)	(592)	(159)	(273)	(159)	(1 183)	(663)	(134)	(320)	(276)	(1 393)
Of which, asset	24	553	28	35	640	24	587	-	19	630
Of which, unfunded plans	*0.0 %*	*0.0 %*	*0.0 %*	*10.0 %*	*0.7 %*	*0.3 %*	*0.0 %*	*0.0 %*	*15.4 %*	*1.2 %*

F. Expenses recognised in the statement of income

These expenses are recorded as follows:

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

Pension expenses break down as follows:

(in million euros)	2018 France	2018 United Kingdom	2018 Germany	2018 Other	2018 Total	2017 France	2017 United Kingdom	2017 Germany	2017 Other	2017 Total
Service cost	(42)	(41)	(109)	(14)	(206)	(49)	(62)	(48)	(14)	(173)
Interest cost	(22)	(59)	(50)	(9)	(140)	(24)	(56)	(26)	(7)	(113)
Normative return on external funds	12	72	45	5	134	13	75	22	4	114
Past service cost	-	(6)	-	6	-	-	-	-	-	-
Effect of curtailments and settlements	4	(4)	4	3	7	1	-	-	-	1
Total (before minimum funding requirement liability)	**(48)**	**(38)**	**(110)**	**(9)**	**(205)**	**(59)**	**(43)**	**(52)**	**(17)**	**(171)**
Change in minimum funding requirement liability (IFRIC14)	-	-	-	-	-	-	-	-	-	-
Total	**(48)**	**(38)**	**(110)**	**(9)**	**(205)**	**(59)**	**(43)**	**(52)**	**(17)**	**(171)**

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

No plan was awarded between 2009 and 2018. The last plan expired on 19 August 2016.

B. Performance share plans

(1) Peugeot S.A. performance share plan

(a) 2015 performance share plan

A performance share plan was established in 2015. As of 31 December 2018, 387,063 shares were potentially attributable to foreign residents; the relevant vesting period ends on 31 March 2019. The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €1.4 million for the 2018, excluding payroll taxes.

(b) 2016 performance share plan

A performance share plan was established in 2016. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. Taking into consideration the performance targets, the shares will vest in two equal parts subject to continued employment on 3 June 2019 and 3 June 2020. At year-end 2018, 1,977,762 shares were potentially attributable to the beneficiaries of the plan. The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €7.0 million for 2018, excluding payroll taxes.

(c) 2017 performance share plan

A performance share plan was established in 2017 (see Note 7.2.B.(1).(c) to the 2017 consolidated financial statements). The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. Taking into consideration the performance targets, the shares will vest in two equal parts subject continued employment on 14 April 2020 and 14 April 2021. At year-end 2018, 2,420,961 shares were potentially attributable to the beneficiaries of the plan. The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €11.0 million for 2018, excluding payroll taxes.

(d) 2018 performance share plan

Following the authorisation given by the Extraordinary Shareholders' Meeting of 27 April 2016 and the Supervisory Board at its meeting of 28 February 2018, the Peugeot S.A. Managing Board adopted a performance share plan effective at 9 April 2018, subject to performance conditions. This plan covers a maximum total of 2,700,000 shares. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period.

The final acquisition is subject to a performance condition, namely the Automotive Division's average recurring operating margin including Opel Vauxhall, over the period from 2018 to 2020.

In light of the objectives, the shares will vest in two equal parts subject to presence within the company at 10 April 2021 and 10 April 2022. At year-end 2018, 2,427,254 shares are potentially attributable to the beneficiaries of the plan. The personnel expense associated with this plan, measured in accordance with IFRS 2, was €9.5 million for 2018, 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 €20 million (compared with an expense of €21.1 million in 2017).

The details of performance share plans at year-end 2018 are provided in the following table:

Date of Managing Board decision:	*(number of shares)*	Maximum number of performance shares[1] due if: - objective achieved	- objective exceeded
25/07/2016		632 231	822 485
20/07/2017		569 422	740 210
19/07/2018		420 956	547 250

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

Following achievement of the performance target in the plan awarded by the Board on 28 July 2014, 738,660 shares were delivered in July 2018. In light of the achievement of the performance targets in the plan awarded by the Board on 23 July 2015, 610,752 shares will be delivered in July 2019.

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.

(in million euros)	*Notes*	**2018**	2017
Number of Executive Committee members at 31 December		**18**	**18**
Fixed & variable compensation and other short-term benefits (excluding pensions)		21.7	22.2
Stock option and performance share costs [1]	*6.2*	9.0	4.8

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

Furthermore, the expense recognised in 2018 for the contribution to the defined contribution pension plan totalled €4.6 million for the members of the Managing Board and the other members of the Executive Committee and breaks down into €2.3 million paid to a pension fund and €2.3 million paid in cash to the beneficiaries (taking into account a scheme based on taxation upon first deposit).

Details of the performance shares granted in 2015, 2016, 2017 and 2018 granted to members of the managing bodies and still exercisable at period-end, can be found in the following table:

(number of options)	**2018**	2017
Performance shares granted at 31 December	2 229 000	1 670 000

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

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

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

7.1. GOODWILL AND INTANGIBLE ASSETS

A. Accounting policies

Accounting policies relating to goodwill are described in Note 2.1.A.(2) and those related to research and development expenses in Note 4.3.(A).

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

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

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

B. Change in carrying amount

31 December 2018 *(in million euros)*	Goodwill	Development expenditure	Brands, software and other intangible assets	Intangible assets
At beginning of period	**3 321**	**5 844**	**2 425**	**8 269**
Purchases/additions [1]	-	1 897	134	2 031
Depreciation for the year	-	(1 065)	(123)	(1 188)
Impairment losses	-	(102)	-	(102)
Disposals	-	(10)	(8)	(18)
Change in scope of consolidation and other [2]	282	18	193	211
Translation adjustment	5	2	(4)	(2)
At period-end	**3 608**	**6 584**	**2 617**	**9 201**

[1] *Including borrowing costs of €63 million capitalised in accordance with* ***IAS 23 (Revised) - "Borrowing Costs"*** *(see Note 11.2.A).*

31 December 2017 *(in million euros)*	Goodwill	Development expenditure	Brands, software and other intangible assets	Intangible assets
At beginning of period	**1 514**	**5 133**	**594**	**5 727**
Purchases/additions [1]	-	1 798	150	1 948
Depreciation for the year	-	(939)	(98)	(1 037)
Impairment losses	-	(80)	-	(80)
Disposals	-	(1)	(46)	(47)
Change in scope of consolidation and other [2]	1 829	8	1 824	1 832
Translation adjustment	(22)	(75)	1	(74)
At period-end	**3 321**	**5 844**	**2 425**	**8 269**

[1] *Including borrowing costs of €88 million capitalised in accordance with* ***IAS 23 (Revised) - "Borrowing Costs"*** *(see Note 11.2.A).*

[2] *including €1,810 million in goodwill and €1,792 million in intangible assets for the Opel acquisition.*

C. Breakdown of goodwill at end of period

(in million euros)	**31 December 2018**	31 December 2017
Net		
Automotive Opel Vauxhall CGU	1 823	1 810
Faurecia CGUs	1 492	1 216
Faurecia CGU	172	172
Automotive Peugeot Citroën DS CGU	121	122
Financing activities Peugeot Citroën DS CGU	-	1
Total	**3 608**	**3 321**

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) Gross value

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 companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 4.1.A.(1)(a).

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

(2) Depreciation

(a) Standard method

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

	(in years)
Buildings	40
Material and toolings	4 – 16
Computer equipment	3 – 4
Vehicles and handling equipment	4 – 7
Fixtures and fittings	10 – 30

(b) Specific tooling

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

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

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

B. Breakdown of property, plant and equipment

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

31 December 2018 *(in million euros)*	Land and buildings	Plant and equipment	Leased vehicles [2]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
Net							
At beginning of period	**2 309**	**5 654**	**3 299**	**26**	**314**	**1 616**	**13 218**
Purchases/additions [1]	100	1 040	-	13	86	1 278	2 517
Depreciation for the year	(188)	(1 329)	(14)	(4)	(92)	-	(1 627)
Impairment losses	(14)	(27)	-	-	-	3	(38)
Disposals	(118)	(78)	-	(6)	(13)	-	(215)
Transfers and reclassifications	22	546	-	-	39	(607)	-
Change in scope of consolidation and other [2]	104	559	266	-	47	(639)	337
Translation adjustment	(12)	(20)	(4)	(1)	(1)	(18)	(56)
At period-end	**2 203**	**6 345**	**3 547**	**28**	**380**	**1 633**	**14 136**
Gross value	*6 570*	*33 014*	*3 841*	*83*	*1 082*	*1 657*	*46 247*
Accumulated depreciation and impairment	*(4 367)*	*(26 669)*	*(294)*	*(55)*	*(702)*	*(24)*	*(32 111)*

*[1] Including property, plant and equipment acquired under finance leases for €14million. Borrowing costs capitalised in accordance with **IAS 23 (Revised) - "Borrowing Costs"** amounted to €17 million (see Note 11.2.A).*

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

31 December 2017 *(in million euros)*	Land and buildings	Plant and equipment	Leased vehicles [2]	Vehicles and handling equipment	Fixtures, fittings and other	Assets under construction	Total
Net							
At beginning of period	**2 116**	**5 058**	**2 475**	**22**	**305**	**1 253**	**11 229**
Purchases/additions [1]	121	1 052	-	8	23	1 202	2 406
Depreciation for the year	(253)	(1 323)	(12)	(4)	(81)	-	(1 673)
Impairment losses	28	8	-	-	-	7	43
Disposals	(107)	(38)	-	(2)	(5)	-	(152)
Transfers and reclassifications	24	205	-	1	31	(261)	-
Change in scope of consolidation and other [2]	408	786	850	-	44	(551)	1 537
Translation adjustment	(28)	(94)	(14)	1	(3)	(34)	(172)
At period-end	**2 309**	**5 654**	**3 299**	**26**	**314**	**1 616**	**13 218**
Gross value	*6 766*	*31 853*	*3 537*	*82*	*958*	*1 647*	*44 843*
Accumulated depreciation and impairment	*(4 457)*	*(26 199)*	*(238)*	*(56)*	*(644)*	*(31)*	*(31 625)*

*[1] Including property, plant and equipment acquired under finance leases for €14 million. Borrowing costs capitalised in accordance with **IAS 23 (Revised) - "Borrowing Costs"** amounted to €31 million (see Note 11.2.A).*

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

C. Leased vehicles

Leased vehicles totaling an amount of €3,547 million at year-end include vehicles leased to retail customers by the Group's companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 4.1.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 whenever there are indications of impairment and at least once a year for assets with indefinite useful lives, which is primarily goodwill and brands. Indications of impairment are in particular a significant fall in volumes, deteriorating profitability, technological or regulatory developments that adversely impact the business. The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. The impairment test usually consists of estimating the asset's value in use. Value in use is usually measured as the net present value of estimated future cash flows.

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

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

The two Peugeot Citroën DS and Opel Vauxhall Automotive segments comprise a number of Vehicle CGUs, each corresponding to a vehicle model. The assets included in a Vehicle CGU consist of tooling and other specific plant and equipment used to manufacture the model, as well as capitalised model development expenditure (see Note 4.3.A.(1)). The assets belonging to the vehicule CGUs and all the other assets are combined and tested together at a higher CGU level, respectively, Peugeot Citroen DS and Opel Vauxhall Automotive CGUs. The Opel Vauxhall goodwill and both brands are allocated to Opel Vauxhall Automotive CGU.

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

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

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

Goodwill and intangible assets and property with an indefinite useful life

The Opel Vauxhall goodwill, as well as the Opel and Vauxhall brands, were subjected to an annual impairment test. They are allocated to the Opel Vauxhall Automotive CGU. The net carrying amount of all property, plant and equipment and intangible assets included in this CGU was €5,669 million. The net cash generated by the 2019-2023 Medium-Term Plan (PMT), was discounted at an after-tax rate of 9%, with a terminal value of 10% that takes into account a perpetuity growth rate of 1%.

The test did not show any impairment. The recoverable value of the assets remains higher than their carrying amount, even when combining the variations of the three assumptions: +0.5% of the discount rate for cash flows, -0.5% for the perpetuity growth rate, and -0.5% for the recurring operating income (loss) rate for the terminal value.

Other assets

Given the indication of impairment losses, specific tests performed on the Latin American plants and the Russian plant were updated on the basis of the 2019-2023 MTP. The discount rates used were 16.5% for the Latin American plants and 13% for the Russian plant. These tests identified an additional annual impairment charge of €30 million related to capital expenditure during the year in Russia. It was recognised under non-recurring operating income. As of 31 December 2018, total impairment charges for the Latin American and Russian plants totalled €299 million.

In addition, the research and development individual assets held by the fully consolidated companies of the Peugeot Citroën DS Automotive segment and dedicated to the Chinese activities have been impaired in the amount of €78 million, in addition the 2017 impairment of €80 million.

At 31 December 2018, the analyses of the volumes and profitability forecasts did not reveal any signs of impairment for the specific assets dedicated to the Vehicle CGUs.

Following the US withdrawal from the JCPOA [1] announced on 8 May 2018, the Group complied with the new applicable regulations by suspending its operations in Iran affected by the sanctions. In this context, the Group impaired various assets dedicated to operations in Iran for a total amount of €168 million. In addition, investments in companies at equity from the Iranian joint venture, Saïpa Citroën Automobiles Company, were impaired by €148 million.

C. Impairment test on Faurecia group CGUs and other assets

FAURECIA GROUP CGUs

The carrying amount of each CGU 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 (2019–2021 plan revised at mid-2018).

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 (2021) using a growth rate of 1.4% (1.4% in 2017). Future cash flows were discounted at an unchanged after-tax rate of 9.0% (9.0% in 2017), provided by an independent expert.

The test performed at end-2018 confirmed that the goodwill allocated to the three CGUs was fairly stated in the statement of financial position. The statement of financial position's values are presented in the table below:

(in million euros)	**31 December 2018**	31 December 2017
• Seating	843	794
• Clean Mobility	377	355
• Interior Systems	272	67
Total	**1 492**	**1 216**

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

Following the US withdrawal from the JCPOA[1] announced on 8 May 2018, the Group complied with the new applicable regulations by suspending its operations in Iran affected by the sanctions. In this context, Faurecia impaired various assets used in business in Iran for a total amount of €17 million.

FAURECIA CGU IN THE ACCOUNTS OF PSA GROUP

The stock market value of the Faurecia shares held by Peugeot S.A. at 31 December 2018 was €2,115 million based on a share price of €33.07, 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 statement of financial position is valued at €1,845 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 2018.

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

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

The non-current assets of these companies are tested for impairment on the basis of the same principles as applicable to the Automotive business of Groupe PSA (see Note 7.3). When there are indications of an impairment loss, the assets that are specific to the vehicle models are tested by the Vehicle CGU and all assets (including those that aren't specific to the models) are tested in aggregate at the level of each partnership.

At 31 December 2018, impairment testing at the companies in partnership with the Dong Feng Motor Company Group resulted in the recognition of RMB 2,100 million in impairment losses (RMB 1,050 million in PSA share, i.e. €133 million).

[1] Joint Comprehensive Plan of Action signed in Vienna.

At 31 December 2018, impairment testing on the non-current assets of Changan PSA Automobile Co, Ltd resulted in the recognition of an impairment loss of RMB 750 million (RMB 375 million in PSA share, i.e. €49 million). Accordingly, Groupe PSA maintained the total impairment of investments in companies at equity and recorded provisions of €28 million after taking into account a loss of €40 million over the 2018 financial year.

In addition, Groupe PSA does additional impairment testing of the investments in companies at equity when there are indications of impairment losses, such as for example a significant fall in volumes or deteriorating profitability. The recoverable amount is determined by looking at the value in use based on cash flow forecasts. These forecasts are taken from the most recent medium-term plan for 2019-2023 approved by the partners. The terminal value is determined with reference to the data in the final years of the plan and having regard to a perpetual growth rate of 3.0%. The future cash flows are discounted using an after-tax rate of 12.5% for 2019-2023 and 13.5% for the terminal value.

At 31 December 2018, the impairment testing of investments in companies at equity in the automotive business did not identify any impairment losses on top of those already recognised for the assets of these companies.

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

(in million euros)	**31 December 2018**	31 December 2017
Capital commitments for the acquisition of non-current assets	1 350	1 284
Orders for research and development work	10	22
Minimum purchase commitments	-	173
Non-cancellable lease commitments	1 809	1 867
Total	**3 169**	**3 346**

A. Minimum purchase commitments

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

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

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

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

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

This item corresponds mainly to commitments to purchase property, plant and equipment. It also includes the Group's commitment towards the two Fonds d'Avenir Automobile (FAA - tier 1 and tier 2), two funds set up to support automotive equipment manufacturers. The Group's total commitment to FAA amounted to €204 million. At 31 December 2017, the Group had already paid €148 million into these two funds.

C. Non-cancellable lease commitments

Periods (in million euros)	31 December 2018	31 December 2017
2018	-	446
2019	316	272
2020	253	242
2021	225	175
2022	175	129
2023	157	112
2024	128	-
Subsequent years	555	491
Total non-cancellable lease commitments	**1 809**	**1 867**

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

(in million euros)	Notes	31 December 2018	31 December 2017
Excess of payments to external funds over pension obligations	6.1.E	640	630
Investments in non-consolidated companies and units in the FAA funds		48	69
Derivative instruments		8	6
Guarantee deposits and other		564	607
Total		**1 260**	**1 312**

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, €148 million of which has been paid to date. These units have been classified as " at fair value through profit or loss" in accordance with IFRS 9 (see Note 11.8.C.(2)). They are reported as non-current assets because of the lock-up applicable to the Group's investment.

8.2. OTHER NON-CURRENT LIABILITIES

(in million euros)	Notes	31 December 2018	31 December 2017
Liabilities related to vehicles sold with a buyback commitment	4.1.A.(1).(a)	4 667	4 180
Other		259	100
Total		**4 926**	**4 280**

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 statement of financial position date, the Group has a present obligation towards a third party, and 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

Under IFRS 15, as previously, when warranties provided to customers are designed to cover defects in the vehicles sold, a provision is recorded to cover the estimated cost of vehicle and spare part warranties at the time of sale to independent dealer networks or end-customers.

	31 December 2017	Additions	Releases (utilisations)	Releases (unused provisions)	Recognised in equity during the period	Change in scope of consolidation and other	31 December 2018
Pensions (Note 6.1.E)	1 393	212	(90)	(7)	(135)	(190)	1 183
Other employee benefit obligations and other	203	37	(45)	(12)	(4)	30	209
Total non-current provisions	**1 596**	**249**	**(135)**	**(19)**	**(139)**	**(160)**	**1 392**
Warranties	1 446	913	(674)	(110)	-	(12)	1 563
Commercial and tax claims and litigations	718	185	(94)	(79)	-	43	773
Restructuring plans [(1)]	1 321	586	(540)	(14)	-	20	1 373
Long-term and operating contract losses	466	408	(298)	(25)	-	(47)	504
Other	831	256	(166)	(45)	-	(24)	852
Total current provisions	**4 782**	**2 348**	**(1 772)**	**(273)**	**-**	**(20)**	**5 065**

[(1)] The main additions for restructuring plans in 2018 are discussed in 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 on operating taxes primarily outside France notably in Brazil.

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.

Equity-accounted companies include:

- joint ventures in the automotive activities with Dong Feng Motor Group (see Note 10.4.A) and Changan (see Note 10.4.B), located in China;
- finance companies in partnership with:
  - Santander Consumer Finance covering the financing of the Peugeot, Citroën and DS brands' operations in the following countries: France, the United-Kingdom, Malta, Spain, Switzerland, Italy, the Netherlands, Belgium, Germany, Austria, Brazil and Poland (see Note 10.4.C);
  - BNP Paribas covering the financing of the Opel and Vauxhall brands' operations in the following countries: Germany, France, the Netherlands, the United-Kingdom, Sweden and Switzerland (see Note 10.4.D);
  - as well as the joint company with Dongfeng Motor Group in China;
- the companies over which the Group has significant influence, mainly Gefco and Peugeot Scooters.
  On 20 December 2018, Gefco S.A. filed a prospectus (Document de Base) with the French securities regulator (*Autorité des Marchés Financiers*) with a view to an initial public offering. Groupe PSA, which currently holds 24.96% of GEFCO's share capital, intends to reduce its stake to less than 10% of share capital, while undertaking to retain the remaining balance of its investment for a period of two years. PSA Groupe would retain a seat on the Supervisory Board of GEFCO S.A., thus preserving its significant influence.

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

(in million euros)	**31 December 2018**	31 December 2017
At beginning of period	**3 472**	**3 014**
Dividends and profit transfers	(145)	(369)
Share of net earnings	(44)	217
Newly consolidated companies [(1)]	13	555
Capital increase (reduction) [(2)]	210	57
Changes in scope of consolidation and other	(37)	108
Translation adjustment	(25)	(110)
At period-end	**3 444**	**3 472**
O/w Dongfeng Peugeot Citroën Automobile goodwill	76	75
O/w Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill	3	2
O/w Saipa Citroën Company goodwill	-	90
O/w Gefco goodwill	57	57

[(1)] *Concerns mainly companies in partnership with BNP Paribas in 2017.*

[(2)] *Concerns mainly companies in partnership with Santander in 2018.*

10.2. SHARE IN NET ASSETS OF EQUITY-ACCOUNTED COMPANIES

(in million euros)	Latest % interest	**31 December 2018**	31 December 2017
Dongfeng Motor Company cooperation agreement :		645	897
• Dong Feng Peugeot Citroën Automobile [(1)] and Dong Feng Peugeot Citroën Automobile Sales Co	50 %	645	885
• Dongfeng Peugeot Citroën International Co	50 %	-	12
Changan cooperation agreement : Changan PSA Automobiles Co., Ltd	50 %	(65)	(190)
• Saïpa Citroën Company [(1)]	50 %	-	140
• Other		10	11
Other		10	151
Automotive		590	858
Automotive equipment		144	136
Gefco [(1)]	25 %	166	156
Peugeot Scooters	49 %	(11)	-
Other activities		155	156
Manufacturing and sales activities		**889**	**1 150**
Finance companies in partnership with Santander Consumer Finance	50 %	1 685	1 535
Finance companies in partnership with BNP Paribas	50 %	588	493
Dongfeng Peugeot Citroën Automobile Finance Company Ltd [(1)]	25 %	99	88
Finance activities		**2 372**	**2 116**
Total		**3 261**	**3 266**

[(1)] *Including goodwill (see Note 10.1)*

The share in net assets of equity-accounted companies breaks down into €3,444 million (€3,472 million at 31 December 2017) for companies with positive net equity, reported under "Investments in equity-accounted companies" less €183 million (€206 million at 31 December 2017) for companies with negative net equity.

10.3. SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES

(in million euros)	Latest % interest	**31 December 2018**	31 December 2017
Dongfeng Motor Company cooperation agreement :		(234)	(30)
• Dong Feng Peugeot Citroën Automobile [(1)]	50 %	(110)	(14)
• Dongfeng Peugeot Citroën Automobile Sales Co	50 %	(124)	(16)
Changan cooperation agreement : Changan PSA Automobiles Co., Ltd	50 %	(68)	(24)
• Iran Khodro Automobiles Peugeot	50 %	-	(2)
• Saïpa Citroën Company [(1)]	50 %	(148)	-
• Other		2	1
Other		(146)	(1)
Automotive		(448)	(55)
Automotive equipment		31	35
Gefco [(1)]	25 %	24	17
Peugeot Scooters	49 %	(11)	(6)
Other activities		13	11
Manufacturing and sales activities		**(404)**	**(9)**
Finance companies in partnership with Santander Consumer Finance	50 %	241	201
Finance companies in partnership with BNP Paribas	50 %	106	8
Dongfeng Peugeot Citroën Automobile Finance Company Ltd [(1)]	25 %	13	17
Finance activities		**360**	**226**
Total		**(44)**	**217**

[(1)] *Including goodwill (see Note 10.1)*

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 two 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, Dongfeng Citroën brands in China and Fengshen brand;
- 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.

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

Earnings items at 100%

	In million euros		In million yuans	
	2018	2017	**2018**	2017
Revenue	3 652	5 404	28 339	41 355
Recurring operating income (loss)	(244)	59	(1 918)	498
Operating income (loss)	(490)	(138)	(3 858)	(1 060)
Of which depreciation and impairment	*(191)*	*(548)*	*(1 484)*	*(4 172)*
Net financial income (loss)	10	51	75	384
Income taxes	12	26	96	211
Profit (loss) of the period	(468)	(61)	(3 687)	(465)
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	(234)	(30)		
Income and expenses recognised in equity, net	-	-		
Other information				
Net dividend received from the joint venture(s) by PSA Group	-	200		

Statement of financial position's items at 100%

	In million euros		In million yuans	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
Assets				
Non-current assets	2 347	2 728	18 490	21 295
Current assets	1 040	2 666	8 185	20 806
Of which cash and cash equivalents	*213*	*1 691*	*1 675*	*13 196*
Liabilities				
Non-current liabilities (excluding equity)	35	43	277	338
Of which non-current financial liabilities	*35*	*43*	*277*	*338*
Current liabilities	2 213	3 731	17 429	29 106
Of which current financial liabilities	*476*	*511*	*3 749*	*3 985*
Equity	1 139	1 620	8 969	12 657

Transition table

Equity	1 139	1 620
% of interest	50%	50%
Group's share in equity	569	810
Goodwill	76	75
Investments in company at equity	645	885

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.

Earnings items at 100%

	In million euros		In million yuans	
	2018	2017	**2018**	2017
Revenue	125	133	972	1 014
Recurring operating income (loss)	(8)	(11)	(65)	(83)
Operating income (loss)	(105)	(14)	(815)	(104)
Of which depreciation and impairment	*(6)*	*(8)*	*(47)*	*(63)*
Net financial income (loss)	(31)	(28)	(242)	(213)
Income taxes	-	(6)	-	(44)
Profit (loss) of the period	(136)	(48)	(1 057)	(361)
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	(68)	(24)		
Income and expenses recognised in equity, net	-	-		

Other information

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

Statement of financial position's items at 100%

	In million euros		In million yuans	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
Assets				
Non-current assets	324	442	2 539	3 442
Current assets	148	141	1 169	1 100
Of which cash and cash equivalents	*36*	*62*	*280*	*480*
Liabilities	-	-	-	-
Non-current liabilities (excluding equity)	204	272	1 603	2 120
Of which non-current financial liabilities	*204*	*272*	*1 603*	*2 120*
Current liabilities	398	691	3 132	5 390
Of which current financial liabilities	*169*	*379*	*1 332*	*2 954*
Equity	(130)	(380)	(1 027)	(2 968)

Transition table

Equity	(130)	(380)
% of interest	50%	50%
Group's share in equity	(65)	(190)
Goodwill	-	-
Impairment on various assets and liabilities' items	(65)	(190)

C. Santander agreement in the financing activities

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

The scope of the partnership with Santander includes at 31 December 2018 eleven European countries as well as Brazil.

Earnings items at 100%

In million euros	**2018**	2017
Net banking revenue	**1 121**	**1 041**
General operating expenses and others	(384)	(380)
Gross operating income	**737**	**661**
Cost of risk	*(23)*	*(58)*
Operating income	**714**	**603**
Non operating items	(11)	(12)
Income taxes	(219)	(190)
Profit (losss) for the period	**484**	**401**
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	242	201
Income and expenses recognised in equity, net	(15)	(3)
Other information		
Net dividend received from the joint venture(s) by PSA Group	105	136

Statement of financial position's at 100%

In million euros	**31 December 2018**	31 December 2017
Customer loans and receivables	27 940	24 605
Other assets	2 916	2 639
Total assets	**30 856**	**27 244**
Financing liabilities	22 038	18 978
Other liabilities	5 455	5 199
Equity	3 363	3 067
Total liabilities	**30 856**	**27 244**

D. BNP Paribas agreement in the financing activities

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

The scope of the partnership with BNP Paribas includes at 31 December 2018 six European countries.

Earnings items at 100%

In million euros	**2018**	2017
Net banking revenue	**515**	**66**
General operating expenses and others	(249)	(43)
Gross operating income	**266**	**23**
Cost of risk	*(15)*	*(1)*
Operating income	**251**	**22**
Non operating items	28	-
Income taxes	(68)	(6)
Profit (losss) for the period	**211**	**16**
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	106	8
Income and expenses recognised in equity, net	(2)	-
Other information		
Net dividend received from the joint venture(s) by PSA Group	-	-

Statement of financial position's items at 100%

In million euros	**31 December 2018**	31 December 2017
Customer loans and receivables	9 817	9 157
Other assets	551	1 020
Total assets	**10 368**	**10 177**
Financing liabilities	7 549	7 133
Other liabilities	1 641	2 057
Equity	1 178	987
Total liabilities	**10 368**	**10 177**

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)	**2018**	2017
Sales to manufacturing and sales companies [(1)]	364	675
Sales and assignments to companies in partnership with Santander	5 404	5 171
Purchases [(2)]	(2 630)	(2 257)

[(1)] of which €294 million in sales to companies in partnership with DCPA (€546 million in 2017).

[(2)] of which €1,942 million in purchases from Gefco (€1,856 million in 2017).

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

(in million euros)	**31 December 2018**	31 December 2017
Long-term loans	-	48
Loans - due within one year	16	116
Accounts receivable	147	318
Accounts paybale	(176)	(364)

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 IFRS 9 are described in Note 11.8.

11.2. NET FINANCIAL INCOME (EXPENSE)

(in million euros)	**2018**	2017
Interest income [(1)]	19	42
Finance costs	(288)	(208)
Other financial income	159	121
Other financial expenses	(346)	(196)
Net financial income (expense)	**(456)**	**(241)**

[(1)] *Including €9 million for the Automotive division and Other Businesses (€30 million in 2017).*

A. Finance costs

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

(in million euros)	**2018**	2017
Financial costs	(301)	(337)
Foreign exchange gain (loss) on financial transactions and other	(72)	2
Finance costs incurred	(373)	(335)
Of which Automotive Division and Other Businesses	*(249)*	*(216)*
Capitalised borrowing Costs	85	127
Total	**(288)**	**(208)**

- **Capitalised borrowing costs**

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

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

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

Finance costs incurred, net of interest income

(in million euros)	**2018**	2017
Finance costs incurred	(373)	(335)
Of which Automotive Division and Other Businesses	*(249)*	*(216)*
Interest income	19	42
Of which Automotive Division and Other Businesses	*9*	*31*
Total	**(354)**	**(293)**
Of which Automotive Division and Other Businesses	*(240)*	*(185)*

B. Other financial income and expenses

(in million euros)	**2018**	2017
Expected return on pension funds	18	21
Other financial income	141	100
Financial income	**159**	**121**
Interest cost on employee benefit obligations	(23)	(20)
Ineffective portion of the change in fair value of financial instruments	(97)	(28)
Other financial expenses	(226)	(148)
Financial expenses	**(346)**	**(196)**

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 statement of financial position date are classified as non-current. All other assets and liabilities are reported as current.

A. Composition of net financial position (net debt)

(in million euros)	**31 December 2017**	Net decrease in cash and cash equivalents	Change in scope of consolidation	Remeasurement of equity	Exchange rate fluctuations	Other changes	**31 December 2018**
Non-current financial liabilities	(4 778)	(1 155)	(17)	-	16	677	(5 257)
Current financial liabilities	(2 531)	987	(20)	-	76	(694)	(2 182)
Other non-current financial assets	487	230	(15)	(5)	4	(17)	684
Current financial assets	1 269	(443)	3	-	8	5	842
Financial investments	165	(115)	-	-	-	-	50
Cash and cash equivalents	11 582	3 379	-	-	-	-	14 961
(Net debt) Net financial position [(1)]	**6 194**	**2 883**	**(49)**	**(5)**	**104**	**(29)**	**9 098**
Of which external loans and borrowings	6 186						9 097
Of which financial assets and liabilities with finance companies	8						1
[(1)] Of which Peugeot Citroën DS, Opel Vauxhall Automotive segments and Other Businesses	***6 840***						***9 643***

B. Change in net financial position (net debt)

In 2018, the Group kept up the proactive refinancing strategy and conservative liquidity policy described in Note 11.7.A.

The manufacturing and sales companies have strongly increased their net financial position.

Net cash from operating activities for the year totalled positive €8,222 million, representing funds from operations of €6,615 million plus the positive impact of a €1,607 million 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 €4,244 million. Other net investment and financing needs for the year stood at €1,094million. This amount includes in particular the payment of €474 million in dividends to Peugeot S.A. shareholders, as well as €704 million in capital increases and acquisitions of consolidated companies and equity investments.

These various cash inflows and outflows have resulted in a strong increase in the net financial position of €2,904 million, which breaks down as follows:

- cash and cash equivalents increased by €3,494 million;
- net debt before cash and cash equivalents increased by €631 million as a result of the following variations:

(in million euros)	**2018**	2017
Increase in borrowings	1 647	1 046
Repayment of borrowings and conversion of bonds	(1 258)	(731)
(Increase) decrease in non-current financial assets	(232)	169
(Increase) decrease in current financial assets	557	(548)
Increase (decrease) in current financial liabilities	(83)	107
	631	**43**
Net cash flows with Group finance companies	-	*(1)*
Total	**631**	**42**

Increase in borrowings in the amount of €1,647 million notably includes bonds issue by Peugeot S.A. of €650 million on 20 March 2018, various long-term borrowings for around €388 million by Peugeot Citroën do Brasil Ltda (see Note 11.6.A) as well as an increase in Faurecia's bank borrowings for the acquisition of Clarion Co. Ltd.

Debt repayments in the amount of €1,258 million include notably the repayment by Peugeot S.A. of €558 million in 2013 bonds upon maturity in March 2018.

Furthermore, the non-cash changes represented a decrease of €41 million in the net debt of the Group.

11.4. FINANCIAL SECUTITY

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

€842 million (€1,241 million at 31 December 2017) and €568 million (€334 million at 31 December 2017) in current and non-current financial assets respectively were included in the calculation of financial security, representing a total of €1,410 million (€1,575 million at 31 December 2017).

(in million euros)	*Notes*	**31 December 2018**	31 December 2017
Cash and cash equivalents [(1)]	*11.5.C*	14 961	11 582
Financial investments	*11.5.B*	50	165
Current & non current financial assets		1 410	1 575
Total		**16 421**	**13 322**
Lines of credit (undrawn) – excluding Faurecia		3 000	3 000
Lines of credit (undrawn) – Faurecia		1 950	1 200
Total financial security		**21 371**	**17 522**
of which Faurecia		*4 211*	*2 849*

[(1)] of which €42 million in Argentina (€43 million at 31 December 2017).

[(2)] including the bridge loan of €750 million established in 2018 by Faurecia during the acquisition of Clarion Co. Ltd and undrawn as at 31 December 2018.

▪ 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 2023:

(in million euros)	**31 December 2018**	31 December 2017
Peugeot S.A. and GIE PSA Trésorerie	3 000	3 000
Faurecia	1 950	1 200
Undrawn confirmed lines of credit	**4 950**	**4 200**

Groupe PSA signed, on 24 May 2018, with its banking partners, an amendment of its €3 billion syndicated credit facility.

This amendment improves the economic conditions of this credit facility, signed on 8 April 2014 and amended on 10 November 2015, and extends its maturity. Thus, Groupe PSA benefits from better financial security conditions with a unique €3 billion tranche maturing in May 2023, and two optional one-year extensions. This credit facility was undrawn at the period-end.

The drawing of 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 (net financial position) 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.
Both covenants were complied at 31 December 2018.

Faurecia's additional borrowing capacity, independent from that of Peugeot S.A., totals €1,950 million from two sources: (i) a syndicated credit facility of €1,200 million and (ii) a bridge loan of €750 million with a one-year maturity, established during the acquisition of Clarion Co. Ltd.
The December 2019 due date of the syndicated credit facility signed on 15 December 2014, consisting of a single tranche of €1,200 million, was deferred to June 2023 with two one-year extension options following the signature of an amendment on 15 June 2018.
At 31 December 2018, this credit facility as well as the bridge loan remained undrawn.

11.5. BREAKDOWN OF FINANCIAL ASSETS

A. Other non-current and current financial assets

	31 December 2018		31 December 2017	
(in million euros)	Non-current	Current	Non-current	Current
Financial assets classified as "at amortised cost"	259	841	255	1 261
Financial assets classified as "at fair value through profit or loss"	425	1	232	8
Total financial assets, net	**684**	**842**	**487**	**1 269**

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 €50 million (€165 million as of 31 December 2017).

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 the following items:

(in million euros)	31 December 2018	31 December 2017
Mutual fund units and money market securities	11 537	8 719
Cash and current account balances	3 424	2 863
Total - manufacturing and sales companies	**14 961**	**11 582**
o/w deposits with finance companies	*(1)*	*(8)*
Total	**14 960**	**11 574**

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

At 31 December 2018, cash equivalents mainly included money mutual funds for €8,676 million (€4,610 million at 31 December 2017) , bank deposits and overnight money market notes in the amount of €1,899 million (€1,489 million at 31 December 2017), and commercial paper for €80 million (€104 million at 31 December 2017).

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

	Carrying amount at 31 December 2018 Amortised cost or fair value		Carrying amount at 31 December 2017 Amortised cost or fair value	
(in million euros)	Non-current	Current	Non-current	Current
Other bonds	4 021	499	3 835	651
Finance lease liabilities	90	25	147	27
Other long-term borrowings	1 144	408	795	452
Other short-term financing and overdraft facilities	-	1 239	-	1 399
Derivative instruments and other	2	11	1	2
Total financial liabilities	**5 257**	**2 182**	**4 778**	**2 531**

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:

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

On 20 March 2018, Peugeot S.A. issued bonds for €650 million maturing in March 2025, bearing an annual coupon of 2%.

In 2018, Peugeot Citroën do Brasil Ltda subscribed to various long-term borrowings by financial institutions for around €388 million.

B. Characteristics of bonds and other borrowings

(in million euros)	Carrying amount at 31 December 2018 Non-current	Current	Issuing currency	Due
Manufacturing and sales companies (excluding Faurecia)				
2003 bond issue - €600m	811	10	EUR	Q3/2033
2013 bond issue - €430m	-	457	EUR	Q1/2019
2016 bond issue - €500m	498	9	EUR	Q2/2023
2017 bond issue - €600m	597	9	EUR	Q1/2024
2017 bond issue - €100m	101	2	EUR	Q1/2024
2018 bond issue - €650m	644	10	EUR	Q1/2025
Faurecia				
2016 bond issue - €700m	675	1	EUR	Q2/2023
2018 bond issue - €700m	695	1	EUR	Q2/2025
Total bond issues	**4 021**	**499**		
Manufacturing and sales companies (excluding Faurecia) – euro-denominated loans				
EIB loan [1] - €250m	243	3	EUR	Q1/2024
FDES loan [1] - Zero coupon	24	-	EUR	Q1/2020
Borrowings - Morocco	58	-	EUR	Q4/2025
Borrowings - China	-	5	EUR	2019
Borrowings - Spain	99	20	EUR	2018 to 2026
Borrowings - Russia	4	3	EUR	Q2/2019
Borrowings - Other France	62	-	EUR	2021
Borrowings - Other [2]	36	34	EUR	na
Manufacturing and sales companies (excluding Faurecia) – foreign currency loans				
Borrowings - Brazil	126	269	BRL	2018 to 2024
Borrowings - Russia	-	2	RUB	Q2/2019
Other borrowings	5	30	na	na
Faurecia				
Other borrowings	487	42	EUR / USD	2018 to 2024
Total other long-term borrowings	**1 144**	**408**		

[1] *EIB: European Investment Bank; FDES: French social and economic development fund.*
[2] *Concerns notably the Automotive segment Opel Vauxhall*

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

(in million euros)	Issuing currency	Carrying amount at 31 December 2018	Carrying amount at 31 December 2017
Commercial paper	EUR	411	80
Short-term loans	N/A	509	464
Bank overdrafts	N/A	212	332
Payments issued [1]	N/A	23	93
Factoring liabilities on assets that have not been derecognised	N/A	84	430
Total		**1 239**	**1 399**

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

D. Finance lease liabilities

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

(in million euros)	**31 December 2018**	31 December 2017
Less than 1 year	-	31
1 to 5 years	91	76
Subsequent years	30	77
	121	**184**
Less interest portion	(6)	(10)
Present value of future lease payments	**115**	**174**
Of which short-term	25	27
Of which long-term	90	147

E. Financing by the assignment of receivables

The Automotive sectors and Faurecia meet part of their financing needs by selling receivables to financial institutions. The financing of receivables in the Peugeot Citroën DS and Opel Vauxhall Automotive sectors' dealer networks by financing companies in partnership with Santander and BNP Paribas totalled €7,331 million (€6,982 million at 31 December 2017).

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:

(in million euros)	**31 December 2018**		31 December 2017	
	Total receivables sold to non-Group financial institutions	Portion sold but not derecognised	**Total receivables sold to non-Group financial institutions**	Portion sold but not derecognised
Portion financed by third party financial institution				
Financed portion [(1)]	***3 591***	***239***	***3 094***	***456***
- of which Faurecia group	*825*	*69*	*833*	*68*

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

Furthermore, Peugeot S.A. sold and derecognised in 2018 its claim on the French State under the tax credit for competitiveness and employment (*crédit d'impôt pour la compétitivité et l'emploi* – CICE), for a total of €65 million. The cash proceeds received in the twelve months to 31 December 2018 amounted to €64 million.

Besides, Faurecia sold and derecognised its French research tax credits (*credit d'impôt recherche – CIR*) and its French tax credit for competitiveness and employment (*crédit d'impôt pour la compétitivité et l'emploi* – CICE), for a total of €109 million. The cash proceeds received at 31 December 2018 amounted to €107 million.

The sale of receivables constitutes usual short-term financing.

No transaction was carried out in December 2018 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. The Group's financial risk management policy applies in full in 2018 to the operations of the Opel Vauxhall entities.

(1) Liquidity risk

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

Pursuant to this policy, the Group:

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

The Group could also raise funds by a capital increase.

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

At 31 December 2018, the net financial position of the manufacturing and sales companies was €9,098 million compared to a €6,194 million net financial position at 31 December 2017. 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, €2.3 billion of which had been drawn down at end-December 2018.

At 31 December 2018, the manufacturing and sales companies had financial security of €21,371 million (see Note 11.4) compared to €17,522 million at end-December 2017.

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 based on market data at the year-end.

31 December 2018	Assets	Liabilities	Undiscounted contractual cash flows					
(in million euros)			2019	2020	2021	2022	2023	> 5 years
Financial liabilities								
Bonds - principal repayments								
Manufacturing and sales companies - excl. Faurecia		(3 081)	(631)	-	-	-	(500)	(1 950)
Faurecia		(1 370)	30	-	-	-	(700)	(700)
Other long-term debt - principal repayments								
Manufacturing and sales companies - excl. Faurecia		(1 020)	(348)	(73)	(124)	(50)	(41)	(384)
Faurecia		(529)	278	(85)	(8)	(290)	(205)	(219)
Total bonds and other borrowings								
Manufacturing and sales companies - excl. Faurecia		(4 101)	(979)	(73)	(124)	(50)	(541)	(2 334)
Faurecia		(1 899)	308	(85)	(8)	(290)	(905)	(919)
Total interest on bonds and other borrowings								
Manufacturing and sales companies - excl. Faurecia		(70)	(70)	-	-	-	-	-
Faurecia		(2)	(2)	-	-	-	-	-
Finance lease liabilities		(91)	(91)	-	-	-	-	-
Derivative instruments								
Total derivative instruments	122	(81)	41	-	-	-	-	-
TOTAL	**122**	**(6 244)**	**(793)**	**(158)**	**(132)**	**(340)**	**(1 446)**	**(3 253)**

Covenants

None of the borrowings of the manufacturing and sales companies excluding Faurecia is 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, the European Investment Bank (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 2018.

Drawing on the €3 billion syndicated credit facility established in April 2014 and amended in May 2018 (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 amended in June 2018, comprising only one €1,200 million tranche expiring in June 2023 (see Note 11.4), contains only one covenant setting limits on debt.

Adjusted net debt* / EBITDA**	maximum	2.50

** Consolidated net debt*

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

The compliance with this ratio is a condition to the availability of this credit facility. As of 31 December 2018, 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 less than 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 for the drawn part, short-term loans and commercial paper as applicable) are at variable rates. The aim of the Faurecia group’s interest rate hedging policy is to reduce the impact of changes in short-term rates on earnings. The hedges arranged comprise mainly euro-denominated interest rate swaps. In order to benefit from historically low interest rates, 2- and 3-year maturity hedges have been set up. These hedges cover a part of the interest on variable rate borrowings, due in 2018 and first quarter of 2019, against a rise in interest rates.

Some of Faurecia's derivative instruments have qualified for hedge accounting under IFRS 9 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 IFRS 9 for the application of hedge accounting.

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

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

31 December 2018 *(in million euros)*		Intraday to 1 year	2 to 5 years	Beyond 5 years	**Total**
Total assets	Fixed rate	939	135	235	**1 309**
	Variable rate	14 908	-	47	**14 955**
Total liabilities	Fixed rate	(786)	(1 501)	(3 243)	**(5 530)**
	Variable rate	(1 346)	(575)	(10)	**(1 931)**
Net position before hedging	Fixed rate	**153**	**(1 366)**	**(3 008)**	**(4 221)**
	Variable rate	**13 562**	**(575)**	**37**	**13 024**
Derivative financial instruments	Fixed rate	(4)	(157)	(25)	**(186)**
	Variable rate	4	157	25	**186**
Net position after hedging	Fixed rate	**149**	**(1 523)**	**(3 033)**	**(4 407)**
	Variable rate	**13 566**	**(418)**	**62**	**13 210**

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

(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 Citroën and DS 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 invoices are booked.

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 currencies of the Group, inclunding Opel Vauxhall. These hedges are underpinned by governance rules and a strict decision-making process. They are classified as cash flow hedges under IFRS 9. The maximum horizon for these hedges is two years. The hedging ratios depend on the maturity.

At 31 December 2018, the Automotive Division had cash flow hedges on the following currencies: KRW, GBP, JPY, USD, PLN, CHF and CNY.

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. 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 2018 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 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 IFRS 9 criteria. Subsidiaries located outside the euro zone are granted 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 versus the euro is as follows:

31 December 2018 *(in million euros)*	KRW	GBP	JPY	USD	PLN	CHF	CZK	Other	**Total**
Total assets	394	733	82	272	127	308	200	182	2 298
Total liabilities	(186)	(718)	(75)	(305)	(174)	(136)	(260)	(184)	(2 038)
Future transactions	(403)	882	(594)	193	(57)	589	(149)	(56)	405
Net position before hedging	**(195)**	**897**	**(587)**	**160**	**(104)**	**761**	**(209)**	**(58)**	**665**
Derivative financial instruments	403	(1 048)	579	(178)	(28)	(869)	83	98	(960)
Net position after hedging	**208**	**(151)**	**(8)**	**(18)**	**(132)**	**(108)**	**(126)**	**40**	**(295)**

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

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 2018 (see table below) would have the following direct impact on income before tax and equity :

(in million euros)	JPY / EUR	USD / EUR	PLN / EUR	CZK / EUR	GBP / EUR	CHF / EUR	KRW / EUR	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	-	5	4	3	6	5	(10)	(3)
Impact on equity	(5)	7	(10)	(4)	(43)	(28)	19	(3)

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

31 December 2018 *(in million euros)*	UAH / USD	USD / BRL	USD / ARS	USD / GBP	CNY / USD
Total assets	-	78	37	-	3
Total liabilities	(9)	(282)	(293)	(7)	-
Net position before hedging	**(9)**	**(204)**	**(256)**	**(7)**	**3**
Derivative financial instruments	-	221	239	-	-
Net position after hedging	**(9)**	**17**	**(17)**	**(7)**	**3**

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

(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, rate 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 ratios, 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 must qualify for hedge accounting under IFRS 9. In 2018, Opel Vauxhall was integrated within the scope of the hedging transactions.

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 directly traded on organised markets, such as aluminium, copper, lead or precious metals, for which the transaction price of the commodities or components 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 2018, commodity hedges concerned purchases of aluminium, copper, lead, platinum and palladium. Hedging for electricity and gas purchases was also established in 2018.

For the Automotive Division, in the event of a 16% rise (fall) in base metals' prices (aluminium, copper and lead) and a 25% rise (fall) in precious metals' prices (platinum and palladium), the impact of the commodity hedges held at 31 December 2018 would have been a €71 million increase (decrease) in consolidated equity at 31 December 2018 (versus €59 million at 31 December 2017). As all commodity hedges qualified as cash flow hedges under IFRS 9, 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 2018 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.

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

B. Hedging instruments

In IFRS 9, as in IAS 39, derivative instruments are recognised at their fair value on the statement of financial position. 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 hedging relationship is demonstrated at inception. If the hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, this ratio must then be rebalanced. Rebalancing consists in adjusting either the designated quantities of the hedged item or the hedging instrument of an already existing hedging relationship.

The Group uses two hedging relationships:

- ***fair value hedges***:
  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 change in fair value of the hedging instrument is directly recognised in "other amounts of comprehensive income". The change in value of the ineffective portion is recognised in "other financial income or expenses", excluding the time value of options which is now recognised in "other amounts of comprehensive income". Cumulative gains and losses recognised in equity are reclassified to profit or loss in the same way as the recognition of the hedge items when they affect profit or loss. Given its non-materiality, the effective portion of changes in fair value of hedging for raw materials purchases is not included in the value at which the raw materials are recognised in inventory.
  IFRS 9 now allows for recognising hedging of the raw materials portions, which helps accounting to better correspond to economic reality. Since 1 January 2018, this allows the Group to extend hedging in compliance with its management rules (see Note 12.7.A.(5) to the 2017 consolidated financial statements).

Besides, the Group implements currency hedges to protect against changes in the value of payables and receivables denominated in foreign currencies. Changes in the fair value of these derivatives are recognised in profit or loss, offsetting the change in payables and receivables denominated in foreign currencies, to the extent of hedge effectiveness. The ineffective portion is recognised in net financial income (expense).

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

31 December 2018	Carrying amount		Notional amount	Maturity		
(in million euros)	Assets	Liabilities		< 1 year	2 to 5 years	> 5 years
Currency risk						
Fair value hedges:						
• Currency swaps, currency options and forward foreign exchange contracts	69	(30)	864	759	105	-
Cash flow hedges:						
• Currency options and forward foreign exchange contracts	30	(18)	2 101	2 019	82	-
• Cross-currency swaps	-	-	37	-	37	-
Trading instruments [(1)]	-	-	5 424	5 215	209	-
Total currency risks	**99**	**(48)**	**8 426**	**7 993**	**433**	**-**
Interest rate risk						
Cash flow hedges:						
• Interest rate swaps and interest rate options	-	(3)	-	-	-	-
Total interest rate risks	**-**	**(3)**	**-**	**-**	**-**	**-**
Commodity risk						
Cash flow hedges:						
• Swaps	23	(30)	343	232	111	-
Total commodity risks	**23**	**(30)**	**343**	**232**	**111**	**-**
TOTAL	**122**	**(81)**	**8 769**	**8 225**	**544**	**-**
Of which:						
Total fair value hedges	**69**	**(30)**	**864**	**759**	**105**	**-**
Total cash flow hedges	**53**	**(51)**	**2 481**	**2 251**	**230**	**-**

[(1)] Currency trading instruments: derivative instruments not qualifying for hedge accounting under IFRS 9. As IAS 21 requires receivables and payables denominated in foreign currencies to be systematically remeasured at the closing exchange rate with any gains or losses taken to income, the Group has elected not to designate these receivables and payables as part of a documented hedging relationship, although their impact on income is the same.

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

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

[(1)] Currency trading instruments: derivative instruments not qualifying for hedge accounting under IFRS 9. 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

(2) Impact of hedging instruments on income and equity

(a) Impact of cash flow hedges

(in million euros)	2018	2017
Change in effective portion recognised in equity	26	39
Change in ineffective portion recognised in profit or loss	15	(5)
Effective portion reclassified to the income statement under "Cost of goods and services sold"	(5)	(13)
Effective portion reclassified to the income statement under "Finance costs"	(5)	(9)

(b) Impact of fair value hedges

(in million euros)	2018	2017
Change in ineffective portion recognised in profit or loss	112	(23)
Net impact on income	**112**	**(23)**

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 IFRS 9 include the items listed in the table in Note 11.8.E.
The event generating the statement of financial position 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 statement of financial position 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

The Group uses two accounting categories that are provided for in IFRS 9. The classification of a financial asset depends on the characteristics of its contractual cash flows and the management methods defined by the company.

(1) Financial assets as "at amortised cost"

The financial assets are classified as "at amortised cost" if their contractual cash flows only represent payments of principal and interest, and if they are held for the purpose of collecting these contractual cash flows. They are recognised at amortised cost calculated using the effective interest method. When their maturities are very short, their fair value corresponds to their carrying amount, including any impairment. In practice, they are receivables that constitute the working capital requirement.

The assets classified as loans and receivables according to IAS 39 continue to be classified as "at amortised cost", and from now on, money market securities classified as cash equivalents, or financial investments intended to be held until maturity, are also classified as "at amortised cost".

Measurement of trade receivables

Following application of IFRS 9, provisions for impairment are now made for trade receivables on initial recognition, based on an assessment of expected credit losses at maturity. The impairment is then reviewed according to the greater risk of non-recovery, if applicable. Indications of impairment include the existence of unresolved claims or litigation, the age of the receivables and the borrower's significant financial difficulties.

IFRS 9 is unchanged compared with IAS 39 in terms of the derecognition of receivables.

(2) Financial assets as "at fair value through profit or loss"

Assets that do not fit the definition and management objectives of the first category are classified as "at fair value through profit or loss". They are recognised in the statement of financial position at fair value. Any change in their fair value is recognised in profit or loss for the period.

"Equity investments" that were classified as "assets available-for-sale" according to IAS39 are now classified as "at fair value through profit or loss", without material impact for the Group. Their initial fair value corresponds to their acquisition cost.

"Other non-current assets" 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 FAA units were classified as "assets available-for-sale" according to IAS39 and are now classified as "at fair value through profit or loss", which brought about a reclassification in reserves of amounts classified in "other amounts of comprehensive income (loss)" at the date of the transition. The units are measured at fair value. This corresponds to their net asset value at the statement of financial position date.

D. Recognition and measurement of financial liabilities

IFRS 9 has not introduced changes to the evaluation and recognition 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 statement of financial position

(in million euros)	31 December 2018		Analysis by class of instrument		
	Carrying amount	Fair value	Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
Investments in non-consolidated companies	397	397	397	-	-
Other non-current financial assets	684	684	425	-	259
Other non-current assets [1]	503	503	503	-	-
Trade receivables	1 929	1 929	-	-	1 929
Other receivables	2 500	2 500	110	-	2 390
Current financial assets	842	842	1	-	841
Financial investments	50	50	-	-	50
Cash and cash equivalents	14 961	14 961	12 718	-	2 243
Assets	**21 866**	**21 866**	**14 154**	**-**	**7 712**
Non-current financial liabilities	5 257	5 097	1	-	5 256
Other non-current liabilities [2]	259	259	10	-	249
Trade payables	13 551	13 551	-	-	13 551
Other payables	8 324	8 324	59	-	8 265
Current financial liabilities	2 182	2 157	11	-	2 171
Liabilities	**29 573**	**29 388**	**81**	**-**	**29 492**

[1] *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.*
[2] *Excluding liabilities related to vehicles sold with a buyback commitment.*

(in million euros)	01 January 2018		Analysis by class of instrument		
	Carrying amount	Fair value	Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
Investments in non-consolidated companies	391	391	391	-	
Other non-current financial assets	487	487	232	-	255
Other non-current assets [1]	581	581	75	-	506
Trade receivables	2 454	2 454	-	-	2 454
Other receivables	2 687	2 687	274	-	2 413
Current financial assets	1 269	1 269	8	-	1 261
Financial investments	165	165	165	-	-
Cash and cash equivalents	11 582	11 582	11 582	-	-
Assets	**19 616**	**19 616**	**12 727**	**-**	**6 889**
Non-current financial liabilities	4 778	4 906	-	-	4 778
Other non-current liabilities [2]	100	100	5	-	95
Trade payables	13 362	13 362	-	-	13 362
Other payables	8 297	8 297	203	-	8 094
Current financial liabilities	2 531	2 505	2	-	2 529
Liabilities	**29 068**	**29 170**	**210**	**-**	**28 858**

[1] *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.*
[2] *Excluding liabilities related to vehicles sold with a buyback commitment.*

The fair value of financial instruments held by the Group is calculated whenever it can be estimated reliably based on 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 statement of financial position 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 2018		31 December 2017	
(en millions d'euros)	At fair value through profit or loss	At fair value through other comprehensive income	At fair value through profit or loss	At fair value through other comprehensive income
Level 1 fair value inputs: quoted prices in active markets				
Other non-current financial assets	422	-	223	-
Financial investments	-	-	165	-
Cash and cash equivalents	12 718	-	11 582	-
Level 2 fair value inputs: based on observable market data				
Other non-current financial assets	3	-	9	-
Other non-current assets	8	-	6	-
Other receivables	110	-	274	-
Current financial assets	1	-	8	-
Level 3 fair value inputs: not based on observable market data				
Investments in non-consolidated companies	397	-	391	-
Other non-current assets	495	-	69	-
Total financial assets measured at fair value	**14 154**	**-**	**12 727**	**-**

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

	31 December 2018		31 December 2017	
(in million euros)	At fair value through profit or loss	At fair value through other comprehensive income	At fair value through profit or loss	At fair value through other comprehensive income
Level 1 fair value inputs: quoted prices in active markets				
Level 2 fair value inputs: based on observable market data				
Non-current financial liabilities	(1)	-	-	-
Other non-current liabilities	(10)	-	(5)	-
Other payables	(59)	-	(203)	-
Current financial liabilities	(11)	-	(2)	-
Level 3 fair value inputs: not based on observable market data				
Total financial liabilities measured at fair value	**(81)**	**-**	**(210)**	**-**

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

	31 December 2018		Fair value level		
(in million euros)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Liabilities					
Non-current financial liabilities	5 256	5 096	3 853	1 243	-
Current financial liabilities	2 171	2 146	474	1 672	-

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

H. Effect of financial instruments on profit or loss

(in million euros)	2018 Income Statement Impact	Analysis by class of instrument: Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
Manufacturing and sales companies				
Total interest income	15	-	-	15
Total interest expense	(215)	-	-	(215)
Remeasurement [(1)]	(193)	(132)	-	(61)
Disposal gains and dividends	13	13	-	-
Net impairment	(68)	(32)	-	(36)
Total - manufacturing and sales companies	**(448)**	**(151)**	**-**	**(297)**

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

(in million euros)	2017 Income Statement Impact	Analysis by class of instrument: Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
Manufacturing and sales companies				
Total interest income	10	-	-	10
Total interest income	(210)	-	-	(210)
Remeasurement [(1)]	(3)	(7)	-	4
Disposal gains and dividends	14	15	-	(1)
Net impairment	(123)	(6)	-	(117)
Total - manufacturing and sales companies	**(312)**	**2**	**-**	**(314)**

[(1)] *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

(in million euros)	31 December 2018	31 December 2017
Guarantees given	610	406
Pledged or mortgaged assets	228	478
	838	**884**

- **Pledged or mortgaged assets**

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

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

Pledges or mortgages expiring in the years indicated		
(in million euros)	**31 December 2018**	31 December 2017
2018	-	391
2019	153	6
2020	-	38
2021	32	-
2022	-	-
Subsequent years	43	43
Total pledged or mortgaged assets	**228**	**478**
Total assets	61 952	57 915
Percentage of total assets	0.4%	0.8%

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 as "at amortised cost"

Financial instruments that were classified as loans and receivables in IAS 39, recognised "at amortised cost" (financing and leasing receivables), continue to fulfil the conditions for being recognised at amortised cost in IFRS 9.

Loans and receivables reported in the statement of financial position correspond to Banque PSA Finance's net financial commitment to its customers.

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.

In general, the outstanding principal is hedged for interest rate risk. Application of hedge accounting brings about the remeasurement at fair value of the hedged portion of outstandings. 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).

To calculate expected losses under IFRS 9, Banque PSA Finance uses the calculation methods of the different risk parameters (data used, portfolio segmentation, individual or collective evaluation, choice of model - including probability of default (PD) at maturity, current exposure of contracts at the moment of default (EAD) at maturity, etc.), as well as the integration of prospective data: definition of the macroeconomic scenarios and the methods of recognition in expected credit losses.

The transactions documented in hedge accounting under IAS 39 continue to be documented in hedge accounting in the same way under IFRS 9 starting at 1 January 2018.

(2) Financial assets as "at fair value through profit or loss"

In IFRS 9, marketable securities continue to be recognised at fair value through profit or loss if they are hedged for interest rate risk. Changes in the fair value of the hedge securities are recognised in profit or loss, together with the offsetting change fair value of the economic hedges.

Equity investments of unconsolidated companies recognised at cost under IAS 39 due to the size of their business not being material are reclassified at fair value through profit or loss under IFRS 9 without impacting the accounts of Banque PSA Finance at 30 June 2018.

C. Recognition and measurement of financial liabilities

See Note 11.8.D.

12.2. CURRENT FINANCIAL ASSETS

A. Loans and receivables - finance companies

(1) Analysis

(in million euros)	**31 December 2018**	31 December 2017
Total net "Retail, Corporate and Equivalent"	115	270
Total net "Corporate Dealers"	64	61
Total	**179**	**331**

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

(2) Maturities of loans and receivables

31 December 2018 *(in million euros)*	Net "Retail, Corporate and Equivalent"	Net "Corporate Dealers"	Total
Unallocated	(10)	1	**(9)**
Less than one year	87	64	**151**
Two to five years	41	-	**41**
Beyond five years	-	-	**-**
Total gross loans and receivables outstanding	**118**	**65**	**183**
Guarantee deposits on leases	-	-	-
Depreciation	(3)	(1)	(4)
Total net loans and receivables outstanding	**115**	**64**	**179**

(3) Allowances for credit losses

	31 December 2018		31 December 2017	
(in million euros)	Retail, Corporate and Equivalent	**Corporate Dealer**	Retail, Corporate and Equivalent	**Corporate Dealer**
Performing loans with no past due balances	126	62	288	64
Performing loans with past due balances and non-performing loans	5	4	17	2
Total gross loans and receivables outstanding	**131**	**66**	**305**	**66**
Items taken into account in amortised cost calculations and guarantee deposits	(14)	-	(28)	-
Depreciation	(2)	(2)	(7)	(5)
Total net loans and receivables outstanding	**115**	**64**	**270**	**61**

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 €466 million at 31 December 2018 (€320 million at 31 December 2017), including term loans, central bank deposits, French treasury bonds and investments in mutual funds.

12.3. FINANCING LIABILITIES – FINANCE COMPANIES

(in million euros)	**31 December 2018**	31 December 2017
Other debt securities and bond debt	253	257
Bank borrowings	72	150
	325	**407**
Customer deposits	3	8
	328	**415**
Amounts due to Group manufacturing and sales companies	*(1)*	*(8)*
Total	**327**	**407**

A. Analysis by maturity

(in million euros)	**31 December 2018**	31 December 2017
• Less than one year	95	150
• Two to five years	230	257
• Beyond five years	-	-
Total	**325**	**407**

B. Analysis by repayment currency

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

(in million euros)	**31 December 2018**	31 December 2017
EUR	-	2
USD	218	209
ARS	66	142
Other currencies	41	54
Total	**325**	**407**

C. Credit lines

(in million euros)	**31 December 2018**	31 December 2017
Undrawn confirmed lines of credit	**235**	**301**

At 31 December 2018, the credit lines totalling €235 million are detailed as follows:

- €200 million in undrawn revolving bilateral lines;
- €35 million in undrawn various bank lines of credit.

12.4. MANAGEMENT OF FINANCIAL RISKS

A. Financial risk management policy

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

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

(1) Liquidity risk

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

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

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

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

Financing strategy implemented in 2018

At 31 December 2018, the only financing of Banque PSA Finance is derived from the bond issues.
The bank also has liquidity reserves of €466 million.

Renewal of bank facilities

Details of bank facilities are provided in Note 12.3.C.

Covenants

The revolving bilateral lines of credit (for a total outstanding amount of €200 million) signed by Banque PSA Finance have the customary acceleration clauses for such arrangements.

In addition to these covenants representing market practices, these credit facilities continue to require retention of bank status, and the compliance with a "Common Equity Tier One" capital ratio of at least 13.5 %.

(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.

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

Impact of fair value hedges

(in million euros)	2018	2017
Gains and losses on remeasurement of financial liabilities recognised in profit or loss	4	6
Gains and losses on remeasurement of hedges of financial liabilities recognised in profit or loss	7	(12)
Net impact on income	**11**	**(6)**

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

12.5. FINANCIAL INSTRUMENTS

A. Financial instruments reported in the statement of financial position

	31 December 2018		Analysis by class of instrument		
(in million euros)	Carrying amount	Fair value	Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
Investments in non-consolidated companies	12	12	12	-	-
Other non-current financial assets	28	28	28	-	-
Other non-current assets	117	117	117	-	-
Loans and receivables - finance companies	179	156	-	-	179
Short-term investments - finance companies	79	79	79	-	-
Other receivables	82	82	4	-	78
Cash and cash equivalents	466	466	466	-	-
Assets	**963**	**940**	**706**	**-**	**257**
Financing liabilities - finance companies	328	334	-	-	328
Other payables	55	55	1	-	54
Liabilities	**383**	**389**	**1**	**-**	**382**

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

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

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

(in million euros)	31 December 2018 Carrying amount	Fair value	Fair value level Level 1	Level 2	Level 3
Assets					
Loans and receivables - finance companies	179	156	-	-	156
Liabilities					
Financing liabilities - finance companies	325	331	259	-	72

D. Effect of financial instruments on profit or loss

(in million euros)	2018 Income Statement Impact	Analysis by class of instrument: Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
Finance companies				
Total interest income	46	-	-	46
Total interest expense	(28)	-	-	(28)
Remeasurement [(1)]	11	7	-	4
Total - finance companies	**29**	**7**	**-**	**22**

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

Concerning the Finance companies, the impact on the income statement of assets and liabilities pursuant to IFRS 9 is recognised in “recurring operating income”.

12.6. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

(in million euros)	31 December 2018	31 December 2017
Financing commitments to customers	-	12

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 for the variance between their tax and accounting value, 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

(in million euros)	**2018**	2017
Current taxes		
Corporate income taxes	(1 008)	(565)
Deferred taxes		
Deferred taxes arising in the year	393	(134)
Total	**(615)**	**(699)**

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.

In addition, the Group applies optional national integration or tax consolidation plans.

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 the additional contribution.

The Amending Finance Act of 29 December 2013 raising this tax rate to 38% was applied up to December 2015. The cap on offsetting tax loss carryforwards against taxable profit for the year is maintained at 50% in 2018.

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

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

C. Deferred taxes

Deferred taxes are determined as described above. Deferred taxes were tested for impairment losses on the basis of tax estimates consistent with the main assumptions of the Group's Medium-Term Plan, and recorded over the period for which the Group deems their recoverability likely.

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

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.

(in million euros)	**2018**	2017
Income (loss) before tax of fully-consolidated companies	**3 954**	**2 836**
French statutory income tax rate for the period	*34.4%*	*34.4%*
Theoretical tax expense for the period based on the French statutory income tax rate	**(1 361)**	**(976)**
Tax effect of the following items :		
• Permanent differences	(202)	116
• Income taxable at reduced rates	77	80
• Tax credits	21	27
• Effect of differences in foreign tax rates and other	202	133
Income tax before impairment losses on the French tax group	**(1 263)**	**(620)**
Effective tax rate applicable to the Group	*31.9%*	*21.9%*
• French tax group of Peugeot S.A.		
– Utilisation during the fiscal year of previously unrecognised losses	171	52
– Capitalisation of deferred taxes on previously unrecognised tax loss carryforwards	390	82
• Deferred taxes on tax loss carryforwards outside of the Peugeot S.A. French tax group	87	(213)
Income tax expense	**(615)**	**(699)**
Effective tax rate applicable to the Group after recognition of deferred taxes losses	*15.6%*	*24.6%*

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

13.3. CHANGE IN TAX ITEMS ON THE STATEMENT OF FINANCIAL POSITION

A. Analysis by nature

(in million euros)	**31 December 2018**	31 December 2017
Current Taxes		
Assets	376	353
Liabilities	(525)	(234)
	(149)	**119**
Defered Taxes		
Defered taxes assets on deficit	*1 019*	*617*
Provisions for contingencies and charges	*1 224*	*1 189*
Other	*912*	*1 475*
Offsetting	*(2 119)*	*(2 472)*
Net assets	1 036	809
Research and development expenses	*(1 454)*	*(1 301)*
Untaxed provisions and special depreciation allowances	*(987)*	*(904)*
Other	*(459)*	*(1 164)*
Offsetting	*2 119*	*2 472*
Net liabilities	(781)	(897)
	255	**(88)**

B. Movements for the year

(in million euros)	31 December 2018	31 December 2017
Current taxes		
At beginning of period	**119**	**(8)**
Expense	(1 008)	(565)
Payments	816	687
Translation adjustments and other charges	(76)	5
At end of period	**(149)**	**119**
Deffered Taxes		
At beginning of period	**(88)**	**(300)**
Expense	393	(134)
Equity	(83)	21
Translation adjustments and other charges	33	325
At end of period	**255**	**(88)**

13.4. DEFERRED TAX ASSETS AND LIABILITIES

(in million euros)		31 December 2018	31 December 2017
Tax credits		**12**	**13**
Deferred tax assets on tax loss carryforwards	**Gross** [1]	**4 839**	**5 007**
	Previously unrecognised deferred tax assets [2]	(3 820)	(4 390)
	Deferred tax asset offset (French tax group) [3]	(860)	(534)
	Other deferred tax assets offset	-	(31)
	Total deferred tax assets on tax loss carryforwards	**159**	**52**
Other deferred tax assets		**865**	**744**
Deferred tax assets		**1 036**	**809**
Deferred tax liabilities before offsetting of the French tax group [4]		(1 641)	(1 431)
Deferred tax liabilities offset (French tax group) [3]		860	534
Deferred tax liabilities		**(781)**	**(897)**

[1] The gross amount of deferred tax assets corresponding to tax loss carryforwards represents all deferred tax assets corresponding to tax losses that can be carried forward, regardless of whether they were recognised on the balance sheet at 31 December 2018.

[2] Of the impaired unrecognised deferred tax assets, €564 million (€671 million at 31 December 2017) are related to Faurecia, €2 066 million are related to the French tax group (€2 511 million at 31 December 2017) and €484 million to Opel Espana.

[3] Offsetting consists of presenting on the face of the balance sheet the net deferred tax position of the French tax group, with deferred tax assets covered by deferred tax liabilities, taking into account the legal restrictions on the use of tax loss carryforwards (see Note 13.1).

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

Tax loss carryforwards relating to the French tax group totalled €11,327 million at 31 December 2018.

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 ensure that it has secure long-term capital resources and optimise the Group's cost of capital. 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 company is equal to the share capital of Peugeot S.A. less any treasury stock, plus reserves and retained earnings of the Group's various business segments.

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

There are no financial covenants based on consolidated equity. The drawdown on the confirmed credit facilities of Peugeot S.A. and GIE PSA Trésorerie is subject to compliance with an equity-based financial ratio (see Note 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 or when performance plans' shares are allocated ;
- to reduce the company's share capital.

B. Analysis of share capital and changes in the year

Rights issues

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

The performance share plans established in 2015, 2016, 2017 and 2018 are described in Note 6.2.B.

Analysis of share capital

(in euros)	**2018**	2017
Share capital at beginning of period	904 828 213	859 924 895
Equity warrants converted into shares	-	44 903 318
Share capital at end of period	**904 828 213**	**904 828 213**

Situation at 31 December 2018

Share capital amounted to €904,828,213 at 31 December 2018, 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. The stakes of Lions Participation (BPI France), Dongfeng Motor Group and the Peugeot family (FFP and Etablissements Peugeot Frères) each stood at 12.23% (12.23 % at 31 December 2017) i.e. 110,622,220 shares each. For Dongfeng Motor Group, this stake accounted for 19.49% of the voting right, including treasury stock, and for 19.30% of the voting rights, excluding treasury stock. For the Peugeot family, this stake accounted for 19.49% of the voting right, including treasury stock, and for 19.30% of the voting rights, excluding treasury stock. For Lion Participation, this stake accounted for 9.74% of the voting right, including treasury stock, and for 9.65% of the voting rights, excluding treasury stock.

The share price on 31 December 2018 was €18.65.

C. Treasury stock

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

The Group may use the buyback authorisations given at Shareholders' Meetings to buy back Peugeot S.A. shares. Changes in treasury stock are presented in the following table:

(1) Number of shares held

(number of shares)	*Notes*	**2018** Transactions	2017 Transactions
At beginning of period		**11 315 735**	**9 113 263**
Purchases of treasury shares		-	5 729 987
Shares delivered under the 2015 free share plan		-	(2 019 000)
Shares delivered as part of the employees' shareholding plan		-	(1 508 515)
At period-end		**11 315 735**	**11 315 735**
Allocation			
• Shares held for allocation on exercise of future performance share or stock options plans		3 333 735	6 033 735
• Coverage of the 2015 performance share plan	*6.2.B*	389 000	389 000
• Coverage of the 2016 performance share plan	*6.2.B*	2 200 000	2 200 000
• Coverage of the 2017 performance share plan	*6.2.B*	2 693 000	2 693 000
• Coverage of the 2018 performance share plan	*6.2.B*	2 700 000	-
		11 315 735	**11 315 735**

No cancellation of shares was made neither in 2017 nor in 2018. No purchases were made in 2018.

(2) Change in value

(in million euros)	**2018**	2017
At beginning of period	(270)	(238)
Purchases during the period	-	(116)
Shares delivered under the 2015 free share plan	-	53
Shares delivered as part of the employees' shareholding plan	-	31
At period-end	**(270)**	**(270)**
Average price per share (in euros)	23.86	

The purchase price of treasury shares is deducted from equity.
The share price on 31 December 2018 was €18.65.

D. Reserves and retained earnings, excluding minority interests

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

(in million euros)	**31 December 2018**	31 December 2017
Peugeot S.A. legal reserve	90	86
Other Peugeot S.A. statutory reserves and retained earnings	13 631	13 631
Reserves and retained earnings of subsidiaries, excluding minority interests	2 729	212
Total	**16 450**	**13 929**

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

(in million euros)	**31 December 2018**	31 December 2017
Reserves available for distribution:		
Without any additional corporate tax being due	12 562	12 562
After deduction of additional tax [(1)]	1 069	1 069
Total	**13 631**	**13 631**
Tax on distributed earnings	**149**	**149**

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

E. Minority interests

Minority interests correspond mainly to the interests of other shareholders of Faurecia.

14.2. BASIC EARNINGS PER SHARE

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

A. Basic earnings per share - Attributable to equity holders of the parent

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

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

	2018	2017
Consolidated basic earnings of continuing operations - attributable to equity holders of the parent (in million euros)	2 827	1 931
Consolidated basic earnings - attributable to equity holders of the parent (in million euros)	2 827	1 924
Average number of €1 par value shares outstanding	893 512 478	886 113 459
Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (in euros)	*3.16*	*2.18*
Basic earnings per €1 par value share (in euros) - attributable to equity holders of the parent	*3.16*	*2.17*

B. Diluted earnings per share - Attributable to equity holders of the parent

Diluted earnings per share are calculated by the treasury stock method. This consists of taking into account the exercise of stock options, performance share grants to employees and equity warrants.

The performance share grants (see Note 6.2.B) and the equity warrants (see Note 14.1.B) had a potential dilutive effect on 31 December 2018.

The following tables show the effects of the calculation:

(1) Effect on the average number of shares

	Notes	**2018**	2017
Average number of €1 par value shares outstanding		893 512 478	886 113 459
Dilutive effect, calculated by the treasury stock method, of:			
• Equity warrants (2014 capital increases)		-	10 763 952
• Equity warrants delivered to General Motors Group		39 727 324	39 727 324
• Performance share grants	*6.2.B*	6 252 094	4 350 427
Diluted average number of shares		**939 491 896**	**940 955 162**

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

(in million euros)	**2018**	2017
Consolidated profit (loss) from continuing operations - attributable to equity holders of the parent	2 827	1 931
Dilutive effect of Faurecia (performance share grants)	-	-
Consolidated profit (loss) from continuing operations (after Faurecia dilution effect)	**2 827**	**1 931**
Diluted earnings of continuing operations - attributable to equity holders of the parent per €1 par value share (in euros)	*3.01*	*2.05*

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

(in million euros)	**2018**	2017
Consolidated profit (loss) attributable to equity holders of the parent	2 827	1 924
Dilutive effect of Faurecia (performance share grants)	-	-
Consolidated profit (loss) after Faurecia dilution	**2 827**	**1 924**
Diluted earnings attributable to equity holders of the parent per €1 par value share (in euros)	*3.01*	*2.04*

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 performance share plans do not have any material dilutive impact in 2017 and 2018.

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

(in million euros)	*Notes*	**31 December 2018**	31 December 2017
Cash and cash equivalents	*11.5.C*	14 961	11 582
Payments issued	*11.6.C*	(23)	(93)
Other		3	2
Net cash and cash equivalents - manufacturing and sales companies		**14 941**	**11 491**
Cash and cash equivalents	*12.2.C*	466	320
Other		(4)	(6)
Net cash and cash equivalents - finance companies		**462**	**314**
Elimination of intragroup transactions		*(1)*	*(8)*
Total		**15 402**	**11 797**

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

(in million euros)	*Notes*	**2018**	2017
Depreciation and amortisation expense	*4.2*	(2 815)	(2 710)
Impairment of:			
• capitalised development costs	*7.1.B*	(102)	(80)
• property, plant and equipment	*7.2.B*	(38)	43
Depreciation of equity invesments		(33)	(7)
Other		(7)	-
Total		**(2 995)**	**(2 754)**

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

Interest received and paid by manufacturing and sales companies is included in funds from operations, and is as follows:

(in million euros)	**2018**	2017
Interest received	15	32
Interest paid	(292)	(287)
Net interest received (paid)	**(277)**	**(255)**

15.4. DETAIL OF FREE CASH FLOW FROM MANUFACTURING AND SALES OPERATIONS

Operational free cash flow includes cash flows generated by operations net of investing activities excluding non-recurring items. It is determined as follows:

(in million euros)	**2018**	2017
Net cash from (used in) operating activities of continuing operations	8 222	5 391
Net cash from (used in) investing activities of continuing operations	(4 721)	(4 891)
Free Cash Flow	**3 501**	**500**
Minus, net cash from non-recurring operating operations	(1 206)	(1 054)
Operational Free Cash Flow from manufacturing and sales operations	**4 707**	**1 554**

Non-recurring operational cash flows mainly include cash flows from restructuring and changes in equity investments.

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 2018:

(in million euros)	*Notes*	**31 December 2018**	31 December 2017
• Financing commitments	*11.9*	838	884
• Operating commitments	*7.4*	3 169	3 346
Manufacturing and sales companies		**4 007**	**4 230**
Finance companies	*12.6*	**-**	**12**

16.1. CONTINGENT LIABILITIES

- **Automotive equipment**

On March 25, 2014, the European Commission and the United States Department of Justice, on November 27, 2014, the Competition Commission of South Africa, and on May 19, 2017, the Brazilian competition authority (CADE), initiated an inquiry covering certain suppliers of emission control systems on the basis for suspicions of anti-competitive practices in this market. Faurecia is one of the companies covered by these inquiries.

On the status of these inquiries :

- The European Commission has decided on 28 April 2017 to terminate the investigation initiated on 25 March 2014;
- An agreement has been reached with the CADE and made public on September 5, 2018 putting an end to the inquiry on Faurecia;
- In December 2018, Faurecia has been informed by the United States Department of Justice that it was no more subject to an inquiry;
- The inquiry of the Competition Commission of South Africa is still ongoing.

Faurecia has reached agreements, for non-material amounts, with the plaintiffs to settle all three class actions which were filed in the United States District Court for the Eastern District of Michigan against several suppliers of emissions control systems, including group affiliates, alleging anticompetitive practices in regard to Exhaust Systems. These agreements have been validated by the court.

Two class actions for similar allegations have also been filed in Canada but are at a very preliminary stage.

The consequences of still on-going procedures and above mentioned can not be predicted. Therefore, no accruals were accounted for as of December 31, 2018.

- **Automotive business**

The customs agreement governing the automotive industry between Brazil and Argentina provides for the payment of penalties by the Argentine automotive industry should the average ratio of imports to exports vis-à-vis Brazil exceed a certain threshold over the 2015–2020 period. Penalties may be payable by the Group should the automotive industry as a whole and the Group not hit the required ratio. No provision has been funded due to the uncertainties surrounding developments in the automotive markets in Argentina and Brazil between now and 2020 and the steps that the Group could take.

16.2. COMMITMENTS CONNECTED WITH THE GEFCO GROUP

Representations and warranties were made to JSC Russian Railways (RZD) as part of its acquisition of the Gefco Group from PSA in December 2012. At 31 December 2018, the Group had not identified any material risks associated with these representations and warranties.

Under the logistics and transportation service agreements entered into by the PSA and Gefco groups, the Group gave guarantees regarding the satisfactory performance of the logistics contracts and a five-year exclusivity clause. An amendment signed in November 2016 supplemented these logistics and transportation service agreements. This amendment, which came into effect on 1 January 2017, extends the exclusivity clause until the end of 2021 and confirms the guarantees regarding the satisfactory performance of the logistics contracts given by PSA Group. At 31 December 2018, the Group had not identified any material risks associated with these guarantees.

16.3. COMMITMENTS CONNECTED WITH THE EVENTUAL TRANSFER OF THE OPEL RESEARCH AND DEVELOPMENT ACTIVITY

On 15 November 2018, Groupe PSA/Opel and the global engineering group SEGULA Technologies announced the signature of a strategic partnership following their discussions, in accordance with the announcement made on 5 September 2018. This partnership would lead to the creation of a European engineering campus based in Rüsselsheim (Germany). The conditions precedent still remaining in effect at 31 December 2018, no impact on profit or loss from this partnership has been recognised in the annual financial statements, apart from an expense of €10 million.

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

Between 31 December 2018 and 25 February 2019, the date on which the financial statements were approved by the Supervisory Board, no event likely to significantly impact the economic decisions made on the basis of these consolidated financial statements occurred.

NOTE 19 - FEES PAID TO THE AUDITORS

	Mazars		EY		PWC	
(in million euros)	**2018**	2017	**2018**	2017	**2018**	2017
Audit						
Statutory and contractual audit services						
• Peugeot S.A.	0.6	0.7	0.6	0.7	-	-
• Fully-consolidated subsidiaries	3.7	2.1	9.7	7.6	4.1	4.4
o/w France	*1.4*	*1.9*	*5.3*	*2.5*	*4.1*	*1.1*
o/w International	*2.3*	*0.2*	*4.4*	*5.1*	-	*3.3*
Sub-total	**4.3**	**2.8**	**10.3**	**8.3**	**4.1**	**4.4**
o/w Faurecia	-	-	3.9	4.1	4.1	4.4
Excluding Faurecia	4.3	2.8	6.4	4.2	-	-
	98%	*97%*	*89%*	*89%*	*80%*	*83%*
Other services provided to subsidiaries						
• Peugeot S.A.	-	-	-	-	-	-
• Fully-consolidated subsidiaries	0.1	0.1	1.3	1.0	1.0	0.9
o/w France	*0.1*	*0.1*	*0.9*	*0.8*	*0.8*	*0.9*
o/w International	-	-	*0.4*	*0.2*	*0.2*	-
Sub-total	**0.1**	**0.1**	**1.3**	**1.0**	**1.0**	**0.9**
o/w Faurecia	-	-	0.8	0.5	0.8	0.9
Excluding Faurecia	0.1	0.1	0.5	0.5	0.2	-
	2%	*3%*	*11%*	*11%*	*20%*	*17%*
TOTAL	**4.4**	**2.9**	**11.6**	**9.3**	**5.1**	**5.3**
o/w Faurecia	-	-	4.7	4.6	4.9	5.3
Excluding Faurecia	4.4	2.9	6.9	4.7	0.2	-

Faurecia's Statutory Auditors are PricewaterhouseCoopers and EY.

NOTE 20 - CONSOLIDATED COMPANIES AT 31 DECEMBER 2018

The Companies listed below are fully consolidated, except those marked with an asterisk (*), which are consolidated by the equity method, and those marked with two asterisks (**), which are consolidated as joint operations and recognised in proportion to the share of assets, liabilities, revenue and expenses controlled by the Group.

Companies	Country	% interest
Other Businesses		
Peugeot S.A.	France	100
Financière Pergolèse	France	100
GIE PSA Trésorerie	France	100
Grande Armée Participations	France	100
PSA Ventures	France	100
Sté Anonyme de Réassurance Luxembourgeoise - SARAL	Luxembourg	100
PSA International S.A.	Switzerland	100
Groupe Gefco	France	25 *
Groupe PMTC - Peugeot Motocycles	France	49 *
Automotive Peugeot Citroën DS		
PSA Automobiles SA	France	100
Peugeot Algérie S.p.A.	Algeria	100
Circulo de Inversiones S.A. - CISA	Argentina	100
PCA Asesores de seguros S.A.	Argentina	98
Peugeot-Citroën Argentina S.A.	Argentina	100
Citroën Österreich Gmbh	Austria	100
Peugeot Austria Gmbh	Austria	100
Peugeot Autohaus Gmbh	Austria	100
Citroën Belux	Belgium	100
Peugeot Belgique Luxembourg	Belgium	100
S.A. Peugeot Distribution Service	Belgium	100
PCI do Brasil Limitada	Brazil	100
Peugeot Citroën do Brasil Automoveis	Brazil	100
PSA Ventures Serviços de Mobilidade Urbana Ltda	Brazil	100
Automotores Franco Chilena S.A.	Chile	100
Peugeot Chile	Chile	100
Dongfeng Peugeot Citroën Automobile International PTE LTD (DPCI)	China	100
Peugeot Citroën (CHINA) Automotive Trade Co	China	100
PSA (Wuhan) Management Co., Ltd.	China	100
PSA Management Co Ltd (Shanghai)	China	100
PCA Logistika Cz S.r.o.	Czech Republic	100
ARAMIS SAS	France	70
Automobiles Citroën	France	100
Automobiles Peugeot	France	100
CELOR	France	70
Citroën Argenteuil	France	100
Citroën Dunkerque	France	100
Conception d'Equipement Peugeot Citroën - CEPC	France	100
D.J. - 56	France	100
Est PR	France	100
Française de Mécanique	France	100
GEIE Sevelind	France	100
Mécanique et Environnement	France	100
Mecaniques et Bruts du Grand est	France	100
Mecaniques et Bruts du Nord-Ouest	France	100
Mister AUTO	France	100
Peugeot Citroën Mulhouse	France	100
Peugeot Citroën Rennes	France	100
Peugeot Citroën Sochaux	France	100
Peugeot Media Production	France	100
Pièces et Entretien Automobile Bordelais	France	100
PSA ID	France	100
PSA Retail France SAS	France	100
S.I.A. de Provence	France	100
Sabrié	France	100
SCDPRS (Sté Cle de Distribution de Pièces de Rechange)	France	100
SEVELNORD	France	100
SNC - Société Mécanique Automobile de l'Est - SMAE	France	100
SNC PC PR	France	100
SNC Peugeot Poissy	France	100
Société Lilloise de Services et de Distribution Automobile de Pièces de Rechange	France	100
Société Lyonnaise de Pièces et Services Automobile	France	100
SPSAO (Société de Pièces et Services Automobile de l'Ouest)	France	100
Technoboost	France	60

Companies	Country	% interest
Véhicules d'Occasion Citroën et DS France	France	100
Citroën Deutschland AG	Germany	100
Peugeot Citroën Retail Deutschland GmbH	Germany	100
Peugeot Deutschland Gmbh	Germany	100
PSA Services Deutschland GmbH - DFCA	Germany	100
Citroën Italia Spa	Italy	100
Peugeot Automobili Italia	Italy	100
Peugeot Citroën Retail Italia S.p.A.	Italy	100
PSA Services SRL - DFCI	Italy	100
Peugeot Citroën Japan K.K.	Japan	100
Peugeot Tokyo	Japan	100
Peugeot Mexico	Mexico	100
Servicios Automotores Franco-Mexicana	Mexico	100
Peugeot Citroën Automobiles Maroc	Morocco	95
Peugeot Citroën DS Maroc	Morocco	100
Citroën Polska Sp. z.o.o.	Poland	100
Peugeot Polska Sp.Zo.O.	Poland	100
Automoveis Citroën S.A.	Portugal	100
Peugeot Portugal Automoveis S.A.	Portugal	100
Peugeot-Citroën Automoveis Portugal	Portugal	99
PSAR Portugal S.A.	Portugal	100
Peugeot Citroën Rus	Russia	100
PCA Slovakia Sro	Slovakia	100
PSA Services Centre Europe S r o	Slovakia	100
Peugeot Citroën Automóviles España	Spain	100
Placas de Piezas y Componentes de Recambios (PPCR)	Spain	100
Plataforma Comercial de Retail, S.A.U.	Spain	97
PSAG Automóviles Comercial España, S.A.	Spain	100
Citroën (Suisse) S.A.	Switzerland	100
Logep AG	Switzerland	50
PCR Retail (Suisse) SA	Switzerland	100
Peugeot (Suisse) S.A.	Switzerland	100
Peugeot Citroën Gestion Internationale	Switzerland	100
Citroën Nederland B.V.	The Netherlands	100
PCMA Holding	The Netherlands	70
Peugeot Nederland N.V.	The Netherlands	100
PSA Retail Nederland BV	The Netherlands	100
Citroën UK Ltd	The United Kingdom	100
Go Motor Retailing Ltd	The United Kingdom	100
Melvin Motors (Bishopbriggs) Ltd	The United Kingdom	100
Peugeot Citroën Retail UK Ltd	The United Kingdom	100
Peugeot Motor Company PLC	The United Kingdom	100
Peugeot-Citroën Automobiles UK	The United Kingdom	100
Robins and Day Ltd	The United Kingdom	100
Rootes Ltd	The United Kingdom	100
WarWick Wright Motors Chiswick Ltd	The United Kingdom	100
Peugeot Otomotiv Pazarlama AS - POPAS	Turkey	100
Peugeot Citroën Ukraine	Ukraine	100
Toyota Peugeot-Citroën Automobile Czech	Czech Republic	50 **
Societa Europea Veicoli Leggeri S.p.A. - SEVEL	Italy	50 **
PCMA Automotiv RUS	Russia	70 **
CHANGAN PSA Automobile Co Ltd	China	50 *
Dongfeng Peugeot Citroën Automobiles Sales Company Ltd	China	50 *
Dongfeng Peugeot-Citroën Automobile Ltd - DPCA	China	50 *
Wuhan Shenlong Hongtai Automotiv	China	10 *
Iran Khodro Automobiles Peugeot	Iran	50 *
Saipa Citroën Automobiles Company	Iran	50 *
Peugeot Citroën South-Africa	South Africa	49 *
STAFIM	Tunisia	34 *
STAFIM-GROS	Tunisia	34 *
Automotive Opel Vauxhall		
Opel Automobile GmbH	Germany	100
Opel Austria GmbH	Austria	100
Opel Wien GmbH	Austria	100

Companies	Country	% interest
Opel Automotive Services Belgium NV	Belgium	100
Opel Belgium NV	Belgium	100
Opel France S.A.S.	France	100
Opel Group Warehousing GmbH	Germany	100
Opel Hellas S.A.	Greece	100
Opel Southeast Europe Ltd	Hungary	100
Opel Szentgotthard Automotive Manufacturing Ltd	Hungary	100
Opel Automobile Ireland Limited	Ireland	100
Opel Italia S.r.l.	Italy	100
Opel Manufacturing Poland Sp.z o.o.	Poland	100
Opel Poland Sp.z o.o.	Poland	100
Opel Portugal, Lda	Portugal	100
Opel Sibiu SRL	Rumania	100
Opel South Africa PTY Ltd	South Africa	100
Opel España , SLU	Spain	100
Opel Europe Holdings, SLU	Spain	100
Opel Suisse SA	Switzerland	100
Opel Nederland B.V.	The Netherlands	100
Automotive UK No. 1	The United Kingdom	100
Holdings UK No.3 Limited	The United Kingdom	100
IBC Vehicles LTD	The United Kingdom	100
Vauxhall Motors Limited	The United Kingdom	100
VHC Sub-Holdings (UK)	The United Kingdom	100
Opel Türkiye Otomotiv Ltd. Sirketi	Turkey	100

Automotive Equipement

Companies	Country	% interest
Faurecia (société)	France	46.3
Faurecia Argentina SA	Argentina	46.3
Faurecia Sistemas de Escape Argentina	Argentina	46.3
Faurecia Automotive Belgium	Belgium	46.3
Faurecia Industrie NV	Belgium	46.3
Faurecia Automotive do Brasil	Brazil	46.3
FMM Pernambuco Componentes Automotivos, Ltda	Brazil	23.6
Faurecia Emissions Control Technologies Canada Ltd	Canada	46.3
Changchun Faurecia Xuyang Automotive Seatings (CFXAS)	China	46.3
Changchung Faurecia Xuyang Interiors Systems Co Ltd	China	46.3
Changsha Faurecia Emissions Control Technologies Co Ltd	China	46.3
Chengdu Faurecia Limin Automotive Systems Co Ltd	China	46.3
Chongqing Faurecia Changpeng Automotive Parts Company Limited	China	46.3
CSM Faurecia Automotive Parts Co Ltd	China	23.2
DONGFENG Faurecia Automotive Interior Systems Co. Ltd	China	46.3
Dongfeng Faurecia Emissions Control Technologies Co., Ltd	China	23.2
Faurecia (Changchun) Automotive Systems Co	China	46.3
Faurecia (Changshu) Automotive Systems Co., Ltd	China	46.3
Faurecia (China) Holding Co	China	46.3
Faurecia (Guangzhou) Automotive Systems Co Ltd	China	46.3
Faurecia (Hangzhou) Automotive Systems Co., Ltd	China	46.3
Faurecia (Jimo) Emissions Control Technologies Co., Ltd.	China	46.3
Faurecia (Liuzhou) Automotive Interior Systems Co., Ltd	China	23.2
Faurecia (Nanjing) Automotive Systems Co Ltd	China	46.3
Faurecia (Quigdao) Exhaust Systems Co Ltd	China	46.3
Faurecia (Shanghai) Automlotive Systems Co Ltd	China	46.3
Faurecia (Shenyang) Automotive Systems Co Ltd	China	46.3
Faurecia (Tianjin) Automotive Systems Co., Ltd.	China	23.6
Faurecia (Tianjin) Emission Control Technology Co Ltd	China	46.3
Faurecia (Wuhan) Automotive Components Systems Co Ltd	China	46.3
Faurecia (Wuxi) Seatings Components Co Ltd	China	46.3
Faurecia (Yancheng) Automotive Systems Co Ltd	China	46.3
Faurecia Chongqing Zhuotong Automotive Interior System Co., Ltd	China	23.2
Faurecia Emissions Control Technologies (Beijing) Co Ltd	China	46.3
Faurecia Emissions Control Technologies (Chengdu) Co Ltd	China	46.3
Faurecia Emissions Control Technologies (Chongqing) Co Ltd	China	46.3
Faurecia Emissions Control Technologies (Foshan) Co Ltd	China	46.3
Faurecia Emissions Control Technologies (Nanchang) Co Ltd	China	46.3
Faurecia Emissions Control Technologies (Ningbo Hangzhou Bay New District) Co. Ltd	China	46.3
Faurecia Emissions Control Technologies (Ningbo) Co Ltd	China	46.3
Faurecia Emissions Control Technologies (Yantai) Co Ltd	China	46.3
Faurecia Emissions Control Technologies Development (Shanghai) Co Ltd	China	46.3
Faurecia Exhaust Systems Changchun Co Ltd	China	46.3
Faurecia Exhaust Systems Qingpu Co., Ltd.	China	46.3
Faurecia GSK (Wuhan) Automotive Seating Co Ltd	China	46.3
Faurecia Honghu Exhaust Systems Shanghai Co Ltd	China	46.3
Faurecia Liuzhou Automotive Seating Co., Ltd	China	23

Companies	Country	% interest
Faurecia NHK (Xingyang) Automotive Seating Co Ltd	China	46
Faurecia PowerGreen Emissions Control Technologies Co. Ltd	China	46
Faurecia Tongda Exhaust System (Wuhan) Co Ltd	China	46
Faurecia Yinlun Emissions Control Technology (Weifang) Co. Ltd.	China	24
Foshan Faurecia Xuyang Interior Systems Co Ltd	China	46
Guangdong Coagent Global S&T Co., Ltd	China	23
Jiangxi Faurecia Coagent Electronics Co., Ltd	China	23
Parrot Automotive Shenzhen	China	46
Shanghai Faurecia Automotive Seating Co Ltd	China	46
Shanghai Faurecia Automotive Seating component Co., Ltd	China	25
Shenzhen Faurecia Automotive Parts Co., Ltd	China	32
Tianjin Faurecia Xuyang Automotive Seat Co Ltd	China	46
Faurecia Automotive Czech Republic S.R.O	Czech Republic	46
Faurecia Components Pisek Sro	Czech Republic	46
Faurecia Emissions Control Technologies Mlada Boleslav S.R.O	Czech Republic	46
Faurecia Exhaust Systems S.r.o.	Czech Republic	46
Faurecia Interior Systems Bohemia S.R.O	Czech Republic	46
Faurecia Interiors Pardubice S.R.O	Czech Republic	46
Faurecia Plzen	Czech Republic	46
ECSA - Etudes et Construction de Sièges pour l'Automobile	France	46
Faurecia Automotive Holdings	France	46
Faurecia Automotive Industrie SNC	France	46
Faurecia Automotives Composites	France	46
Faurecia Exhaust International	France	46
Faurecia Exhaust International	France	46
Faurecia Industries	France	46
Faurecia Intérieur Industrie SNC	France	46
Faurecia Intérieurs Mornac - France	France	46
Faurecia Intérieurs Saint Quentin	France	46
Faurecia Investments	France	46
Faurecia Seating Flers	France	46
Faurecia Services Groupe	France	46
Faurecia Sièges d'Automobile	France	46
Faurecia Smart Surfaces	France	46
Faurecia Systèmes d'Echappements	France	46
Faurecia Ventures	France	46
Hanbach Automotive Exteriors	France	46
Hennape six	France	46
Parrot Faurecia Automotive	France	46
SIEBRET	France	46
SIEDOUBS	France	46
SIELEST	France	46
SIEMAR	France	46
TRECIA	France	46
Faurecia Abgastechnik GmbH	Germany	46
Faurecia Angell - Demmel GmbH	Germany	46
Faurecia Automotive GmbH	Germany	46
Faurecia Autositze GmbH	Germany	46
Faurecia Emissions Control Technologies, Germany GmbH	Germany	46
Faurecia Innenraum Systeme GmbH	Germany	46
Hug Engineering GmbH	Germany	46
Coagent Global Limited	Hong Kong	23
Parrot Automotive Asia Pacific LTD	Hong Kong	46
Faurecia Emissions Control Technologies Hungary KFT	Hungary	46
Faurecia Automotive Seating India Private	India	46
Faurecia Emission Control Technologies India Private Ltd	India	46
Faurecia Interior Systems India Private Ltd	India	46
Faurecia Security Technologies	Isarael	46
Faurecia Emissions Control Technologies, Italy Srl	Italy	46
Hug Engineering Italia S.r.l.	Italy	46
Faurecia Howa Interiors Co Ltd	Japan	46
Faurecia Japan K.K.	Japan	46
FAS Yeongcheon	Korea	46
Faurecia Emissions Control Systems Korea Ltd	Korea	46
FCM Yeongcheon	Korea	46
Faurecia Acoustic Luxembourg SARL	Luxermbourg	46
Faurecia AST Luxembourg SA	Luxermbourg	46
Faurecia Hicom Emissions Control Technologies (M)	Malaya	46
ET Mexico Holdings II, S de RL de CV	Mexico	46
Exhaust Services Mexicana SA de CV	Mexico	46
Faurecia Howa Interiors de Mexico SA de CV	Mexico	46
Faurecia Sistemas Automotrices de Mexico SA de CV	Mexico	46
Servicios Corporativos de Personal Especializado SA de CV	Mexico	46
Faurecia Automotive Industries Morocco	Morocco	46

Companies	Country	% interest
Faurecia Automotive Systems Technologies	Morocco	46
Faurecia Equipements Automobiles Maroc	Morocco	46
Faurecia Automotive Polska SA	Poland	46
Faurecia Gorzow SA	Poland	46
Faurecia Grojec R&D Center SA	Poland	46
Faurecia Legnica SA	Poland	46
Faurecia Walbrzych SA	Poland	46
EDA - Estofagem de Assentos Ltda	Portugal	46
Faurecia Assentos de Automoveis Ltda	Portugal	46
Faurecia Sistemas de Escape Portugal Ltda	Portugal	46
Faurecia Sistemas de Interior de Portugal, Componentes Para Automoveis SA	Portugal	46
SASAL	Portugal	46
Euro Auto Plastic Systems SRL	Rumania	46
Faurecia Romania Srl	Rumania	46
OOO Faurecia Automotive Development	Russia	46
OOO Faurecia Automotive Exterior Bumpers	Russia	46
OOO Faurecia Interior Luga	Russia	46
OOO Faurecia Metalloprodukcia Exhaust Systems	Russia	46
Faurecia Automotive Slovakia Sro	Slovakia	46
Faurecia Emission Control Technologies South Africa (Cape Town) (Pty) Ltd	South Africa	46
Faurecia Exhaust Systems South-Africa (Pty) Ltd	South Africa	46
Faurecia Interior Systems Pretoria (Pty) Ltd	South Africa	46
Faurecia Interior Systems South Africa(Pty) Ltd	South Africa	46
Asientos de Castilla Leon SA	Spain	46
Asientos de Galicia SL	Spain	46
Asientos del Norte SA	Spain	46
Faurecia Acoustic Spain, S.A.	Spain	46
Faurecia Asientos para Automovil España SA	Spain	46
Faurecia Automotive España SL	Spain	46
Faurecia Emissions Control Technologies Pamplona SL	Spain	46
Faurecia Holding España S.L.	Spain	46
Faurecia Interior Systems España SA	Spain	46
Faurecia Interior Systems SALC España SL	Spain	46
Faurecia Sistemas de Escape España SA	Spain	46
Incalplas S. L.	Spain	46
Tecnoconfort	Spain	46
Valencia Modulos de Puertas SL	Spain	46
Faurecia Interior Systems Sweden AB	Sweden	46
Faurecia Switzerland Sàrl	Switzerland	46
Hug Engineering AG	Switzerland	46
Faurecia & Summit Interior Systems (Thailand) Co Ltd	Thailand	46
Faurecia Emission Control Technologies, Thailand Co Ltd	Thailand	46
Faurecia Interior Systems (Thailand) Co Ltd	Thailand	46
ET Dutch Holdings BV	The Netherlands	46
Faurecia Emissions Control Technologies Netherlands BV	The Netherlands	46
Hug Engineering B.V.	The Netherlands	46
EMCON Technologies UK Ltd	The United Kingdom	46
Faurecia Automotiv Seating UK ltd	The United Kingdom	46
Faurecia Midlands Ltd	The United Kingdom	46
SAI Automotive Fradley	The United Kingdom	46
SAI Automotive Washington Ltd	The United Kingdom	46
Faurecia Informatique Tunisie	Tunisia	46
Société Tunisienne d'Equipements d'Automobile	Tunisia	46
Faurecia Polifleks Otomotiv Sanayi Ve Ticaret Anonim Sirketi	Turkey	46
Faurecia Automotive Seating LLC	United States	46
Faurecia DMS	United States	46
Faurecia Emissions Control Systems Inc	United States	46
Faurecia Emissions Control Technologies, USA, LLC	United States	46
Faurecia Interior Systems Inc	United States	46
Faurecia Interior Systems Saline LLC	United States	46
Faurecia Interiors Louisville LLC	United States	46
Faurecia Madison Automotive Seating INC	United States	46
Faurecia Mexico Holdings LLC	United States	46
FAURECIA North America Holdings LLC	United States	46
Faurecia USA Holdings Inc	United States	46
FKN North America Inc	United States	46
Hug Engineering Inc.	United States	46
Faurecia Automotive de Uruguay	Uruguay	46
Beijing WKW-FAD Automotive Parts Co., Ltd	China	23 *
Changchun Faurecia Xuyang Automotive Components Technologies R&D Co Ltd	China	21 *
Changchun Xuyang Acoustics & Soft Trim Co Ltd	China	19 *
Chongqing Guangneng Faurecia Interior Systems Co Ltd	China	23 *
Dongfeng Faurecia (Xiangyang) Emissions Systems Co., Ltd	China	23 *
DONGFENG Faurecia Automotive Exterior Systems Co. Ltd	China	23 *
DONGFENG Faurecia Automotive Parts Sales Company Limited	China	23 *
Faurecia Liuzhou Automotive Seating Sales Co., Ltd	China	23 *
Hongtai Faurecia Composite (Wuhan) Co., Ltd.	China	23 *
Jinan Jidao Automotive Parts Co Ltd	China	23 *
Lanzhou Limin Automotive Parts Co Ltd	China	23 *
Xiangtan Faurecia Limin Interior & Exterior Systems Co Ltd	China	23 *
Zhesiang Faurecia Limin Interior & Exterior Systems Co Ltd	China	23 *
Automotive Performance Materials (APM)	France	23 *

Companies	Country	% interest
SAS Autosystemtechnik GmbH & Co KG	Germany	23 *
Basis Mold India Private Limited	India	18 *
NHK F. Krishna India Automotive Seating Private Limited	India	9 *
LIGNEOS Srl	Italy	23 *
Faurecia NHK Co Ltd	Japan	23 *
Vanpro Assentos Ltda	Portugal	23 *
Componentes de Vehiculos de Galicia SA	Spain	23 *
Copo Iberica SA	Spain	23 *
INDUSTRIAS COUSIN FRERES, S.L.	Spain	23 *
Teknik Malzeme Ticaret ve Sanayi A.S.	Turkey	23 *
Detroit Manufacturing Systems, LLC	United States	23 *
DMS LEVERAGE LENDER (LLC)	United States	23 *
DMS Toledo, LLC	United States	21 *

Peugeot Citroën DS Finance

Companies	Country	% interest
Banque PSA Finance	France	100
BPF Algérie	Algeria	100
PCA Compañia de Seguros S.A	Argentina	70
PSA Finance Argentina	Argentina	50
PSA factor Italia S.p.A.	Italy	100
PSA Insurance Ltd	Malta	100
PSA Insurance Manager Ltd	Malta	100
PSA Insurance Solutions Ltd.	Malta	100
PSA Life Insurance Ltd	Malta	100
PSA Services ltd	Malta	100
BPF Mexico	Mexico	100
Bank PSA Finance Rus	Russia	100
Peugeot Citroen Leasing	Russia	100
PSA Finance Nederland B.V.	The Netherlands	100
PSA Financial Holding B.V.	The Netherlands	100
Economy Drive Cars Ltd	The United Kingdom	100
Vernon Wholesale Investments Company Ltd	The United Kingdom	100
BPF Pazarlama A.H.A.S.	Turkey	100
PSA Finance Belux	Belgium	50 *
Banco PSA Finance Brasil SA	Brazil	50 *
PSA Corretora de Seguros e Serviços Ltda. (PFBR)	Brazil	50 *
(1) Dongfeng Peugeot Citroën Automobile Finance Company	China	25 *
Auto ABS DFP Master Compartment France 2013	France	50 *
Compagnie pour la Location de Véhicules - CLV	France	50 *
CREDIPAR	France	50 *
FCT Auto ABS French Leases 2018 - Fonds E	France	50 *
FCT Auto ABS French Leases Master	France	50 *
FCT Auto ABS French Loans Master	France	50 *
FCT PFFR LLD Master 2017-E	France	50 *
Société Financière de Banque - SOFIB	France	50 *
FCT Auto ABS German Loans 2018	Germany	50 *
FCT Auto ABS German Loans Master	Germany	50 *
PSA Bank Deutschland GmbH	Germany	50 *
ABS Italian Loans Master S.r.l.	Italy	50 *
Banca Italia S.P.A	Italy	50 *
FCT Auto ABS Italian Loans 2018	Italy	50 *
PSA Renting Italia	Italy	50 *
PSA Insurance Europe Ltd	Malta	50 *
PSA Life Insurance Europe Ltd	Malta	50 *
PSA Consumer Finance Polska Sp. Z o.o.	Poland	50 *
PSA Finance Polska	Poland	50 *
FCT Auto ABS Compartiment 2016-5	Spain	50 *
FCT Auto ABS Spanish Loans 2018	Spain	50 *
PSA Finance, Succursale en España EFC, SA	Spain	50 *
Auto ABS Swiss Lease 2013 GmbH	Switzerland	50 *
PSA Finance Suisse S.A.	Switzerland	50 *
PSA Finance Nederland BV	The Netherlands	50 *
Auto ABS UK Loans PLC - Compartiment 2012-5	The United Kingdom	50 *
FCT Auto ABS UK Loans 2017	The United Kingdom	50 *
PSA Wholesale Ltd	The United Kingdom	50 *

Opel Vauxhall Finance

Companies	Country	% interest
Opel Bank GmbH	Germany	50 *
Opel Bank S.A	France	50 *
Opel Finance Germany Holdings GmbH	Germany	50 *
Opel Leasing GmbH	Germany	50 *
Opel Finance SpA	Italy	50 *
Opel Finance AB	Sweden	50 *
Opel Finance SA	Switzerland	50 *
Opel Finance International B.V.	The Netherlands	50 *
Opel Finance N.V.	The Netherlands	50 *
OPVF Europe Holdco Limited	The United Kingdom	50 *
Vauxhall Finance plc	The United Kingdom	50 *

(1) Of which 12.5 % through Dongfeng Peugeot Citroën Automobile

IV – STATUTORY AUDITORS' REPORT ON THE 2018 CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Peugeot S.A.,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Peugeot S.A. for the year ended 31 December 2018.

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 31 December 2018 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.

The audit opinion expressed above is consistent with our report to the Finance and Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2018 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*).

Emphasis of Matter

We draw attention to Note 1.2 to the consolidated financial statements, which describes the impacts of first-time application of standards IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments". Our opinion is not modified in respect of this matter.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of the recoverable amount of goodwill and brands

Risk identified	Our response
The net carrying amount of goodwill and brands is respectively €3,608m and €1,994m as at 31 December 2018. These assets are allocated to cash generating units (CGUs). As stated in Note 7.3 to the consolidated financial statements, in accordance with IAS 36, goodwill and brands are not amortized but are subject to impairment tests at each annual close or more frequently when there is an indication of impairment. Impairment is recognized when the recoverable amount of these assets is less than their net carrying amount. The recoverable amount is the higher of value in use and market value. Value in use is determined by reference to discounted future cash flows and requires a high degree of judgment on the part of management, in particular to determine forecasts, discount rates and perpetuity growth rates. Given the significance of these assets in the Group's consolidated financial statements, and the degree of management's judgment inherent in the estimates and assumptions used, we consider the measurement of the recoverable amount of the Group's goodwill and brands as a key audit matter.	We performed a critical analysis of the methods used by management to determine the recoverable amount of goodwill and brands. For each of the CGUs to which these assets are allocated, we obtained management's latest medium-term plans and the impairment test results. On the basis of this information, our work consisted in: ► Reconciling the net carrying amounts of the assets tested for impairment with the accounts; ► Analyzing the future cash flow projections, in particular the consistency of the margin rates and volumes used for the tests with external sources or management's latest estimates presented to the Group's governance bodies; ► Assessing the projections by comparing them with the data used for the previous impairment tests and the Group's historical performance; ► Analyzing the consistency of the discount rates used, notably by comparing them with the available market data; ► Verifying, by sampling, the arithmetical accuracy of the valuation model used by management; ► Analyzing the sensitivity of the recoverable amount of the CGUs tested to a variation in the main assumptions used (perpetuity growth rates, operating margin rate used for terminal value, discount rates); ► Assessing the appropriateness of the information disclosed in the notes to the consolidated financial statements.

Capitalization and valuation of development costs

Risk identified	Our response
Development costs are recognized under intangible assets on the balance sheet according to the conditions described in Note 4.3 to the consolidated financial statements and in accordance with IAS 38. The amount capitalized in 2018 was €1,897m. Capitalized development costs are amortized on a straight-line basis for the assets allocated to the Peugeot – Citroën – DS Automotive division and the Opel – Vauxhall Automotive division, based on the mass production agreement and on their useful life capped at seven years for vehicles and ten years for sub-assemblies and modules. For the Automotive Equipment business, development costs incurred for specific orders received from customers are amortized on a straight-line basis in line with the parts delivery cycle, with a minimum accumulated each year corresponding to straight-line amortization over five years. Research costs and study and development costs that do not fulfil the conditions set out in Note 4.3 to the consolidated financial statements are recognized as expenses in the financial year during which they are incurred.	Within the framework of our audit of the consolidated financial statements, our work notably consisted in: ► Analyzing the Group rules relating to the initial recognition of development costs based on the accounting standards in force, and assessing compliance with these rules; ► Testing, by sampling, the concordance of the amounts of development costs capitalized during the year with the underlying documented evidence; ► Discussing with management to identify any indications of impairment; ► Reconciling with the accounts the net carrying amounts of the CGUs subject to impairment testing; ► Analyzing the future cash flow projections, in particular the consistency of the margin rates and volumes used for the tests with external sources or management's latest estimates presented to the governance bodies; ► Assessing projections by comparing them with the data used for the previous impairment tests and the Group's historical performance; ► Analyzing the sensitivity of the recoverable amount of the CGUs tested to a variation in the main assumptions used (margin rate used and discount rates).

Capitalized development costs are allocated to cash generating units (CGUs) and are subject to an impairment test at each annual close or more frequently when there is an indication of impairment. The Group recognizes impairment when the recoverable amount of the CGU to which the asset is allocated is less than its net carrying amount. The recoverable amount is the higher of value in use and market value. Value in use is determined by reference to discounted future cash flows and requires a high degree of judgment on the part of management, in particular to determine forecasts, discount rates and perpetuity growth rates.

We have identified the capitalization and valuation of development costs as a key audit matter due to the significance of these intangible assets in the Group's consolidated balance sheet and the judgment exercised by management upon their initial capitalization and the performance of impairment tests, if any.

Recoverability of the French tax group's deferred tax assets

Risk identified	Our response
As stated in Note 13 to the consolidated financial statements for 2018, the Group's deferred tax assets on loss carryforwards amount to €1,019m as at 31 December 2018, including €860m of deferred tax assets on losses within the French tax group of Peugeot S.A.. The French tax group's tax assets that may be offset against net deferred tax liabilities (up to a maximum of 50%) are recognized on the balance sheet. In addition, deferred tax assets are recognized if they have a reasonable chance of being realized given the taxable income projections. Deferred taxes are tested for impairment on the basis of tax projections that are consistent with the main assumptions of the Group's Medium-Term Plan and established over the period during which the Group estimates their recoverability to be probable. Given the significant amount of these assets and the degree of management's judgment inherent in the estimates and assumptions used, we have considered the recognition and recoverability of the deferred tax assets recognized in respect of the tax loss carryforwards of the tax group in France as a key audit matter.	Within the framework of our audit of the consolidated financial statements, our work consisted in: ► For deferred tax assets on loss carryforwards whose recoverability is justified by the existence of deferred tax liabilities, assessing whether the principle of recognition of deferred tax assets for 50% of net deferred tax liabilities has been correctly applied; ► For deferred tax assets on loss carryforwards whose recoverability is justified by taxable income projections, assessing the consistency of the tax projections with the main assumptions of the Group's Medium-Term Plan approved by the governance bodies; ► Assessing the appropriateness of the disclosures in Note 13 to the consolidated financial statements.

Valuation of equity-accounted investments relating to the automotive activities

Risk identified	Our response
As stated in Note 10.2 to the consolidated financial statements for 2018, as at 31 December 2018, the equity-accounted investments relating to the PSA Group's automotive activities are recognized on the balance sheet for the amount of €590m. These investments mainly include the Group's share in joint ventures with the Dong Feng Motor Company Group and with the Changan Group for the activities located in China.	Within the framework of our audit of the consolidated financial statements, our work consisted in: ► Analyzing the existence of impairment indicators, such as a significant decrease in volumes or a deterioration in profitability; ► Assessing the consistency and relevance of the main assumptions used for the impairment tests performed on the assets of the joint ventures with the Dong Feng Motor Company Group and the Changan Group, notably by reference to the medium-term plan approved by the governance bodies of these joint ventures; ► Assessing the appropriateness of the information disclosed in the notes to the consolidated financial statements.

The results of the equity-accounted companies include the depreciation of assets resulting from impairment tests performed according to the same principles as those applied to test the fixed assets of the PSA Group's automotive activities. When there is an indication of impairment, the assets allocated to a specific vehicle model are tested for each related Vehicle CGU. The total assets (including those not allocated to a specific vehicle model) are also tested at the level of each joint venture, as stated in Note 7.3.D to the consolidated financial statements. The PSA Group performs an additional impairment test at its level when there is an indication of impairment.

Given the significance of these assets in the Group's accounts, the volatility of the Chinese market, and the degree of judgement that management is required to exercise concerning the assumptions underlying the valuation of the assets of these companies, we have considered the valuation of the equity-accounted investments relating to the automotive activities as a key audit matter.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French legal and regulatory texts the information pertaining to the Group presented in the Managing Board's management report.

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

We attest that the consolidated non-financial statement provided for by article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the management report, it being specified that, in accordance with the provisions of article L. 823-10 of said Code, we have verified neither the fair presentation nor the compliance with the annual accounts of the information contained in this statement, which should be the subject of a report by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Peugeot S.A. by your Annual General Meeting held on 25 May 2005 for MAZARS and on 31 May 2011 for ERNST & YOUNG et Autres.

As at 31 December 2018, MAZARS was in its 14th year and ERNST & YOUNG et Autres in its 8th year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Finance and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Managing Board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Finance and Audit Committee

We submit to the Finance and Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Finance and Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Finance and Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Finance and Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, 26 February 2019

The Statutory Auditors

French original signed by:

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Jérôme de Pastors	Laurent Miannay	Ioulia Vermelle

Photo credits:
GROUPE PSA / Communications Department

PEUGEOT S.A.
Incorporated in France with issued capital of €904,828,213
Governed by a Managing Board and a Supervisory Board
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