

2021



HALF-YEAR FINANCIAL REPORT



2021

2018 Interim results

CONTENTS

I. MANAGEMENT AND SUPERVISORY BODIES AT 30 JUNE 2018	2
II. INTERIM MANAGEMENT REPORT	3
1. The Group's operations	3
2. Analysis of consolidated interim operating results	5
3. Financial position and cash	8
4. Risk factors and uncertainties	9
5. Related party transactions	9
III. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018	11
Interim Consolidated Statements of Income.....	12
Interim Consolidated Comprehensive Income	14
Interim Consolidated Balance Sheets.....	16
Interim Consolidated Statements of Cash Flows	18
Interim Consolidated Statements of Changes in Equity.....	20
Notes to the Consolidated Financial Statements.....	21
IV. PERSONS RESPONSIBLES FOR THE 2018 INTERIM FINANCIAL REPORT	48
V. STATUTORY AUDITORS' REVIEW REPORT ON THE 2018 HALF-YEARLY FINANCIAL INFORMATION	49

I. MANAGEMENT AND SUPERVISORY BODIES

AT 30 JUNE 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, appointed on June 22, 2018 by the Group's Global Works Council, and whose appointment will be noted by the Supervisory Board of July 23, 2018)

Mrs Helle KRISTOFFERSEN

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

Mr AN Tiecheng

Lion Participations, represented by M. Daniel BERNARD

FFP, represented by M.Robert PEUGEOT

Mr Henri Philippe REICHSTUL

Mrs Bénédicte JUVAUX (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. Jean-Baptiste CHASSELOUP de CHATILLON

Mr. Maxime PICAT

Mr. Jean-Christophe QUEMARD

II. INTERIM MANAGEMENT REPORT

1. THE GROUP'S OPERATIONS

1.1. Overview of sales activities

Worldwide sales up 38.1% in the first half of 2018

- **Groupe PSA sold 2,181,800 vehicles worldwide¹, a new all-time record and a 38.1% growth compared with the first half of 2017**
- **SUV product offensive: sustained success supporting the Group's profitable growth**
- **Strengthened European leadership in light commercial vehicles (LCV) for Peugeot, Citroën and Opel/Vauxhall, with a 25.3% market share**

Groupe PSA's SUV offensive with 13 models² launched worldwide by the five brands – Peugeot, Citroën, DS Automobiles, Opel and Vauxhall – **drove the Group's robust sales momentum in the first half of 2018**. At more than 609,300 units, SUV sales accounted for nearly 28% of the Group's sales. The success of these models has made Groupe PSA at the end of May, number two in this segment in Europe, with a market share of 16.9%, and number one in the B-SUV segment.

Peugeot is the leading brand in the SUV segment in Europe, selling more than 339,200 SUVs worldwide (up 26%) in the first half of 2018. Since the beginning of the year, Peugeot confirms the upward trend of the PEUGEOT 3008 SUV, with 144,000 units sold (up 37%); it has also enjoyed strong demand for the new PEUGEOT 5008, which has logged 58,900 unit sales.

The Citroën SUV offensive launched last autumn is being driven by the C3 Aircross in Europe and the C5 Aircross in China, which together represented nearly 80,000 units sold in the first half of 2018, for a total of 135,000 since their launch. The launch of the C4 Aircross in China and the C5 Aircross in Europe in the second half will allow Citroën to accelerate its offensive.

Launched worldwide in February 2018, the DS 7 CROSSBACK, first DS of the second generation is key to growth at DS Automobiles, which came up to +35% in the second quarter. Two out of three customers choose the top-of-the-line versions, and while the DS 7 CROSSBACK offers premium equipment from the entry level, every second customer chooses the DS CONNECTED PILOT option, which opens the way to level 2 autonomous driving.

The Opel and Vauxhall brands are also conducting a major product offensive in the SUV segment with the X-family, which includes the Crossland X, Mokka X, and Grandland X. This represents 167,200 sales in the first half of 2018 for the two brands, which remain also focused on improving profitability in line with the PACE! strategic plan.

Groupe PSA sets a new record for LCV sales, with 289,500 units sold, up 32.8%. Excluding Opel/Vauxhall, the increase was 8.3%.

Following the renewal of compact vans in 2016, the Group will take a fresh step in the upgrade of its LCV line-up in the second half with the release of a new generation of B-LCV (PEUGEOT Partner, CITROËN Berlingo Van and OPEL/VAUXHALL Combo). In Europe, already leading the market with more than one in four sales to its name, Groupe PSA is also the leader at the end of May in the sub segments of B-LCV with market shares of 35.2%, and in medium van with market shares of 26.2%.

The Group's LCV offensive continued outside Europe. In Eurasia, sales were up 9%, including local production of the new PEUGEOT Expert and CITROËN Jumpy introduced in first-half 2018. In Latin America, the updated product and service offering fed into volume growth of 27.8%.

In Europe, consolidated sales totalled 1,673,700 units, up 61.5%, of which 550,900 Opel and Vauxhall vehicles. The Group's market share expanded by 6 points to 17.2%.

For Peugeot-Citroën-DS Automobiles alone, the Group's market share is growing in its main markets: France (up 0.3 points), Spain (up 0.8 points), Italia (up 1.1 points), United Kingdom (up 0.2 points) and Germany (up 0.2 points). Its performance was further enhanced by the consolidation of Opel/Vauxhall, particularly in Germany (market share of 10.4%) and the United Kingdom (14.8%).

Peugeot has made the most progress of all the brands since the beginning of the year. The PEUGEOT 2008 and PEUGEOT 3008 ended in May in second and third place in their respective segments, and the new PEUGEOT 508 has been very well received, with more than 2,000 orders placed since its launch, including 1,000 for the First Edition version, which can only be ordered online.

¹ As from 1 August 2017, the Group's scope of consolidation includes the sales volumes of Opel and Vauxhall. In line with the Group's decision to initiate the process of suspending its operations in Iran, vehicles manufactured in Iran are no longer included in consolidated global sales, as of 1 May 2018.

² PEUGEOT 2008, 3008, 4008 and 5008, CITROËN C3-XR, C3 Aircross, C4 Aircross and C5 Aircross, DS 6 WR China and DS 7 CROSSBACK, OPEL / VAUXHALL Crossland X, Mokka X, and Grandland X

Citroën's sales grew by 7.4%, reaching a seven-year high in Europe. This performance allowed it to gain market share, in particular thanks to the C3, which now ranks in the top 5 in its segment, the New C4 Cactus launched in March (up 35% in the second quarter) and the new C3 Aircross SUV (with more than 90,000 orders in Europe since its launch in October).

The DS brand grew by 25.1%, with accelerated growth of 43% in the second quarter. In its biggest market, France, DS 7 CROSSBACK has been the leader in its category in the C-SUV premium market for three consecutive months. With 110 sales outlets opened over the last six months in Europe, bringing the total to 260 dedicated sites, the development of the DS network is intensifying.

Opel/Vauxhall is continuing its product offensive in Europe, driven by the X-Family, and is the leading brand in the B-SUV segment with 122,600 units Mokka X & Crossland X sold. After launching the sporty Insignia GSi, the brand will also release a GSi version of the Corsa in the second half. The new Combo Life & Cargo models will also contribute to the new momentum.

In **Middle East & Africa**, in a shifting regional environment, the Group's sales amounted to 226,100³ units, down 18.6% due to the fact that sales of vehicles produced in Iran have not been included in consolidated global sales since 1 May.

The Peugeot brand's market share continued to grow in Tunisia, in Turkey, in Egypt and remains market leader in France's overseas departments.

Groupe PSA has pursued its strategic plan to expand its manufacturing base with the signing last March of a joint venture agreement to start up a Peugeot and Opel assembly plant in Walvis Bay, Namibia, and begin assembly of the Peugeot Pick-up in Tunisia in September 2018.

The Group is expanding its commercial footprint, particularly in Egypt, where it has signed a new import agreement with the Mansour Group and Scope Investment for the distribution of Peugeot products. In South Africa, Lebanon, Tunisia and Morocco, the Group selected distributing partners for Opel.

Lastly, Groupe PSA is pursuing its product offensive in the region, in particular with the ramp-up of the SUV range: CITROËN C3 Aircross, OPEL Crossland X and Grandland X, DS 7 CROSSBACK and PEUGEOT 3008, which is among the top three sellers in its segment in France's overseas departments and Turkey.

With sales of 163,000 vehicles in **China & South East Asia**, up 6.9%, the Group has seen the first signs of a sales recovery. Citroën was the biggest contributor to the improvement, with sales up 50.5%, thanks to its range of sedans and the local launch of the C5 Aircross SUV last September.

The volume mix of the PEUGEOT 3008/4008/5008 SUV family is also improving, representing 40% of the brand's total sales volumes.

DS Automobiles sales are stable in the second quarter of 2018. In China, the DS 7 CROSSBACK was launched at the Beijing Motor Show in late April 2018.

During the first half, the Group made significant progress in strengthening its operations in South East Asia with the creation of a joint venture with Naza Corporation Holdings (Malaysia). The Group has sold over 4,900 vehicles in ASEAN area in the first half of this year. The acceleration in this part of the region is now noticeable.

Groupe PSA made 98,000 sales in **Latin America**, an increase of 1.7%, leaving its market share stable at 3.9%. This growth has been achieved despite a significant decline in the Argentinian market (down 18% in June vs 2017), where the Group's market share is greatest.

In Argentina, DS Automobiles consolidated its fourth place position in the premium market thanks to the DS 3, the leading vehicle in its class for the fifth consecutive year.

Volume growth was driven by the LCV (up 27.8%) and SUV (PEUGEOT 3008 and 5008) offensives.

Coming launches in the region include the CITROËN C4 Cactus (made in Brazil) and the DS 7 CROSSBACK, as well as the OPEL Crossland X in Chile.

13,300 cars were sold in **India-Pacific** in 2018 H1, up 25.1%.

Growth sales was a strong 25% in Japan and reached a significant 18% in South Korea, whilst the restart in Australia and New Zealand showed encouraging progress.

The PEUGEOT 3008 and 5008 were successful throughout the region, as was the Citroën C3 in Japan.

In **Eurasia**, the Group made headway in both major markets: Russia (up 19%) and Ukraine (up 32%), with a total of 7,700 units sold. Its growth was driven by good momentum for the PEUGEOT 3008, the C4 Sedan and the LCV market, with the new PEUGEOT Expert/CITROËN Jumpy and PEUGEOT Traveller/CITROËN SpaceTourer models manufactured in Kaluga. LCV sales increased by 9% in the region as a whole.

1.2. Consolidated worldwide sales

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

³ In line with the Group's decision to initiate the process of suspending its operations in Iran, vehicles manufactured in Iran are no longer included in consolidated global sales, as of 1 May 2018.

2. ANALYSIS OF CONSOLIDATED INTERIM OPERATING RESULTS

The Group's operations are organised around three main business segments described in Note 2 to the consolidated financial statements at 30 June 2018. Subsequent events are presented in Note 16 to the financial statements.

2.1. Group profit (loss) for the period*

<i>(in million euros)</i>	30 June 2017	30 June 2018	Change
Revenue	27,552	38,595	11,043
Recurring operating income	2,037	3,017	980
As a % of Revenue	7.4%	7.8%	
Non-recurring operating income and expenses	(112)	(750)	(638)
Operating income (loss)	1,925	2,267	342
Net financial income (expense)	(121)	(218)	(97)
Income taxes	(445)	(409)	36
Share in net earnings of companies at equity	112	73	(39)
Consolidated profit (loss) for the period	1,471	1,713	242
Profit (loss) for the period attributable to owners of the parent	1,255	1,481	226

* IFRS15 application with 2017 restated (excluding essentially monoliths)

2.2. Group Revenue*

The table below shows consolidated revenue by division:

<i>(in million euros)</i>	30 June 2017	30 June 2018	Change
Automotive Peugeot Citroën DS	19,887	22,149	2,262
Automotive Opel Vauxhall	-	9,946	9,946
Faurecia	8,545	8,991	446
Other businesses and eliminations**	(880)	(2,491)	(1,611)
Revenue	27,552	38,595	11,043

* 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 11.4% compared to the first half of 2018, mainly thanks to the favourable effect of product mix (+4.7%), of volumes and country mix (+5.4%) and of sales to partners (+3.2%) that more than compensates the negative impact of adverse exchange rate changes (-2.9%).

Opel Vauxhall (OV) Automotive revenues amounted to €9,946 M for the first half of 2018.

At constant exchange rates and perimeter (excluding OV), **Group revenues** were up 22.9% compared to the first half of 2015, year of reference of Groupe PSA strategic plan of profitable growth Push to Pass.

2.3. Group Recurring Operating Income (loss)*

The following table shows Recurring Operating Income by business segment:

(in million euros)	30 June 2017	30 June 2018	Change
Automotive Peugeot Citroën DS	1,442	1,873	431
Automotive Opel Vauxhall	-	502	502
Faurecia	583	642	59
Other businesses and eliminations**	12	0	(12)
Recurring operating income	2,037	3,017	980

* 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 the first half of 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 8.5% compared to 7.3% in the first half of 2017. **OV Automotive recurring operating margin** stood at 5.0% for the first half of 2018.

Group recurring operating margin stood at 7.8% compared to 7.4% in the first half of 2017.

The 29.9% increase in the **PCD Automotive recurring operating income** was due to the company's improved performance (+€716 million), despite an unfavourable operating environment (-€285 million):

- the negative effect of the **PCD Automotive division's operating environment** stemmed from a (€220) million effect of "foreign exchange and others", associated essentially with the weakening of the Argentinian peso and the Turkish lira and higher raw material and other external costs amounting to (€248) million. These effects were partially offset by stronger markets totalling +€182 million;
- the improved **performance of the PCD Automotive business** was due essentially to a very positive product mix effect amounting to +€377 million, as well as lower production and fixed costs amounting to +€281 million, and improved market share and country mix for +€77 million.

OV Automotive recurring operating income stood at €502 million for the first half of 2018.

Faurecia's recurring operating income was €642 million, up €59 million.

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

Non-recurring operating income and expenses represented a net expense of (€750) million. They primarily included PCD Automotive division restructuring costs totalling (€77) million, the restructuring costs of OV Automotive division totalling (€406) million – and Faurecia Group for (€28) million. Besides, the Group has impaired various assets used in business in Iran and has made provisions with a total amount in the profit of (€168) million.

The Group's net financial expenses stood at €(218) million, an increase of €(97) million compared to the first half of 2017. Net financial income and expenses are set out in Note 9 to the consolidated financial statements at 30 June 2018.

The **Income tax expense** amounted to €(409) million in the first half of 2018 compared with €(445) million in the first half of 2017. See Note 11 to the consolidated financial statements at 30 June 2018.

The **share in net earnings of companies at equity** totalled €73 million in the first half of 2018, compared to €112 million in the first half of 2017.

The contribution of the Dongfeng joint ventures (DPCA and DPCS) represented €12 million, up €37 million. Changan PSA Automobiles Co., Ltd (CAPSA) made a negative contribution of (€9) million in the first half of 2018. See Note 8.3 to the consolidated financial statements at 30 June 2018.

The contribution of the joint ventures under the partnership between Banque PSA Finance and Santander Consumer Finance amounted to €119 million, up €16 million. See Note 8.3 to the consolidated financial statements at 30 June 2018.

The contribution of the joint ventures under the partnership between Banque PSA Finance and BNP Paribas covering the financing activity of OV amounted to €72 million in the first half of 2018. See Note 8.3 to the consolidated financial statements at 30 June 2018.

Besides, the Group has fully impaired its investments in Saipa Citroen Company for a total impact of (€150) million in the Group's profit.

The **net income, Group share** of €1,481 million was up €226 million. **Earnings per share** came to €1.66 per share compared to €1.43 per share in the first half of 2017.

2.5. Banque PSA Finance*

The results (at 100%) of finance companies are the following :

<i>(in million euros)</i>	30 June 2017	30 June 2018	Change
Revenue	710	1,022	312
Net banking revenue	543	830	287
Cost of risk**	0.25%	0.12%	-0.13 pts
Recurring operating income	312	510	198
Penetration rate	29.3%	27%	-2.3 pts
Number of new contracts (leasing and financing)	419,500	555,500	+136,000

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

** As a percentage of net average net outstandings

2.6. Faurecia*

The results of Faurecia are the following :

<i>(in million euros)</i>	30 June 2017	30 June 2018	Change
Revenue	8,545	8,991	446
Recurring operating income	583	642	59
As a % of revenue	6.8%	7.1%	
Operating income (loss)	551	578	27
Net financial income (expense)	(65)	(68)	(3)
Consolidated profit (loss) for the period	360	391	31
Free cash flow	93	165	72
Net financial position	(646)**	(665)	(19)

* IFRS15 application with 2017 restated (excluding essentially monoliths)

** situation as of end 2017

More detailed information about Faurecia is provided in its half-year report, which can be downloaded from its website at www.faurecia.com.

2.7. Outlook

Market outlook

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

Operational outlook improved

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

- deliver over 4.5% Automotive recurring operating margin⁴ on average in 2016-2018, and target over 6% by 2021;
- deliver 10% Group revenue growth by 2018⁵ vs 2015, and target additional 15% by 2021⁵.

The objectives of the PACE ! plan for Opel Vauxhall are:

- deliver 2% Automotive recurring operating margin⁴ for OV by 2020, and target 6% by 2026;
- deliver positive operational Free Cash Flow by 2020⁶.

⁴ Recurring operating income related to revenue

⁵ At constant (2015) exchange rates and perimeter

⁶ Defined as ROI + D&A - restructuring - capex - Capitalized R&D - change in WRC

3. FINANCIAL POSITION AND CASH

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

The net financial position of manufacturing and sales companies are set out and described in Note 9 to the Group's consolidated financial statements at 30 June 2017.

The **net financial position of manufacturing and sales companies** at 30 June 2018 consisted of net cash of €8,257 million, and grew by €2,063 million compared to 31 December 2017. In this positive net cash position, Faurecia has a net debt of €665 million at 30 June 2018, compared to a net debt of €646 million at the end of December 2017.

The Group continued to actively manage its debt in the first half of 2018 with in particular the full redemption in March 2018 of the €700 million bond June 2022 by Faurecia. In order to extend the average maturity of its debt, Peugeot S.A. issued a bond of 650 M€ bond maturing in March 2025. Faurecia issued a bond of 700 M€ maturing in June 2025.

Liquidity reserves for the manufacturing and sales companies amounted to €19,547 million at 30 June 2018, versus €17,522 million at 31 December 2017, with €15,347 million in cash and cash equivalents, financial investments and current & non-current financial assets, and €4,200 million in undrawn lines of credit (see Note 9.3 to the consolidated financial statements at 30 June 2018).

3.2. Free cash flow from manufacturing and sales operations

Details of the free cash flow of manufacturing and sales companies can be found in Note 13 to the consolidated financial statements at 30 June 2018.

The free cash flow generated over the period stood at €2,577 million, €165 million of which was contributed by Faurecia. The free cash flow over the period mainly stemmed from:

- €4,214 million in cash flows generated by recurring operations of which a contribution of €716 million of OV;
- €(499) million in cash flows related to restructuring plans including €(255) million for OV;
- €1,170 million improvement in the working capital requirement, including €1,553 million in trade payables, (€ 257) million in trade receivables, and €(225) million in inventories. New vehicle inventory levels are presented below ; OV contribution amounts to €868 million ;
- €(2,193) million in capitalised capital expenditure and research & development, including Faurecia's share which represented €(636) million and the share of OV which represented €(427) million at 30 June 2018 and of which €(115) million in exceptional investments/asset disposals, including Faurecia's share which represented €(73) million at the end of June 2018. Total research and development expenses incurred increased at the end of June 2018 compared to end of June 2017 and are presented in Note 4 to the consolidated financial statements at 30 June 2018.

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

<i>(in thousands of new vehicles)</i>	30 June 2018	30 June 2017	30 June 2016
Group	134	119	139
Independent dealer network	278	255	260
TOTAL	412	374	399

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

<i>(in thousands of new vehicles)</i>	30 June 2018	30 June 2017	30 June 2016
Group	76	NA	NA
Independent dealer network	140	NA	NA
TOTAL	216	NA	NA

Excluding Free Cash Flow, the changes in net financial position represented €(514) 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 €(94) million.

3.3. Liquidity and funding of finance companies

The liquidity and funding of finance companies are discussed in Note 10.1 and 10.2 to the consolidated financial statements at 30 June 2018.

4. FACTORS AND UNCERTAINTIES

Main risk factors specific to the Group and its business

The Group operates in a profoundly changing environment not only in terms of technology, but also as regards modes of consumption and new entrants into the automotive industry. It is therefore exposed to risks that, if materialised, could have a significant adverse effect on its business, financial position, results or outlook. PSA Group pays close attention to ensuring that the risks inherent in its business lines are effectively managed across its various businesses. The Group's various operating units identify and assess risks and evaluate the related internal controls on an ongoing basis, in France and abroad, with annual reporting to the Executive Committee. (Faurecia has its own process). The principal specific risk factors to which the Group may be exposed are described in depth in the 2017 Registration Document (Chapter 1.5) that was published on March, 28th 2018, and include notably:

- **Operational risks**

They include risks related to the Group's economic and geopolitical environment, particularly in the United Kingdom where the Group is exposed to free trade agreements and currency movements (in 2017, Group sales in the UK represent up to 220,000 vehicles). A one point gross change in the pound sterling euro exchange rate has an impact of around €45 million on the Automotive recurring operating income. The long-term impact of the UK's exit from the European Union will depend on the exit terms and their consequences, which are not currently known. There are also risks related to the development, launch and sale of new vehicles (for example petrol/diesel mix), risks related to the emergence of new business models driven by new forms of mobility, customer and dealer risks, raw material risks, supplier risks, industrial risks, environmental risks, workplace health and safety risks, risks associated with cooperation agreements, risks associated with the strategic partnership with Dongfeng, risks related to the non-execution of the PACE plan, information system risks as well as the risks related to climate change.

- **Financial market risks**

The Group is exposed to liquidity risk, interest rate risk, exchange rate risk, counterparty risk, credit risk and other market risks related in particular to fluctuations in commodity prices. Note 12.7 to the consolidated financial statements at 31 December 2017 and Note 9.2 to the consolidated financial statements at 30 June 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 10 to the consolidated financial statements at 30 June 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 14 to the consolidated financial statements at 30 June 2018).

5. RELATED PARTY TRANSACTIONS

The Group's related party transactions are described in Notes 15 and 8.5 to the consolidated financial statements at 30 June 2018. 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.

III. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018

Contents

Interim Consolidated Statements of Income	12
Interim Consolidated Comprehensive Income	14
Interim Consolidated Balance Sheets	16
Interim Consolidated Statements of Cash Flows	18
Interim Consolidated Statement of Changes in Equity	20
Notes to the Consolidated Financial Statements	21

INTERIM CONSOLIDATED STATEMENTS OF INCOME

<i>(in million euros)</i>	Notes	First-half 2018			Total
		Manufacturing and sales companies	Finance companies	Eliminations	
Continuing operations					
Sales and revenue		38,545	61	(11)	38,595
Cost of goods and services sold		(30,865)	(36)	11	(30,890)
Selling, general and administrative expenses		(3,345)	(11)	-	(3,356)
Research and development expenses	4.1	(1,332)	-	-	(1,332)
Recurring operating income (loss)		3,003	14	-	3,017
Non-recurring operating income	4.2	49	-	-	49
Non-recurring operating expenses	4.2	(799)	-	-	(799)
Operating income (loss)		2,253	14	-	2,267
Financial income		61	3	-	64
Financial expenses		(283)	1	-	(282)
Net financial income (expense)	9.1	(222)	4	-	(218)
Income (loss) before tax of fully consolidated companies		2,031	18	-	2,049
Current taxes		(374)	(3)	-	(377)
Deferred taxes		(30)	(2)	-	(32)
Income taxes	11	(404)	(5)	-	(409)
Share in net earnings of companies at equity	8.3	(125)	198	-	73
Other expenses related to the non-transferred financing of operations to be continued in partnership		-	-	-	-
Consolidated profit (loss) from continuing operations		1,502	211	-	1,713
<i>Attributable to equity holders of the parent</i>		<i>1,272</i>	<i>209</i>	<i>-</i>	<i>1,481</i>
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		1,502	211	-	1,713
<i>Attributable to equity holders of the parent</i>		<i>1,272</i>	<i>209</i>	<i>-</i>	<i>1,481</i>
<i>Attributable to minority interests</i>		<i>230</i>	<i>2</i>	<i>-</i>	<i>232</i>
<i>(in euros)</i>					
Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 12.2.A)					1.66
Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 12.2.A)					1.66
Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 12.2.B)					1.58
Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 12.2.B)					1.58

First-half 2017 restated ⁽¹⁾				2017 restated ⁽¹⁾			
Manufacturing and sales companies	Finance companies	Eliminations	Total	Manufacturing and sales companies	Finance companies	Eliminations	Total
27,476	87	(11)	27,552	62,140	139	(23)	62,256
(21,685)	(59)	11	(21,733)	(49,797)	(98)	23	(49,872)
(2,696)	(13)	-	(2,709)	(6,047)	(27)	-	(6,074)
(1,073)	-	-	(1,073)	(2,332)	-	-	(2,332)
2,022	15	-	2,037	3,964	14	-	3,978
92	-	-	92	202	3	-	205
(204)	-	-	(204)	(1,106)	(3)	-	(1,109)
1,910	15	-	1,925	3,060	14	-	3,074
78	1	-	79	163	4	-	167
(199)	(1)	-	(200)	(404)	(1)	-	(405)
(121)	-	-	(121)	(241)	3	-	(238)
1,789	15	-	1,804	2,819	17	-	2,836
(301)	(11)	-	(312)	(552)	(13)	-	(565)
(138)	5	-	(133)	(137)	3	-	(134)
(439)	(6)	-	(445)	(689)	(10)	-	(699)
(1)	113	-	112	(9)	226	-	217
-	-	-	-	-	-	-	-
1,349	122	-	1,471	2,121	233	-	2,354
1,136	119	-	1,255	1,704	227	-	1,931
-	-	-	-	(7)	-	-	(7)
1,349	122	-	1,471	2,114	233	-	2,347
1,136	119	-	1,255	1,697	227	-	1,924
213	3	-	216	417	6	-	423
			1.43				2.18
			1.43				2.17
			1.39				2.05
			1.39				2.04

⁽¹⁾ These financial statements have been restated (see Note 1.3).

The 2017 financial statements have been restated applying IFRS 15. The impacts on the 2017 consolidated financial statements are presented in Note 1.3.

INTERIM CONSOLIDATED COMPREHENSIVE INCOME

<i>(in million euros)</i>	First-half 2018		
	Before tax	Income tax benefit (expense)	After tax
Consolidated profit (loss) for the period	2,122	(409)	1,713
Fair value adjustments to cash flow hedges	(16)	2	(14)
• of which, reclassified to the income statement	(7)	2	(5)
• of which, recognised in equity during the period	(9)	-	(9)
Gains and losses from remeasurement at fair value of available-for-sale financial assets	-	-	-
• of which, reclassified to the income statement	-	-	-
• of which, recognised in equity during the period	-	-	-
Exchange differences on translating foreign operations	(111)	-	(111)
Amounts to be potentially reclassified to profit or loss	(127)	2	(125)
Actuarial gains and losses on pension obligations	218	(57)	161
Amounts not to be reclassified to profit or loss	218	(57)	161
Total other amounts of comprehensive income (loss)	91	(55)	36
• of which, companies at equity	1	-	1
Total consolidated comprehensive income (loss) for the period	2,213	(464)	1,749
• of which, attributable to equity holders of the parent			1,527
• of which, attributable to minority interests			222

The consolidated comprehensive income corresponds to all changes in equity resulting from transactions with third parties other than shareholders.

First-half 2017 restated ⁽¹⁾			2017 restated ⁽¹⁾		
Before tax	Income tax benefit (expense)	After tax	Before tax	Income tax benefit (expense)	After tax
1,916	(445)	1,471	3,046	(699)	2,347
3	3	6	35	(8)	27
13	(2)	11	(4)	4	-
(10)	5	(5)	39	(12)	27
4	-	4	6	(1)	5
-	-	-	-	-	-
4	-	4	6	(1)	5
(256)	-	(256)	(421)	-	(421)
(249)	3	(246)	(380)	(9)	(389)
108	(33)	75	(104)	26	(78)
108	(33)	75	(104)	26	(78)
(141)	(30)	(171)	(484)	17	(467)
(62)	-	(62)	(113)	-	(113)
1,775	(475)	1,300	2,562	(682)	1,880
		1,145			1,571
		155			309

⁽¹⁾ These financial statements have been restated (see Note 1.3).

The 2017 financial statements have been restated applying IFRS 15. The impacts on the 2017 consolidated financial statements are presented in Note 1.3.

INTERIM CONSOLIDATED BALANCE SHEETS

ASSETS

<i>(in million euros)</i>	Notes	30 June 2018			Total
		Manufacturing and sales companies	Finance companies	Eliminations	
Goodwill		3,525	1	-	3,526
Intangible assets		8,602	54	-	8,656
Property, plant and equipment		14,657	3	-	14,660
Investments in equity-accounted companies	8	1,223	2,252	-	3,475
Other non-current financial assets		647	9	-	656
Other non-current assets		1,575	103	-	1,678
Deferred tax assets		847	10	-	857
Total non-current assets		31,076	2,432	-	33,508
Loans and receivables - finance companies	10.1.A	-	239	-	239
Short-term investments - finance companies		-	111	-	111
Inventories	5.1	7,514	-	-	7,514
Trade receivables - manufacturing and sales companies		2,599	-	(19)	2,580
Current taxes		432	14	-	446
Other receivables		2,979	67	(1)	3,045
Operating assets		13,524	431	(20)	13,935
Current financial assets		1,153	-	-	1,153
Financial investments		100	-	-	100
Cash and cash equivalents	9.4.A & 10.1.B	13,608	440	(10)	14,038
Total current assets		28,385	871	(30)	29,226
Total assets		59,461	3,303	(30)	62,734

EQUITY AND LIABILITIES

<i>(in million euros)</i>	Notes	30 June 2018			Total
		Manufacturing and sales companies	Finance companies	Eliminations	
Equity	12				
Share capital					905
Treasury stock					(270)
Retained earnings and other accumulated equity, excluding minority interests					14,975
Minority interests					2,332
Total equity					17,942
Non-current financial liabilities	9.4.B	4,828	-	-	4,828
Other non-current liabilities		5,796	-	-	5,796
Non-current provisions	7	1,558	-	-	1,558
Deferred tax liabilities		1,054	8	-	1,062
Total non-current liabilities		13,236	8	-	13,244
Financing liabilities - finance companies	10.2	-	371	(10)	361
Current provisions	7	4,818	116	-	4,934
Trade payables		14,842	-	-	14,842
Current taxes		307	2	-	309
Other payables		8,647	52	(20)	8,679
Operating liabilities		28,614	541	(30)	29,125
Current financial liabilities	9.4.B	2,423	-	-	2,423
Total current liabilities		31,037	541	(30)	31,548
Total equity and liabilities					62,734

		31 December 2017 restated ⁽¹⁾			
<i>(in million euros)</i>	<i>Notes</i>	Manufacturing and sales companies	Finance companies	Eliminations	Total
Goodwill		3,320	1	-	3,321
Intangible assets		8,122	54	-	8,176
Property, plant and equipment		13,215	3	-	13,218
Investments in equity-accounted companies	8	1,356	2,116	-	3,472
Other non-current financial assets		487	23	-	510
Other non-current assets		1,602	103	-	1,705
Deferred tax assets		795	13	-	808
Total non-current assets		28,897	2,313	-	31,210
Loans and receivables - finance companies	10.1.A	-	331	-	331
Short-term investments - finance companies		-	114	-	114
Inventories	5.1	7,383	-	-	7,383
Trade receivables - manufacturing and sales companies		2,460	-	(34)	2,426
Current taxes		338	15	-	353
Other receivables		2,687	85	(2)	2,770
Operating assets		12,868	545	(36)	13,377
Current financial assets		1,269	-	-	1,269
Financial investments		165	-	-	165
Cash and cash equivalents	9.4.A & 10.1.B	11,582	320	(8)	11,894
Total current assets		25,884	865	(44)	26,705
Total assets		54,781	3,178	(44)	57,915

		31 December 2017 restated ⁽¹⁾			
<i>(in million euros)</i>	<i>Notes</i>	Manufacturing and sales companies	Finance companies	Eliminations	Total
Equity	12				
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	9.4.B	4,778	-	-	4,778
Other non-current liabilities		4,280	-	-	4,280
Non-current provisions	7	1,596	-	-	1,596
Deferred tax liabilities		890	7	-	897
Total non-current liabilities		11,544	7	-	11,551
Financing liabilities - finance companies	10.2	-	415	(8)	407
Current provisions	7	4,663	119	-	4,782
Trade payables		13,362	-	-	13,362
Current taxes		225	9	-	234
Other payables		8,297	81	(36)	8,342
Operating liabilities		26,547	624	(44)	27,127
Current financial liabilities	9.4.B	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 (see Note 1.3).

The 2017 financial statements have been restated applying IFRS 15. The impacts on the 2017 consolidated financial statements are presented in Note 1.3.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in million euros)</i>	Notes	First-half 2018			Total
		Manufacturing and sales companies	Finance companies	Eliminations	
Consolidated profit (loss) from continuing operations		1,502	211	-	1,713
Adjustments for non-cash items:					
• Depreciation, amortisation and impairment		1,468	3	-	1,471
• Provisions		164	(2)	-	162
• Changes in deferred tax		18	2	-	20
• (Gains) losses on disposals and other		44	(3)	-	41
Share in net (earnings) losses of companies at equity, net of dividends received		161	(129)	-	32
Revaluation adjustments taken to equity and hedges of debt		(13)	(6)	-	(19)
Change in carrying amount of leased vehicles		371	-	-	371
Funds from operations		3,715	76	-	3,791
Changes in working capital	5.2	1,170	51	(1)	1,220
Net cash from (used in) operating activities of continuing operations		4,885	127	(1)	5,011
Proceeds from disposals of shares in consolidated companies and in equity investments		7	1	-	8
Capital increase and acquisitions of consolidated companies and equity investments		(244)	-	-	(244)
Proceeds from disposals of property, plant and equipment and of intangible assets		122	-	-	122
Investments in property, plant and equipment ⁽²⁾		(1,300)	-	-	(1,300)
Investments in intangible assets ⁽³⁾		(983)	(6)	-	(989)
Change in amounts payable on fixed assets		(63)	-	-	(63)
Other		153	-	-	153
Net cash from (used in) investing activities of continuing operations		(2,308)	(5)	-	(2,313)
Dividends paid:					
• To Peugeot S.A. shareholders		(474)	-	-	(474)
• To minority shareholders of subsidiaries		(94)	-	-	(94)
Proceeds from issuance of shares		25	-	-	25
(Purchases) sales of treasury stock		(5)	-	-	(5)
Changes in other financial assets and liabilities	9.2.B	(27)	-	-	(27)
Other		3	-	-	3
Net cash from (used in) financing activities of continuing operations		(572)	-	-	(572)
Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership ⁽⁴⁾	13.2	-	-	-	-
Effect of changes in exchange rates		(35)	(2)	-	(37)
Increase (decrease) in cash from continuing operations held for sale or to be continued in partnership		1,970	120	(1)	2,089
Net cash and cash equivalents at beginning of period		11,491	320	(8)	11,803
Net cash and cash equivalents of continuing operations at end of period	13.1	13,461	440	(9)	13,892

⁽²⁾ Of which for the manufacturing and sales activities, €278 million (€310 million in first-half 2017 and €743 million in 2017) for the Automotive Equipment segment, €815 million (€735 million in first-half 2017 and €1,462 million in 2017) for the Peugeot Citroën DS Automotive segment and €207 million (€144 million in 2017) for the Opel Vauxhall Automotive segment.

⁽³⁾ Of which for the manufacturing and sales activities, €90 million (€37 million in first-half 2017 and €134 million in 2017) for the Automotive division, excluding research and development.

⁽⁴⁾ Details of cash flows from operations to be continued in partnership are disclosed in Note 13.2.

First-half 2017 restated ⁽¹⁾				2017 restated ⁽¹⁾			
Manufacturing and sales companies	Finance companies	Eliminations	Total	Manufacturing and sales companies	Finance companies	Eliminations	Total
1,349	122	-	1,471	2,121	233	-	2,354
1,386	7	-	1,393	2,741	13	-	2,754
(215)	(20)	-	(235)	225	(5)	-	220
138	(5)	-	133	137	(3)	-	134
(54)	(1)	-	(55)	(134)	(5)	-	(139)
226	(30)	-	196	240	(88)	-	152
(48)	(17)	-	(65)	28	-	-	28
178	-	-	178	(90)	-	-	(90)
2,960	56	-	3,016	5,268	145	-	5,413
87	5	-	92	(55)	(82)	1	(136)
3,047	61	-	3,108	5,213	63	1	5,277
44	1	-	45	81	4	-	85
(268)	4	-	(264)	(840)	(525)	270	(1,095)
95	7	-	102	323	-	-	323
(1,044)	-	-	(1,044)	(2,351)	-	-	(2,351)
(821)	(11)	-	(832)	(1,753)	(16)	-	(1,769)
(36)	-	-	(36)	(239)	-	-	(239)
99	2	-	101	66	2	-	68
(1,931)	3	-	(1,928)	(4,713)	(535)	270	(4,978)
(431)	-	-	(431)	(431)	-	-	(431)
(86)	-	-	(86)	(129)	(6)	-	(135)
288	-	-	288	305	270	(270)	305
-	-	-	-	(137)	-	-	(137)
898	-	(1)	897	43	-	(1)	42
-	-	-	-	2	-	-	2
669	-	(1)	668	(347)	264	(271)	(354)
-	-	-	-	(7)	-	-	(7)
(58)	(1)	-	(59)	(119)	(2)	-	(121)
1,727	63	(1)	1,789	27	(210)	-	(183)
11,464	530	(8)	11,986	11,464	530	(8)	11,986
13,191	593	(9)	13,775	11,491	320	(8)	11,803

⁽¹⁾ The 2017 financial statements have been restated applying IFRS 15. The impact resulted in a reclassification between the change in working capital (decrease) and the funds from operations (increase in the net depreciation provision): €33 million at 30 June 2017 and €63 million at 31 December 2017 (see Note 1.3).

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in million euros)	Revaluations - excluding minority interests							Equity - Attributable to equity holders of the parent	Equity - Minority interests	Total equity
	Share capital	Treasury stock	Retained earnings excluding revaluations	Cash flow hedges	Available- for-sale financial assets	Actuarial gains and losses on pension obligations	Translation adjust- ments			
At 31 December 2016 reported in February 2017	860	(238)	12,108	6	18	(31)	(66)	12,657	1,961	14,618
First enforcement 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 - first-half 2017	-	-	1	-	-	-	-	1	(1)	-
Income and expenses recognised in equity for the period	-	-	1,256	(1)	4	65	(180)	1,144	156	1,300
Measurement of stock options and performance share grants	-	-	14	-	-	-	-	14	6	20
Effect of changes in scope of consolidation and other	-	-	13	-	-	-	-	13	28	41
Issuance of shares	45	-	243	-	-	-	-	288	-	288
Purchases and sales of treasury stock	-	-	(19)	-	-	-	-	(19)	(21)	(40)
Dividends paid by Peugeot S.A.	-	-	(431)	-	-	-	-	(431)	-	(431)
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(113)	(113)
At 30 June 2017 restated ⁽¹⁾	905	(238)	13,203	5	22	34	(246)	13,685	1,992	15,677
Effect of IFRS 15 - second-half 2017	-	-	(4)	-	-	-	-	(4)	(4)	(8)
Income and expenses recognised in equity for the period	-	-	673	23	1	(145)	(122)	430	158	588
Measurement of stock options and performance share grants	-	-	15	-	-	-	-	15	5	20
Repurchase of treasury stock	-	(116)	(18)	-	-	-	-	(134)	(22)	(156)
Effect of changes in scope of consolidation and other	-	-	(19)	-	-	-	-	(19)	(1)	(20)
Issuance of shares	-	-	-	-	-	-	-	-	17	17
'Equity warrants Peugeot SA equity warrants delivered to General Motors	-	-	541	-	-	-	-	541	-	541
Treasury shares delivered to employees	-	84	(34)	-	-	-	-	50	21	71
Dividends paid by Peugeot S.A.	-	-	-	-	-	-	-	-	-	-
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(24)	(24)
At 31 December 2017 restated ⁽¹⁾	905	(270)	14,357	28	23	(111)	(368)	14,564	2,142	16,706
First enforcement of IFRS 9	-	-	31	-	(23)	-	-	8	-	8
At 1st January 2018 ⁽²⁾	905	(270)	14,388	28	-	(111)	(368)	14,572	2,142	16,714
Income and expenses recognised in equity for the period	-	-	1,481	(9)	-	148	(93)	1,527	222	1,749
Measurement of stock options and performance share grants	-	-	18	-	-	-	-	18	6	24
Dividends relating to the equity warrants granted to General Motors	-	-	(18)	-	-	-	-	(18)	-	(18)
Effect of changes in scope of consolidation and other	-	-	(13)	-	-	-	-	(13)	58	45
Issuance of shares	-	-	-	-	-	-	-	-	25	25
Treasury shares	-	-	(2)	-	-	-	-	(2)	(3)	(5)
Dividends paid by Peugeot S.A.	-	-	(474)	-	-	-	-	(474)	-	(474)
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(118)	(118)
At 30 June 2018	905	(270)	15,380	19	-	37	(461)	15,610	2,332	17,942

⁽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

Six months ended 30 June 2018

Note 1 - Accounting Policies	22
Note 2 - Scope of Consolidation	27
Note 3 - Segment Information.....	27
Note 4 - Operating Income	30
Note 5 - Requirements in Working Capital of Manufacturing and Sales Companies	31
Note 6 - Employee Benefits Expense	32
Note 7 - Current and Non-Current Provisions	33
Note 8 - Investments in Equity-Accounted Companies	33
Note 9 - Financing and Financial Instruments – Manufacturing and Sales Companies	38
Note 10 - Financing and Financial Instruments – Finance Companies	42
Note 11 - Income Taxes	42
Note 12 - Equity and Earnings per Share	43
Note 13 - Notes to the Consolidated Statements of Cash Flows	45
Note 14 - Contingent Liabilities	46
Note 15 - Related Parties Transactions	46
Note 16 - Subsequent Events	47

Preliminary note

The interim consolidated financial statements for the six months ended 30 June 2018 and related notes were approved by the Managing Board of Peugeot S.A. on 18 July 2018.

NOTE 1 - ACCOUNTING POLICIES

1.1. STANDARDS APPLIED

The PSA Group's condensed interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting, which provides for the presentation of a selected number of explanatory notes. These condensed interim consolidated financial statements should be read and understood in conjunction with the 2017 consolidated financial statements.

The PSA Group's consolidated financial statements for the year ended 31 December 2017 and for the half-year ended 30 June 2018 were prepared in accordance with International Financial Reporting Standards (IFRS), adopted for use in the European Union. They also comply with International Financial Reporting Standards (IFRS) adopted by the IASB and IFRS Interpretation Committee interpretations, inasmuch as the provision of IAS 39 unadopted by the European Union does not affect the PSA Group's financial statements.

The interim consolidated financial statements for the period ended 30 June 2018 for the PSA Group have been prepared using the same accounting policies as those used for the financial year ended 31 December 2017, except for the new IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments", applicable from 1 January 2018 (see Notes 1.2 and 1.3).

As for the application of IFRS 16 (applicable from 1 January 2019), the Group has chosen the contract monitoring tool that provides for accounting for the impacts of the standard. During the second half of the year the Group will continue to implement the tool.

1.2. IMPACTS OF THE FIRST APPLICATION OF IFRS 15 AND IFRS 9 – ACCOUNTING PRINCIPLES

The Group has chosen to apply IFRS 15 retrospectively. The opening and closing balance sheets for 2017, as well as the income statement for 2017, have been restated.

For IFRS 9, the Group has decided to apply the three phases on a prospective basis. The 2018 opening balance sheet has been restated.

The applicable accounting principles for 2018 applying IFRS 15 and IFRS 9 are described below.

A. Revenue

IFRS 15 "Revenue from Contracts with Customers" bases the recognition of revenue on the transfer of control, while IAS18 "Revenue" based it on the transfer of risks and rewards.

(1) Manufacturing and sales companies

(a) Peugeot Citroën DS and Opel – Vauxhall Automotive segments

The application of the new standard had no material impact on the consolidated financial statements.

The bulk of automotive business revenue is from the sale of new and used vehicles, and the sale of spare parts. For these activities, the transfer of control takes place at the same time as the transfer of risks and rewards. Sales incentives are carried as deductions from revenue.

The Group offers its customers services (mainly maintenance contracts and extended warranties), whether for consideration or free of charge, that are recognised over the service period.

Vehicles sold with buyback commitments with a significant probability of return continue to be recognised as leases.

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

The warranties provided to end customers are designed to cover defects in the vehicles sold. As these are warranties in the form of insurance, provisions are made for them.

(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 monoliths¹, products ordered by customers on which the Group acts as an agent according to IFRS 15, are no longer recognised in revenue.

Concerning equipment, 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 capitalised in intangible assets.

(2) Finance segment

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.

B. Financial instruments

(1) Manufacturing and sales companies

The event generating the balance sheet recognition is the transaction (i.e. commitment) date, and not the settlement date.

(a) Measurement and recognition 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.

▪ Financial assets classified 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.

▪ Financial assets “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 balance sheet 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 balance sheet date.

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

(b) Measurement and recognition of financial liabilities

IFRS 9 has not introduced changes to the evaluation and recognition of financial liabilities.

(c) Recognition of hedging instruments

In IFRS 9, as in IAS 39, derivative instruments are recognised at their fair value on the balance sheet. 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 types of 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).

(2) Finance segment

(a) Financial assets and liabilities - definitions

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

(b) Measurement and recognition of financial assets

- **Financial assets classified 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 balance sheet 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 1.2.B.(1).(c)).

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.

▪ **Financial assets “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) Measurement and recognition of financial liabilities

IFRS 9 has not introduced changes to the evaluation and recognition of financial liabilities.

1.3. IMPACT OF THE FIRST APPLICATION OF IFRS 15 AND IFRS 9 – IMPACT ON THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

A. Consolidated Statements of Income

<i>(in million euros)</i>	First-half 2017 Reported in July 2017	IFRS 15 impact in first- half 2017	First-half 2017 Reported in July 2018	2017 Reported in February 2018	IFRS 15 impact in 2017	2017 Reported in July 2018
Continuing operations						
Sales and revenue	29,165	(1,613)	27,552	65,210	(2,954)	62,256
Recurring operating income (loss)	2,041	(4)	2,037	3,991	(13)	3,978
Operating income (loss)	1,929	(4)	1,925	3,087	(13)	3,074
Income (loss) before tax of fully consolidated companies	1,808	(4)	1,804	2,849	(13)	2,836
Consolidated profit (loss) from continuing operations	1,474	(3)	1,471	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	1,474	(3)	1,471	2,358	(11)	2,347
Attributable to equity holders of the parent	1,256	(1)	1,255	1,929	(5)	1,924
Attributable to minority interests	218	(2)	216	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, and €3,219 million for the Automotive Equipment segment (respectively €1,613 million and €1,745 million at 30 June 2017). The impact is only from the Automotive Equipment segment and mainly concerns sales of monoliths² by Faurecia, products ordered by customers for whom Faurecia is considered an agent.

B. Consolidated Balance Sheets

ASSETS

<i>(in million euros)</i>	At 31 December 2017 Reported in February 2018	IFRS 15 impact in 2017	At 31 December 2017 Reported in July 2018	IFRS 9 impact	At 1 st January 2018 IFRS 9 & 15 restated
Total non-current assets	31,006	204	31,210	11	31,221
Operating assets	13,171	206	13,377	(3)	13,374
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	206	26,705	(3)	26,702
Total assets	57,505	410	57,915	8	57,923

² Monoliths are precious metals and ceramics used in emission control systems.

EQUITY AND LIABILITIES

	At 31 December 2017 Reported in February 2018	IFRS 15 impact in 2017	At 31 December 2017 Reported in July 2018	IFRS 9 impact	At 1st January 2018 IFRS 9 & 15 restated
<i>(in million euros)</i>					
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

C. Consolidated Statements of Cash Flows

	First-half 2017 Reported in July 2017	IFRS 15 impact in first- half 2017	First-half 2017 Reported in July 2018	2017 Reported in February 2018	IFRS 15 impact in 2017	2017 Reported in July 2018
<i>(in million euros)</i>						
Funds from operations	2,983	33	3,016	5,350	63	5,413
Changes in working capital	125	(33)	92	(73)	(63)	(136)
Net cash from (used in) operating activities of continuing operations	3,108	-	3,108	5,277	-	5,277
Net cash from (used in) investing activities of continuing operations	(1,928)	-	(1,928)	(4,978)	-	(4,978)
Net cash from (used in) financing activities of continuing operations	668	-	668	(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	(59)	-	(59)	(121)	-	(121)
Increase (decrease) in cash from continuing operations held for sale or to be continued in partnership	1,789	-	1,789	(183)	-	(183)
Net cash and cash equivalents at beginning of period	11,986	-	11,986	11,986	-	11,986
Net cash and cash equivalents of continuing operations at end of period	13,775	-	13,775	11,803	-	11,803

The 2017 figures included in the notes to the financial statements at 30 June 2018 have been restated of the impact of the first application of IFRS 15.

1.4. USE OF ESTIMATES AND ASSUMPTIONS

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

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

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

The points for attention used in the preparation of the 2018 interim financial statements are the same as those used for the 2016 annual financial statements.

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

- Fair value of the assets acquired and liabilities assumed in the course of a business combination, relating to the acquisition of the Opel Vauxhall operations;
- The recoverable amount of the Peugeot Citroën DS and Opel Vauxhall Automotive segments' intangible assets and property, plant and equipment, and the recoverable amount of investments in companies at equity;
- 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. Overall, this analysis led to a prolongation of amortisation periods, leading to a decrease in amortisation expense for the Peugeot Citroën DS Automotive segment in the amount of €70 million for the half-year.
- Provisions (particularly restructuring provisions, pensions, warranty provisions for new cars as well as claims and litigation);
- Sales incentives;
- Residual values of vehicles sold with buyback commitment;
- Deferred tax assets.

NOTE 2 - SCOPE OF CONSOLIDATION

The Group consists of the Peugeot S.A. holding company, listed on Euronext, and its affiliates. Subsidiaries are consolidated in accordance with Note 3.1 of the consolidated financial statements for 2017.

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;
- The Opel Vauxhall Automotive segment, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Opel and Vauxhall brands. It mainly comprises wholly owned subsidiaries;
- The Automotive Equipment segment, corresponding to the Faurecia group comprising the Interior Systems, the Automotive Seating and the Clean Mobility businesses. Faurecia is listed on Euronext. Peugeot S.A. holds 46.34% of Faurecia's capital and 63.10% 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 and Opel Vauxhall brands as well as 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 Motorcycles) both consolidated by the equity method.

	30 June 2018	31 December 2017
Fully consolidated companies		
Manufacturing and sales companies	333	317
Finance companies	18	18
	351	335
Joint operations		
Manufacturing and sales companies	3	3
Companies at equity		
Manufacturing and sales companies	56	55
Finance companies	41	43
	97	98
Consolidated companies	451	436

There was no significant change in the scope of consolidation during the half-year.

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 is recurring operating income.

The definition of operating sectors is provided in Note 2.

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

BUSINESS SEGMENTS

The balances 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. For the other segments, as cash positions and taxes are managed jointly in some countries, only operating income, share in net earnings of equity-accounted companies and profit (loss) from operations held for sale or to be continued in partnership are presented by segment.

All intersegment commercial transactions are carried out on an arm's length.

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 makes 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.

First-half 2018 <i>(in million euros)</i>	Automotive		Automotive equipment	Other businesses	Finance companies		Eliminations and unallocated ⁽¹⁾	Total
	Peugeot Citroën DS	Opel Vauxhall			100%	Reconciliation		
Sales and revenue								
• third parties	21,511	9,201	7,833	-	928	(878)	-	38,595
• intragroup, intersegment	638	745	1,158	62	94	-	(2,697)	-
Total ⁽²⁾	22,149	9,946	8,991	62	1,022	(878)	(2,697)	38,595
Recurring operating income (loss)	1,873	502	642	5	510	(496)	(19)	3,017
Non-recurring operating income	45	4	-	-	-	-	-	49
Restructuring costs	(77)	(406)	(28)	(7)	(3)	3	-	(518)
Impairment loss on CGUs, provisions for onerous contracts and other	(168)	(70)	(17)	-	-	-	-	(255)
Other non-recurring operating expenses	(7)	-	(19)	-	(1)	1	-	(26)
Operating income (loss)	1,666	30	578	(2)	506	(492)	(19)	2,267
Net financial income (expense)			(68)		19	(15)	(154)	(218)
Income taxes expense			(136)		(146)	141	(268)	(409)
Share in net earnings of companies at equity	(155)	-	17	13	7	191	-	73
Consolidated profit (loss) from continuing operations			391		386	(175)		1,713
Profit (loss) from operations held for sale or to be continued in partnership			-	-	-	-		-
Consolidated profit (loss) for the period			391		386	(175)		1,713
Capital expenditure ⁽³⁾ <i>(excluding sales with a buyback commitment)</i>	1,387	306	590	-	14	(8)		2,289

⁽¹⁾ The "Eliminations and unallocated" column includes eliminations of intersegment sales between the Finance companies and the other segments (€83 million).

⁽²⁾ of which a revenue of €21,296 million for manufacturer's activity of the Peugeot Citroën DS Automotive segment.

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

In the first-half of 2018, on a fully consolidated basis, Banque PSA Finance (Finance segment) generated net banking revenue of €830 million. Net provision expense (cost of risk) amounted to €20 million in the first-half 2018.

In the first-half of 2018, according to the IFRS standards, Banque PSA Finance (Finance segment) reported net banking revenue of €25 million.

First-half 2017 restated ⁽¹⁾				Finance companies			
<i>(in million euros)</i>	Automotive	Automotive equipment	Other businesses	100%	Reconciliation	Eliminations and unallocated ⁽²⁾	Total
Sales and revenue							
• third parties	19,886	7,589	1	644	(568)	-	27,552
• intragroup, intersegment	1	956	48	66	-	(1,071)	-
Total ⁽³⁾	19,887	8,545	49	710	(568)		27,552
Recurring operating income (loss)	1,442	583	2	312	(297)	(5)	2,037
Non-recurring operating income	69	3	20	-	-	-	92
Restructuring costs	(109)	(31)	-	-	-	-	(140)
Impairment loss on CGUs, provisions for onerous contracts and other	(60)	-	-	-	-	-	(60)
Other non-recurring operating expenses	-	(4)	-	-	-	-	(4)
Operating income (loss)	1,342	551	22	312	(297)	(5)	1,925
Net financial income (expense)		(65)				(56)	(121)
Income taxes expense		(144)		(102)	96	(295)	(445)
Share in net earnings of companies	(24)	18	5	10	103	-	112
Consolidated profit (loss) from continuing operations		360		220	(98)		1,471
Profit (loss) from operations held for sale or to be continued in partnership	-	-	-	-	-	-	-
Consolidated profit (loss) for the period		360		220	(98)		1,471
Capital expenditure							
<i>(excluding sales with a buyback commitment)</i>	1,340	525	-	17	(6)		1,876

⁽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 (€55 million).

⁽³⁾ of which a revenue of €19,129 million for manufacturer's activity of the Automotive division.

In the first-half of 2017, on a fully consolidated basis, Banque PSA Finance (Finance segment) generated net banking revenue of €543 million. Net provision expense (cost of risk) amounted to €28 million in the first-half 2017.

In the first-half of 2017, according to the IFRS standards, Banque PSA Finance (Finance segment) reported net banking revenue of €31 million. Net provision expense (cost of risk) amounted to €3 million in the first-half 2017.

2017 restated ⁽¹⁾	Automotive		Automotive equipment	Other businesses	Finance companies		Eliminations and unallocated ⁽²⁾	Total
<i>(in million euros)</i>	Citroën DS	Vauxhall			100%	Reconciliation		
Sales and 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 loss on CGUs, provisions for onerous contracts and other	(96)	-	-	-	-	-	-	(96)
Other non-recurring operating expenses	(11)	(38)	(14)	4	(14)	11	-	(62)
Operating income (loss)	2,609	(655)	1,060	48	620	(606)	(2)	3,074
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 held for sale or to be continued in partnership			(7)	-	-	-	-	(7)
Consolidated profit (loss) for the period			696		437	(204)		2,347
Capital expenditure ⁽⁴⁾								
<i>(excluding sales with a buyback commitment)</i>	2,717	169	1,217	-	30	(13)		4,120

⁽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.

⁽⁴⁾ The capital expenditure of the Peugeot Citroën DS and Opel Vauxhall Automotive segments relates to capital expenditure incurred for the production of Peugeot Citroën DS and Opel Vauxhall vehicles.

In 2017, on a fully consolidated basis, Banque PSA Finance (Finance 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 segment) reported net banking revenue of €46 million. Net provision expense (cost of risk) amounted to €5 million.

NOTE 4 - OPERATING INCOME

4.1. RESEARCH AND DEVELOPMENT EXPENSES

<i>(in million euros)</i>	First-half 2018	First-half 2017	2017
Total expenditure ⁽¹⁾	(1,719)	(1,346)	(2,932)
Capitalised development expenditure ⁽²⁾	910	743	1,536
Non-capitalised expenditure	(809)	(603)	(1,396)
Amortisation of capitalised development expenditure	(523)	(470)	(936)
Total	(1,332)	(1,073)	(2,332)

⁽¹⁾ Including €1,010 million for the Peugeot Citroën DS Automotive segment (€1,116 million in first-half 2017 and €2,055 million in 2017), €436 million for the Opel Vauxhall automotive segment (€408 million in 2017) and €273 million for Faurecia (€230 million in first-half 2017 and €469 million in 2017).

⁽²⁾ In addition to this expenditure, borrowing costs are capitalised pursuant to IAS 23 - Borrowing Costs.

4.2. NON-RECURRING OPERATING INCOME AND EXPENSES

<i>(in million euros)</i>	<i>Notes</i>	First-half 2018	First-half 2017	2017
Net gains on disposals of real estate assets		39	64	164
Reversal of impairment loss on CGUs, other assets and provisions for onerous contracts of the Peugeot Citroën DS Automotive segment	4.2.A.(1)	10	5	12
Reversal of impairment loss on CGUs, other assets and provisions for onerous contracts of the Opel Vauxhall Automotive segment		-	-	1
Other non-recurring operating income on other CGUs		-	23	28
Total non-recurring operating income		49	92	205
Impairment loss on CGUs, other assets and provisions for onerous contracts of the Peugeot Citroën DS Automotive segment	4.2.A.(1)	(175)	(60)	(107)
Impairment loss on CGUs, other assets and provisions for onerous contracts of the Opel Vauxhall Automotive segment	4.2.A.(2)	(70)	-	(38)
Impairment loss on Faurecia CGUs and other Faurecia assets	4.2.A.(3)	(36)	-	-
Restructuring costs	4.2.B	(518)	(140)	(951)
Other non-recurring operating expenses <i>(excluding Automotive and Automotive Equipment Divisions)</i>		-	(4)	(13)
Total non-recurring operating expenses		(799)	(204)	(1,109)

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

(1) Peugeot Citroën DS Automotive segment

The assets of the Peugeot Citroën DS Automotive segment's CGU, as well as the Russia and Latin America CGUs and the Vehicle CGUs, were tested for impairment as of 31 December 2017.

Peugeot Citroën DS CGU Automotive segment

There were no indications of impairment losses on this CGU during the half-year.

Vehicle CGUs and other automotive assets

There were no indications of impairment losses on this CGU and on the other Automotive assets during the half-year.

Following the US withdrawal from the JCPOA³ announced on May 8th, 2018, the Group has begun to suspend the activities of its Iranian JVs, in order to comply with US law by August 6th, 2018. In this context, the Group impaired various assets used in business in Iran, and made provisions up to a total amount of €168 million.

(2) Opel Vauxhall Automotive segment

There were no indications of impairment losses, therefore no impairment tests were carried out for the Opel Vauxhall Automotive CGU.

³ Joint Comprehensive Plan of Action signed in Vienna

(3) Impairment test on Faurecia group CGUs and other assets

Faurecia group CGUs and Faurecia CGU at PSA Group

There were no indications that the Faurecia CGUs might be impaired at 30 June 2018 and therefore no impairment tests were performed at that date.

Following the US withdrawal from the JCPOA⁴ announced on May 8th, 2018, the Group has begun to suspend the activities of its Iranian JVs, in order to comply with US law by August 6th, 2018. In this context, Faurecia impaired various assets used in business in Iran for a total amount of €17 million.

The market value of Faurecia securities at 30 June 2018 covers the value of Faurecia's net assets in the Groupe PSA's financial statements.

B. Restructuring costs

Restructuring costs consist mainly of workforce reductions.

<i>(in million euros)</i>	First-half 2018	First-half 2017	2017
Peugeot Citroën Automotive segment	(77)	(109)	(426)
Opel Vauxhall Automotive segment	(406)	-	(440)
Automotive Equipment segment	(28)	(31)	(86)
Other businesses segment	(7)	-	1
Total	(518)	(140)	(951)

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

5.1. INVENTORIES

<i>(in million euros)</i>	30 June 2018	30 June 2017	31 December 2017
Raw materials and supplies	1,196	754	1,119
Semi-finished products and work-in-progress	1,166	1,132	1,081
Goods for resale and used vehicles	898	655	1,121
Finished products and replacement parts	4,254	2,192	4,062
Total	7,514	4,733	7,383
• of which at cost	8,009	5,124	7,876
• of which allowances	(495)	(391)	(493)
<i>Of which Opel Vauxhall Automotive segment</i>	<i>2,413</i>	<i>-</i>	<i>2,862</i>

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

<i>(in million euros)</i>	30 June 2018	30 June 2017	31 December 2017
(Increase) decrease in inventories	(225)	(525)	(229)
(Increase) decrease in trade receivables	(257)	(920)	(478)
Increase (decrease) in trade payables	1,553	1,385	1,179
Change in income taxes	(21)	(56)	(124)
Other changes	120	203	(403)
	1,170	87	(55)
<i>Net cash flows with Groupe PSA finance companies</i>	<i>(10)</i>	<i>9</i>	<i>17</i>
Total	1,160	96	(38)

⁴ Joint Comprehensive Plan of Action signed in Vienna

NOTE 6 - EMPLOYEE BENEFITS EXPENSE

6.1. PENSIONS

A. Assumptions

The rates used to calculate the Group's pension obligation on the balance sheet date are as follows:

	Euro zone	United-Kingdom
Discount Rate		
June 2018	1.85 %	2.90 %
December 2017	1.60 %	2.60 %
June 2017	1.90 %	2.75 %
Inflation Rate		
June 2018	1.80 %	3.10 %
December 2017	1.80 %	3.20 %
June 2017	1.80 %	3.25 %

The impact of changes in assumptions is reported under the consolidated comprehensive income.

B. Analysis at 30 June 2018

	30 June 2018					31 December 2017				
	France	United Kingdom	Germany	Other	Total	France	United Kingdom	Germany	Other	Total
<i>(in million euros)</i>										
Present value of projected benefit obligation	(1,424)	(2,092)	(3,002)	(579)	(7,097)	(1,498)	(2,274)	(3,024)	(554)	(7,350)
Fair value of external funds	849	2,675	2,669	324	6,517	859	2,764	2,704	297	6,624
Net (liability) asset recognised in the balance sheet before minimum funding requirement (IFRIC 14)	(575)	583	(333)	(255)	(580)	(639)	490	(320)	(257)	(726)
(IFRIC 14)	-	(39)	-	-	(39)	-	(37)	-	-	(37)
Net (liability) asset recognised in the balance sheet	(575)	544	(333)	(255)	(619)	(639)	453	(320)	(257)	(763)
Of which, liability (Note 7)	(598)	(145)	(333)	(271)	(1,347)	(663)	(134)	(320)	(276)	(1,393)
Of which, asset	23	689	-	16	728	24	587	-	19	630
<i>Of which, unfunded plans</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>9.9%</i>	<i>0.8%</i>	<i>0.3 %</i>	<i>0.0%</i>	<i>0.0%</i>	<i>15.4 %</i>	<i>1.2 %</i>

6.2. SHARE-BASED PAYMENT

A. Peugeot S.A. performance share plans

(1) Performance share plans 2015, 2016 and 2017

The personnel expense associated with the 2015, 2016 and 2017 plans, measured in accordance with IFRS 2, was €9.5 million for the first-half 2018, excluding payroll taxes.

(2) Performance share plan 2018

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. As of 30 June 2018, 1,917,531 shares are potentially attributable to the beneficiaries of the plan.

The personnel expense associated with this plan, measured in accordance with IFRS 2, was €2.3 million for the first-half 2018, excluding payroll taxes.

B. Faurecia performance share plan

At 30 June 2018, two performance share plans were in force, implemented by the Board of Directors at its meetings of dated 25 July 2016 and 20 July 2017.

The personnel expense associated with this plan, measured in accordance with IFRS 2, was €11.6 million for the first-half 2018, excluding payroll taxes.

The performance conditions of the plan awarded by the Board at its meeting of 28 July 2014 have been met; the corresponding 738,600 shares will be allocated in July 2018. The performance conditions of the plan awarded by the Board at its meeting of 23 July 2015 have been met; the corresponding 623,746 shares will be allocated in July 2019.

NOTE 7 - CURRENT AND NON-CURRENT PROVISIONS

<i>(in million euros)</i>	31 December 2017	Additions	Releases (used provisions)	Releases (unused provisions)	Recognised in equity during the period	Change in scope of consolidation and other	30 June 2018
Pensions (Note 6.1)	1,393	114	(45)	(2)	(138)	25	1,347
Other employee benefit obligations and other	203	21	(25)	(1)	-	13	211
Total non-current provisions	1,596	135	(70)	(3)	(138)	38	1,558
Warranties	1,446	408	(368)	(81)	-	(8)	1,397
Commercial and tax claims and litigations	717	184	(28)	(60)	-	19	832
Restructuring plans ⁽¹⁾	1,321	257	(250)	(10)	-	17	1,335
Long-term and operating contract losses	466	193	(130)	(16)	-	26	539
Other	832	116	(98)	(17)	-	(2)	831
Total current provisions	4,782	1,158	(874)	(184)	-	52	4,934
<i>Of which Opel Vauxhall Automotive segment</i>	<i>1,857</i>						<i>2,252</i>

⁽¹⁾ The main additions for restructuring plans in 2018 are discussed in Note 4.2.B.

NOTE 8 - INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Companies accounted for by the equity method include:

- Automotive joint ventures with Dong Feng Motor Group (see Note 8.4.A) and Changan (see Note 8.4.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 8.4.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 8.4.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.

At the closing date, Banque PSA Finance paid €488.8 million for the acquisition of its 50% share in GM Financial's European financing activities (see Note 2.2 to the 2017 consolidated financial statements). This price is inferior by €14 million (attributable to owners of the parent) to the value of the share of net assets acquired and, at 30 June 2018, work on identifying and measuring the fair value of the assets and liabilities has been completed.

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

<i>(in million euros)</i>	First-half 2018	2017
At beginning of period	3,472	3,014
Dividends and profit (loss) transferred	(105)	(369)
Share of net earnings	73	217
Newly consolidated companies	-	555
Capital increase (reduction)	17	57
Changes in scope of consolidation and other	20	108
Translation adjustment	(2)	(110)
At period-end	3,475	3,472
Of which Dongfeng Peugeot Citroën Automobile goodwill	78	75
Of which Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill	3	2
Of which Saipa Citroën goodwill	-	90
Of which Gefco goodwill	57	57

8.2. SHARE IN NET ASSETS OF EQUITY-ACCOUNTED COMPANIES

<i>(in million euros)</i>	Latest % interest	First-half 2018	2017
Dongfeng Motor Group cooperation agreement :		911	897
• Dongfeng Peugeot Citroën Automobile ⁽¹⁾	50 %	890	868
• Dongfeng Peugeot Citroën Automobile Sales Co	50 %	21	17
• Dongfeng Peugeot Citroën International Co	50 %	-	12
Changan cooperation agreement : Changan PSA Automobiles Co., Ltd	50 %	(200)	(190)
• Iran Khodro Automobiles Peugeot	50 %	-	-
• Saipa Citroën Company	50 %	-	140
• Other		9	11
Other		9	151
Automotive		720	858
Automotive equipment		146	136
GEFCO ⁽¹⁾	25 %	157	156
Peugeot Scooters	49 %	-	-
Other activities		157	156
Manufacturing and sales activities		1,023	1,150
Santander Consumer Finance cooperation agreement	50 %	1,597	1,535
BNP Paribas cooperation agreement	50 %	557	493
Dongfeng Peugeot Citroën Automobile Finance Company Ltd ⁽¹⁾	25 %	98	88
Finance activities		2,252	2,116
Total		3,275	3,266

⁽¹⁾ Including goodwill (see Note 8.1)

The Group's share of the net assets of equity-accounted companies breaks down into €3,475 million (€3,472 million at 31 December 2017) related to companies with positive net equity, reported under "Investments in equity-accounted companies", less €200 million for companies with negative net equity (€206 million of negative equity at 31 December 2017).

Following the US withdrawal from the JCPOA⁵ announced on May 8th, 2018, the Group has begun to suspend the activities of its Iranian JVs, in order to comply with US law by August 6th, 2018. In this context, investments in Saipa Citroën Company were fully impaired for €152 million. Investments in Iran Khodro Automobiles Peugeot remain fully impaired at 30 June 2018.

⁵ Joint Comprehensive Plan of Action signed in Vienna

8.3. SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES

(in million euros)	Latest % interest	First-half 2018	First-half 2017	2017
Dongfeng Motor Group cooperation agreement :		12	(25)	(30)
• Dongfeng Peugeot Citroën Automobile ⁽¹⁾	50 %	9	(14)	(14)
• Dongfeng Peugeot Citroën Automobile Sales Co	50 %	3	(11)	(16)
Changan cooperation agreement : Changan PSA Automobiles Co., Ltd	50 %	(9)	-	(24)
• Iran Khodro Automobiles Peugeot	50 %	(10)	-	(2)
• Saipa Citroën Company	50 %	(148)	-	-
• Other		-	1	1
Other		(158)	1	(1)
Automotive		(155)	(24)	(55)
Automotive equipment		17	18	35
GEFCO ⁽¹⁾	25 %	15	8	17
Peugeot Scooters	49 %	(2)	(3)	(6)
Other activities		13	5	11
Manufacturing and sales activities		(125)	(1)	(9)
Santander Consumer Finance cooperation agreement	50 %	119	103	201
BNP Paribas cooperation agreement	50 %	72	-	8
Dongfeng Peugeot Citroën Automobile Finance Company Ltd ⁽¹⁾	25 %	7	10	17
Finance activities		198	113	226
Total		73	112	217

⁽¹⁾ Including goodwill (see Note 8.1)

8.4. 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

Groupe PSA 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;
- 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		
	First-half 2018	First-half 2017	2017	First-half 2018	First-half 2017	2017
Sales and revenue	2,286	2,140	5,404	17,653	15,801	41,355
Recurring operating income (loss)	4	(118)	59	39	(894)	498
Operating income (loss) ⁽¹⁾	21	(91)	(138)	166	(690)	(1,060)
Of which depreciation and impairment	(145)	(160)	(548)	(1,116)	(1,188)	(4,172)
Net financial income (loss)	9	17	51	72	132	384
Income taxes	(5)	24	26	(38)	182	211
Profit (loss) for the period	25	(50)	(61)	200	(376)	(465)
Groupe PSA's share in the profit (loss) of the period (Share in net earnings of companies at equity)	12	(25)	(30)			
Income and expenses recognised in equity, net	-	-	-			
Other information						
Net dividend received from the joint venture(s) by the Groupe PSA	-	200	200			

⁽¹⁾ Including the share of net earnings of companies at equity.

B. Changan cooperation agreement

Since 2011, Groupe PSA 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		
	First-half 2018	First-half 2017	2017	First-half 2018	First-half 2017	2017
Sales and revenue	61	59	133	471	438	1,014
Recurring operating income (loss)	1	3	(11)	11	22	(83)
Operating income (loss)	-	23	(14)	1	171	(104)
<i>Of which depreciation and impairment</i>	(4)	(4)	(8)	(33)	(30)	(63)
Net financial income (loss)	(18)	(17)	(28)	(141)	(126)	(213)
Income taxes	-	(6)	(6)	-	(45)	(44)
Profit (loss) of the period	(18)	-	(48)	(140)	-	(361)
Groupe PSA's share in the profit (loss) of the period (Share in net earnings of companies at equity)	(9)	-	(24)			
Income and expenses recognised in equity, net	-	-	-			
Other information						
Net dividend received from the joint venture(s) by the Groupe PSA	-	-	-			

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 30 June 2018 eleven European countries as well as Brazil.

Earnings items at 100%

	First-half 2018	First-half 2017	2017
<i>(in million euros)</i>			
Net banking revenue	550	521	1,041
General operating expenses and others	(191)	(192)	(380)
Gross operating income	359	329	661
Cost of risk	(14)	(25)	(58)
Operating income	345	304	603
Non operating items	(3)	-	(12)
Income taxes	(105)	(98)	(190)
Profit (loss) for the period	237	206	401
Groupe PSA's share in the profit (loss) of the period (Share in net earnings of companies at equity)	118	103	201
Income and expenses recognised in equity, net	(9)	3	(3)
Other information			
Dividends paid by companies in partnership	69	83	136

Balance sheet items at 100%

<i>(in million euros)</i>	First-half 2018	2017
Customer loans and receivables	25,732	24,605
Other assets	2,844	2,639
Total assets	28,576	27,244
Financing liabilities	19,779	18,978
Other liabilities	5,601	5,199
Equity	3,196	3,067
Total liabilities	28,576	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 30 June 2018 six European countries.

Earnings items at 100%

<i>(in million euros)</i>	First-half 2018	First-half 2017	2017
Net banking revenue	282	-	66
General operating expenses and others	(123)	-	(43)
Gross operating income	159	-	23
Cost of risk	(6)	-	(1)
Operating income	153	-	22
Non operating items	26	-	-
Income taxes	(36)	-	(6)
Profit (loss) for the period	143	-	16
Groupe PSA's share in the profit (loss) of the period (Share in net earnings of companies at equity)	72	-	8
Income and expenses recognised in equity, net	1	-	-
Other information			
Dividends paid by companies in partnership	-	-	-

Balance sheet items at 100%

<i>(in million euros)</i>	First-half 2018	2017
Customer loans and receivables	9,784	9,157
Other assets	505	1,020
Total assets	10,289	10,177
Financing liabilities	7,165	7,133
Other liabilities	2,010	2,057
Equity	1,114	987
Total liabilities	10,289	10,177

8.5. TRANSACTIONS WITH EQUITY-ACCOUNTED COMPANIES

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

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

<i>(in million euros)</i>	First-half 2018	First-half 2017	2017
Sales to manufacturing and sales companies ⁽¹⁾	215	284	675
Sales and assignments to companies in partnership with Santander	2,796	2,767	5,171
Purchases ⁽²⁾	(1,427)	(1,103)	(2,257)

⁽¹⁾ of which €174 million in sales to companies in partnership with Dongfeng Motor Group (€232 million in first-half 2017 and €546 million in 2017) and €0 million in sales to CAPSA (€12 million in first-half 2017 and €23 million in 2017).

⁽²⁾ of which €1,029 million in purchases from Gefco (€935 million in first-half 2017 and €1,856 million in 2017).

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

<i>(in million euros)</i>	30 June 2018	31 December 2017
Long-term loans	48	48
Short-term loans (less than one year)	214	116
Trade receivables	264	318
Trade payables	(453)	(364)

NOTE 9 - FINANCING AND FINANCIAL INSTRUMENTS – MANUFACTURING AND SALES COMPANIES

9.1. NET FINANCIAL INCOME (EXPENSE) OF THE MANUFACTURING AND SALES COMPANIES

<i>(in million euros)</i>	First-half 2018	First-half 2017	2017
Interest income	14	25	42
Finance costs	(122)	(107)	(208)
Other financial income	47	53	121
Other financial expenses	(161)	(92)	(196)
Net financial income (expense)	(222)	(121)	(241)

▪ Finance costs

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

<i>(in million euros)</i>	First-half 2018	First-half 2017	2017
Financial expense	(160)	(161)	(337)
Foreign exchange gain (loss) on financial transactions and other	(13)	(3)	2
Finance costs incurred	(173)	(164)	(335)
<i>of which Automotive Division and Other Businesses</i>	<i>(111)</i>	<i>(106)</i>	<i>(216)</i>
Capitalised borrowing Costs	51	57	127
Total	(122)	(107)	(208)

Finance costs incurred, net of interest income

(in million euros)	First-half 2018	First-half 2017	2017
Finance costs incurred	(173)	(164)	(335)
of which Automotive Division and Other Businesses	(111)	(106)	(216)
Interest income	14	25	42
of which Automotive Division and Other Businesses	8	19	31
Total	(159)	(139)	(293)
of which Automotive Division and Other Businesses	(103)	(87)	(185)

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

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	30 June 2018
Non-current financial liabilities	(4,778)	(685)	(5)	-	11	629	(4,828)
Current financial liabilities	(2,531)	665	(21)	-	51	(587)	(2,423)
Other non-current financial assets	487	161	-	(2)	2	(1)	647
Current financial assets	1,269	(105)	3	-	3	(17)	1,153
Financial investments	165	(65)	-	-	-	-	100
Cash and cash equivalents	11,582	2,026	-	-	-	-	13,608
(Net debt) Net financial position ⁽¹⁾	6,194	1,997	(23)	(2)	67	24	8,257
Of which external loans and borrowings	6,186						8,247
Of which financial assets and liabilities with finance companies	8						10
⁽¹⁾ Of which Peugeot Citroën DS, Opel Vauxhall Automotive segments and Other Businesses segment	6,840						8,922

B. Change in net financial position (net debt)

The Group kept up the proactive refinancing strategy and conservative liquidity policy described in Note 12.7.A to the consolidated financial statements for 2017.

Manufacturing and sales companies further improved their net financial position in the first half of 2018.

Net cash from operating activities for the first half totalled positive €4,885 million, representing funds from operations of €3,715 million plus the positive impact of a €1,170 million increase in working capital. Changes in working capital are discussed in Note 5.2.

Investments for the period in property, plant and equipment and intangible assets amounted to €2,224 million. Other financing needs for the period stood at €652 million, including notably the payment of a dividend to the shareholders of Peugeot S.A. in the amount of €474 million.

These various cash inflows and outflows have resulted in an increase of the net financial position in the amount of €2,063 million which breaks down as follows:

- Cash and cash equivalents increased by €2,005 million;
- Net debt before cash and cash equivalents decreased by €27 million as a result of the following changes:

(in million euros)	30 June 2018	30 June 2017	31 December 2017
Increase in borrowings	898	1,003	1,046
Repayment of borrowings and conversion of bonds	(932)	(100)	(731)
(Increase) decrease in non-current financial assets	(161)	3	169
(Increase) decrease in current financial assets	170	(134)	(548)
Increase (decrease) in current financial liabilities	(2)	126	107
	(27)	898	43
Net cash flows with Group finance companies	-	(1)	(1)
Total	(27)	897	42

Increase in borrowings in the amount of €898 million notably includes bonds issue by Peugeot S.A. of €650 million on 20 March 2018 (see Note 9.4.C). Debt repayments in the amount of €932 million include notably the repayment by Peugeot S.A. of €558 million in 2013 bonds upon maturity in March 2017.

Furthermore, the non-cash changes represented an increase of €31 million in the net financial position of the Group.

9.3. FINANCIAL SECURITY

€1,136 million (€1,241 million at 31 December 2017) and €503 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 €1,639 million (€1,575 million at 31 December 2017).

<i>(in million euros)</i>	Note	30 June 2018	31 December 2017
Cash and cash equivalents	9.4.A	13,608	11,582
Financial investments		100	165
Current & non current financial assets		1,639	1,575
Total		15,347	13,322
Lines of credit (undrawn) – excluding Faurecia		3,000	3,000
Lines of credit (undrawn) – Faurecia		1,200	1,200
Total financial security		19,547	17,522
<i>of which Faurecia</i>		2,714	2,849

▪ 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:

<i>(in million euros)</i>	30 June 2018	31 December 2017
Peugeot S.A. and GIE PSA Trésorerie	3,000	3,000
Faurecia	1,200	1,200
Undrawn confirmed lines of credit	4,200	4,200

Groupe PSA signed, on May 24th 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 April 8th 2014 and amended on November 10th 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 9.2. The Group's equity is that listed under "Total Equity" in liabilities.

Both covenants were met at 30 June 2018.

Faurecia's additional borrowing capacity, other than through Peugeot S.A., results from a new syndicated line of credit arranged on 15 December 2014. It comprises only one €1,200 million tranche expiring in December 2019. Following the signing of an amendment on 15 June 2018, the maturity of the line was extended to 24 June 2023 with two optional one-year extensions. This credit facility was undrawn at the period-end.

9.4. BREAKDOWN OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A. Cash and cash equivalents

Cash and cash equivalents include:

<i>(in million euros)</i>	30 June 2018	31 December 2017
Mutual fund units and money market securities	10,021	8,719
Cash and current account balances	3,587	2,863
Total - manufacturing and sales companies	13,608	11,582
<i>of which deposits with finance companies</i>	<i>(10)</i>	<i>(8)</i>
Total	13,598	11,574

B. Breakdown of financial liabilities

<i>(in million euros)</i>	Carrying amount at 30 June 2018		Carrying amount at 31 December 2017	
	Amortised cost or fair value		Amortised cost or fair value	
	Non-current	Current	Non-current	Current
Other bonds	4,025	482	3,835	651
Finance lease liabilities	143	22	147	27
Other long-term borrowings	658	447	795	452
Other short-term financing and overdraft facilities	-	1,465	-	1,399
Derivative instruments and other	2	7	1	2
Total financial liabilities	4,828	2,423	4,778	2,531

C. Main financing transactions during the first-half 2018

The main transactions during the first-half 2018 were as follows:

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

On 20 March 2018, Peugeot S.A. issued €650 million in fixed-rate 2% bonds maturing in March 2025.

D. Financing by the assignment of receivables

The Automotive division and Faurecia meet part of their financing needs by selling receivables to financial institutions. The sale of receivables on its own distribution networks of the Peugeot Citroën DS and Opel Vauxhall Automotive segments respectively to finance companies in partnership with Santander and BNP Paribas amounted to €6,557 million (€6,982 million at 31 December 2017).

The other financings by assignment of receivables are as follows:

<i>(in million euros)</i>	30 June 2018		31 December 2017	
	Total receivables sold to financial institutions	Portion sold but not derecognised	Total receivables sold to financial institutions	Portion sold but not derecognised
Portion financed by third party financial institutions⁽¹⁾	3,788	491	3,094	456
<i>of which Faurecia group</i>	885	88	833	68

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

NOTE 10 - FINANCING AND FINANCIAL INSTRUMENTS – FINANCE COMPANIES

10.1. CURRENT FINANCIAL ASSETS

A. Loans and receivables - finance companies

<i>(in million euros)</i>	30 June 2018	31 December 2017
Total net "Retail, Corporate and Equivalent"	168	270
Total net "Corporate Dealers"	71	61
Total	239	331

B. Cash and cash equivalents

Cash and cash equivalents amounted to €440 million at 30 June 2018 (€320 million at 31 December 2017), including term loans, ordinary accounts receivable, and central bank deposits.

10.2. FINANCING LIABILITIES – FINANCE COMPANIES

<i>(in million euros)</i>	30 June 2018	31 December 2017
Other debt securities	259	257
Bank borrowings	106	150
	365	407
Customer deposits	6	8
	371	415
<i>Amounts due to Group manufacturing and sales companies</i>	(10)	(8)
Total	361	407

▪ Credit lines

As of 30 June 2018, the credit lines totalling €232 million are detailed as follows:

- €200 million in undrawn revolving bilateral lines of credit;
- €32 million in undrawn various bank lines of credit.

NOTE 11 - INCOME TAXES

Income taxes for the half-year period are calculated on the basis of pre-tax profit by tax jurisdiction, multiplied by the estimated effective tax rate for the full year. The tax impacts of specific transactions are recorded in the period during which the transactions occur.

The total unrecognised deferred tax assets on deficits amounted to €4,136 million at 30 June 2018, relating mainly to the French tax group for €2,323 million, Opel Vauxhall for €987 million and Faurecia for €667 million (€4,390 million at 31 December 2017). The tax loss carryforwards for the French tax group as at 31 December 2017 amounted to €11,788 million.

The theoretical tax expense can be reconciled to the tax expense reported in the consolidated income statement as follows:

<i>(in million euros)</i>	30 June 2018	30 June 2017	2017
Income (loss) before tax of fully-consolidated companies	2,049	1,804	2,836
<i>French statutory income tax rate for the period</i>	34.4%	34.4%	34.4%
Theoretical tax expense for the period based on the French statutory income tax rate	(705)	(621)	(976)
Tax effect of the following items :			
• Permanent differences	(179)	(39)	(103)
• Income taxable at reduced rates	42	47	80
• Tax credits	27	17	27
• Effect of differences in foreign tax rates and other	122	67	133
Income taxes before recognition / Impairment losses on tax loss carryforwards	(693)	(529)	(839)
<i>Effective tax rate applicable to the Group</i>	33.8%	29.3%	29.6%
• French tax consolidation of Peugeot S.A.			
– Use of previously unrecognised tax loss carryforwards	113	52	52
– Capitalisation of deferred taxes on previously unrecognised tax loss carryforwards	174	46	82
• Deferred taxes on tax loss carryforwards outside of Peugeot S.A. French tax group	(3)	(14)	6
Income tax expense	(409)	(445)	(699)

NOTE 12 - EQUITY AND EARNINGS PER SHARE

12.1. EQUITY

A. Analysis of share capital

<i>(in euros)</i>	30 June 2018	31 December 2017
Share capital at beginning of period	904,828,213	859,924,895
Equity warrants conversion	-	44,903,318
Share capital at end of period	904,828,213	904,828,213

Situation at 30 June 2018

Share capital amounted to €904,828,213 at 30 June 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% (12.86% at 31 December 2017) i.e. 110,622,220 shares each. For Dongfeng Motor Group, this stake accounted for 19.94% of the voting right, including treasury stock, and for 19.74% of the voting rights, excluding treasury stock. For the Peugeot family, this stake accounted for 17.64% of the voting right, including treasury stock, and for 17.45% of the voting rights, excluding treasury stock. For Lions Participation, this stake accounted for 9.97% of the voting right, including treasury stock, and for 9.87% of the voting rights, excluding treasury stock.

The share price on 30 June 2018 was €19.56.

B. Treasury stock

From time to time, the Group may use the buyback authorisations given at Shareholders' Meetings to purchase Peugeot S.A. shares into treasury. No shares were bought back during the first-half of 2018.

Changes in treasury stock are presented in the following table:

<i>(number of shares)</i>	30 June 2018	31 December 2017
At beginning of period	11,315,735	9,113,263
Share buybacks	-	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 future share-based plans	3,333,735	6,033,735
• Shares held for allocation on the outstanding 2015 performance share plan	389,000	389,000
• Shares held for allocation on the outstanding 2016 performance share plan	2,200,000	2,200,000
• Shares held for allocation on the outstanding 2017 performance share plan	2,693,000	2,693,000
• Shares held for allocation on the outstanding 2018 performance share plan	2,700,000	-
	11,315,735	11,315,735

On 12 June 2018, the Management Board decided to allocate 2,700,000 treasury stocks to cover the 2018 performance share plan.

12.2. 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.

	First-half 2018	First-half 2017	2017
Consolidated profit (loss) from continuing operations - attributable to equity holders of the parent <i>(in million euros)</i>	1,481	1,255	1,931
Consolidated profit (loss) - attributable to equity holders of the parent <i>(in million euros)</i>	1,481	1,255	1,924
Average number of €1 par value shares outstanding	893,512,478	875,018,138	886,113,459
<i>Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (in euros)</i>	1.66	1.43	2.18
<i>Basic earnings per €1 par value share (in euros)</i>	1.66	1.43	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 plans to employees and equity warrants.

The performance share plans (see Note 6.2) and the equity warrants had a potentially dilutive effect at 30 June 2018.

The following tables show the effects of the calculation:

(1) Effect on the average number of shares

Note	First-half 2018	First-half 2017	2017
Average number of €1 par value shares outstanding	893,512,478	875,018,138	886,113,459
Dilutive effect, calculated by the treasury stock method, of:			
• Equity warrants (2014 capital increase)	-	21,706,312	10,763,952
• Equity warrants delivered to General Motors	39,727,324	-	39,727,324
• Performance share plans	5,534,739	4,221,767	4,350,427
Diluted average number of shares	938,774,541	900,946,217	940,955,162

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

<i>(in million euros)</i>	First-half 2018	First-half 2017	2017
Consolidated profit (loss) from continuing operations - attributable to equity holders of the parent	1,481	1,255	1,931
Dilutive effect of Faurecia stock options and performance share plans	-	-	-
Consolidated profit (loss) from continuing operations (after Faurecia dilution effect)	1,481	1,255	1,931
<i>Diluted earnings of continuing operations - attributable to equity holders of the parent per €1 par value share (in euros)</i>	1.58	1.39	2.05

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

<i>(in million euros)</i>	First-half 2018	First-half 2017	2017
Consolidated profit (loss) - attributable to equity holders of the parent	1,481	1,255	1,924
Dilutive effect of Faurecia stock options and performance share plans	-	-	-
Consolidated profit (loss) after Faurecia dilution	1,481	1,255	1,924
<i>Diluted earnings attributable to equity holders of the parent per €1 par value share (in euros)</i>	1.58	1.39	2.04

The stock option plans as well as the performance share plans have a potential impact on the total number of Faurecia shares outstanding without affecting the number of shares held by Groupe PSA. Consequently, they have potentially a dilutive effect on consolidated profit attributable to Groupe PSA.

Given the characteristics of Faurecia's stock option plans and performance share plans, they were not dilutive at 30 June 2018.

NOTE 13 - NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

13.1. ANALYSIS OF NET CASH AND CASH EQUIVALENT REPORTED IN THE STATEMENTS OF CASH FLOWS

<i>(in million euros)</i>	Notes	30 June 2018	30 June 2017	31 December 2017
Cash and cash equivalents	9.4.A	13,608	13,253	11,582
Payments issued and other		(150)	(62)	(93)
Other		3	-	2
Net cash and cash equivalents - manufacturing and sales companies		13,461	13,191	11,491
Net cash and cash equivalents - finance companies	10.1.B	440	593	320
<i>Elimination of intragroup transactions</i>		(9)	(9)	(8)
Total		13,892	13,775	11,803

13.2. DETAIL OF CASH FLOW FROM OPERATIONS HELD FOR SALE OR TO BE CONTINUED IN PARTNERSHIP

<i>(in million euros)</i>	30 June 2018	30 June 2017	2017
Profit (loss) from operations to be continued in partnership	-	-	(7)
Change in assets and liabilities of operations to be continued in partnership	-	-	-
Net dividends received from operations to be continued in partnership	-	-	-
Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership	-	-	(7)

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

<i>(in million euros)</i>	30 June 2018	30 June 2017	2017
Net cash from (used in) operating activities of continuing operations	4,885	3,047	5,213
Net cash from (used in) investing activities of continuing operations	(2,308)	(1,931)	(4,713)
Free Cash Flow	2,577	1,116	500
Minus, net cash from non-recurring operating operations	(614)	(453)	(1,054)
Operational Free Cash Flow from manufacturing and sales operations	3,191	1,569	1,554

NOTE 14 - CONTINGENT LIABILITIES

Other than the risks for which provisions have been set aside (see Note 7), the main contingent liabilities are as follows.

14.1. 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.

14.2. FAURECIA

On March 25, 2014, the European Commission and the United States Department of Justice and on November 27, 2014, the Competition Commission of South Africa, 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 April 28, 2017, the European Commission has announced to close the case. The other inquiries are still ongoing.

On May 19, 2017, the Brazilian competition authority (the CADE) initiated an inquiry covering Faurecia Emissions Control Technologies do Brazil and some of its former employees, alleging anticompetitive practices in regard to the exhaust systems market in Brazil.

Faurecia has reached agreements with the plaintiffs to settle all three pending 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. When finalized with the court, these settlements, for non-significant amounts in line with potential defence costs, will put an end to these class actions.

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

In the event anti-competitive practices are proven, possible sanctions include fines, civil damages or criminal charges. Faurecia is at present unable to predict the consequences of such inquiries and class actions, including the level of fines or sanctions that could be imposed: therefore, no accruals were accounted for as of June 30, 2018.

NOTE 15 - RELATED PARTIES TRANSACTIONS

Related parties are companies subject to significant influence accounted at equity, members of the managing bodies and shareholders holding more than 10% of Peugeot S.A. capital.

Transactions with equity-accounted companies are disclosed in Note 8.5. Other than these transactions, there were no significant transactions with other related parties.

NOTE 16 - SUBSEQUENT EVENTS

No events occurred between 30 June 2018 and the 18 July 2018 meeting of the Managing Board to review the financial statements that could have a material impact on economic decisions made on the basis of these financial statements.

IV – PERSONS RESPONSIBLE FOR THE 2018 INTERIM FINANCIAL REPORT

Person Responsible for the 2018 Interim Financial Report

Mr Carlos Tavares
Chairman of the Managing Board
Peugeot S.A.

Statement by the Person Responsible for the 2018 Interim Financial Report

"I hereby declare that, to the best of my knowledge, the condensed interim consolidated financial statements for the past six-month period included in the interim financial report have been prepared under generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position and results of Peugeot S.A. and the companies in the consolidated group, and that the interim management report on pages 2 to 10 includes a fair review of the material events that occurred in the first six months of the financial year and their impact on the interim accounts, a description of the main related-party transactions and a discussion of the principal risks and uncertainties for the remaining six months of the year."

Carlos Tavares
Chairman of the Peugeot S.A. Managing Board

Person responsible for financial information

Andrea Bandinelli
Head of Financial Communication and Investor Relations

V – STATUTORY AUDITORS’ REVIEW REPORT ON THE 2018 HALF-YEARLY FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Peugeot S.A., for the period from January 1 to June 30, 2018,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Executive Board. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to Notes 1.2 and 1.3 to the condensed half-yearly consolidated financial statements, which outline the impacts of the first applications of IFRS15 “Revenue from Contracts with Customers” and IFRS9 “Financial Instruments”.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

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

Courbevoie and Paris-La Défense, July 24, 2018

The statutory auditors
French original signed by

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

Photo credits:
PEUGEOT COMMUNICATION / @Tibo
CITROËN COMMUNICATION / William CROZES
DS AUTOMOBILES / William CROZES
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
Registered Office: 7, rue Henri Sainte-Claire Deville
92563 Rueil-Malmaison - France
B 552 100 554 R.C.S. Nanterre – Siret 552 100 554 00021
Phone: + 33 (0)1 55 94 81 00
groupe-psa.com