PSA GROUPE

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ANNUAL RESULTS

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2019 Annual results

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I. MANAGEMENT AND SUPERVISORY BODIES AT 31 DECEMBER 2019

Supervisory Board

CHAIRMAN

Mr Louis GALLOIS

OTHER SUPERVISORY BOARD MEMBERS

Mr Gilles SCHNEPP (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 Mr. LI Shaozhu (entitled Vice-Chairman pursuant to the Shareholders' Agreement)

Mrs Catherine BRADLEY

Mrs Pamela KNAPP

Mr Christian LAFAYE (employee representative member)

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

Lion Participations, représentée par Mr. Daniel BERNARD

FFP, represented by Mr. Robert PEUGEOT

Mr Thierry de la Tour d'ARTAISE

Mrs Bénédicte JUYAUX (employee shareholder representative member)

NON-VOTING ADVISORS

Mr Frédéric BANZET

Mr Alexandre OSSOLA

Mr LV HAITAO

Managing Board

CHAIRMAN

Mr Carlos TAVARES

MEMBERS OF THE MANAGING BOARD

Mr. Olivier BOURGES
Mr. Michael LOHSCHELLER
Mr. Maxime PICAT

II. ANNUAL MANAGEMENT REPORT

1. THE GROUP'S OPERATIONS

1.1. Overview of sales activities

Worldwide sales at 3.5m units in 2019

- **Electrification on track: 10[1] new models launched as a first milestone toward a 100% electrified range by 2025**
- **Solid position in Europe: 16.8% market share**
- **International businesses focused on profitable growth and manufacturing footprint development**

Becoming a major player in electrified mobility

Groupe PSA has already launched 10 new plug-in hybrid or all-electric models, in line with its roadmap to offer a 100% electrified[2] range from 2025, of which 50% will be electrified by the end of 2021 with 13 additional electrified models.

Since 2019, all new models launched by Groupe PSA come with either an all-electric or a plug-in hybrid powertrain. LEV orders are promising and in line with Group objectives to be compliant with European 2020 CO_2 target from Day 1.

The company mobilizes its recognized expertise and works with its partners and dealers to meet customer expectations by producing and offering a competitive line-up, with easy and state-of-the-art services for day-to-day life.

Growing LCV sales

Groupe PSA has historically offered best-in-class products to cover the full diversity of customer needs. In 2019, the Group sold 765,000 units (of which 554,000 light commercial vehicles (LCVs) and 211,000 derivative passenger cars (PCs)), and consolidated its position with a 25.1% market share in Europe[3], in particular driven by the successful renewal of its small and medium vans in the last three years.

The Peugeot Expert, Citroën Jumpy and Opel Vivaro will come in all-electric versions from 2020 and the whole LCV range (and passenger car equivalents) electrified by 2021.

The Group’s LCV development is advancing at a good pace in Latin America, where the Group launched a comprehensive range of LCV products and services, and in Eurasia, with the Peugeot, Citroën and Opel medium van models.

Europe: focused on performance

Leveraging disciplined management to meet CO_2 targets, the Group maintained its position by achieving a 16.8% market share in a market that was up a slight 1.3%, by growing in main markets, particularly in Italy (+0.5pt) and Spain (+0.2pt), and by maintaining its market share in France and the United Kingdom while slightly declining in Germany (-0.6pt).

2019 was a year of consolidation for Peugeot. The brand completely renewed its B segment offering to support its sales growth in 2020. The new electrified range, driven by the Peugeot e-208 and e-2008, as well as the plug-in hybrid versions of the Peugeot 3008 Hybrid and 508 Hybrid sedan & SW, are fully available for B2B and B2C customers and feature among the lowest CO_2 emissions of the market.

Citroën had the strongest growth among the top 12 best-selling brands in Europe, increasing its market shares in the main markets. Its performance was notably driven by the C5 Aircross SUV, launched in January 2019, which will be available in a plug-in hybrid version in 2020.

DS Automobiles sales surged globally, especially in the second half of the year (+56%) driven by the success of its renewed range. In France, DS main market, the successful DS 7 CROSSBACK and DS 3 CROSSBACK models are now strongly positioned and the brand’s performance is being enhanced by the growing exclusive DS network, with 356 point of sales to date.

Opel Vauxhall focused its strategy on profitable sales channels and market segments. Through the consistent implementation of the core model strategy, Opel Vauxhall have taken steps toward ambitious future CO_2 targets. The Grandland X (+29%) and Crossland X (+28%) SUVs and the LCVs (+20%) were particularly successful.

Middle East – Africa: market share increase in major markets

Groupe PSA’s market share increased by 0.4 pt in the region with registrations up 9,100 units compared to 2018, despite markets declining by 100,000 units[4]. Strong breakthroughs were made in Turkey (+2.1pts), Egypt (+6.1pts) and Morocco (+2.1pts). 2019 regional performance versus 2018 remained impacted by the wind down in Iran (May 2018)[5].

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[1] 4 BEV: DS 3 CROSSBACK E-TENSE, Peugeot e-208 and e-2008, Opel Corsa-e and 6 PHEV: Peugeot 3008 HYBRID, 508 HYBRID and 508 SW HYBRID, Citroën C5 Aircross Hybrid, Opel Grandland X Hybrid4, DS 7 CROSSBACK E-TENSE 4x4

BEV = Battery Electric Vehicle et PHEV = Plug in Hybrid Vehicle

[2] All-electric or plug-in hybrid

[3] LCV market share excluding PC versions

[4] Excl. Iran. Estimation at January 16th.

[5] Volumes manufactured in Iran have not been recorded in consolidated sales since May 1, 2018

The production started mid-September 2019 in the Kenitra plant, in Morocco. The production capacity will be doubled to reach 200,000 vehicles as early as Mid-2020.

China & Southeast Asia: reshaping the business model

DPCA has set out its priorities in a six-year strategic plan presented last September, based on profitable sales, a lower breakeven point and a progressive increase in volumes for the Peugeot and Citroën brands. The DS brand is committed to the Chinese market and finalizes a new strategic plan. The sale of Groupe PSA shares in the CAPSA joint venture is part of this plan. 2020 will be the first year of Groupe PSA's NEV offensive in China, with five NEV models to be launched and sold in China[6].

In ASEAN, the Group's Malaysian hub NAM[7] started production with the Peugeot 3008 and 5008.

Latin America: contracting markets

Markets were hard hit in Argentina (-43%) and Chile (-11%) by the economic and political situations. Driven by the success of the new SUV C4 Cactus and the LCV offering, Groupe PSA sales remained brisk in Mexico (+13%), Brazil (+2%) and in smaller markets (Colombia, Cuba, Ecuador and Uruguay).

India-Pacific: sales growth in Japan

Sales grew slightly in the region despite declining markets. The recurring success in Japan continued with sales up 20%. Groupe PSA started the production of transmissions in India (Hosur plant), with its partner AVTEC Ltd (a CK Birla Group Co.) and is on track to launch the C5 Aircross SUV in India in 2020, to be followed in 2021 by new and disruptive Citroën models designed locally.

Eurasia: relaunch of the Opel brand

Sales increased in the region in H2 2019, especially in Ukraine and Russia. The Group improves faster than the market in Ukraine, thanks to all four brands. The Opel brand strengthened its presence in the Ukrainian market at the beginning of 2019 and the DS brand was launched in H2 2019.

Whereas the Russian market was down -2.3%, Group LCV sales increased with the Peugeot Traveller/Expert and the Citroën SpaceTourer/Jumpy. The Group recently relaunched the Opel brand in Russia, starting with the Zafira Life and Grandland X models.

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).

2. ANALYSIS OF CONSOLIDATED INTERIM OPERATING RESULTS

The Group's operations are organised around three main business segments described in Note 4 to the consolidated financial statements at 31 December 2019. Subsequent events are presented in Note 19 to the financial statements.

2.1. Group profit (loss) for the period

(in million euros)	31 December 2018	31 December 2019	Change
Revenue	74,027	74,731	704
Adjusted operating income*	**5,689**	**6,324**	**635**
As a % of Revenue	7.7%	8.5%	
Restructuring costs	(1,051)	(1,531)	(480)
Other operating income and expenses	(238)	(125)	113
Operating income (loss)	4,400	4,668	268
Net financial income (expense)	(446)	(344)	102
Income taxes	(615)	(716)	(101)
Share in net earnings of companies at equity	(44)	(24)	20
Consolidated profit (loss) for the period	**3,295**	**3,584**	**289**
Profit (loss) for the period attributable to owners of the parent	***2,827***	***3,201***	***374***

** Adjusted operating income (loss) excludes from Operating income certain adjustments comprising Restructuring costs, Impairment of CGU's and Other operating income (expense) considered rare or discrete events and are infrequent in nature.*

[6] NEV = New Energy Vehicles / 2 BEV: Peugeot e-2008, DS 3 CROSSBACK E-TENSE and 3 PHEV: Peugeot 508L HYBRID and 4008 HYBRID, C5 Aircross Hybrid

[7] Naza Automotive Manufacturing

2.2. Group Revenue

The table below shows consolidated revenue by division:

(in million euros)	**31 December 2018**	**31 December 2019**	**Change**
Automotive	58,553	58,943	390
Faurecia	17,525	17,768	243
Other businesses and eliminations*	(2,051)	(1,980)	71
Revenue	**74,027**	**74,731**	**704**

** Including the activities of Banque PSA Finance not covered by the partnerships signed with Santander Consumer Finance and BNPP*

Automotive revenues were up 0.7% compared to 2018 mainly driven by product mix (+4.3%) and price (+1.2%), which offset the decrease of sales to partners (-1.7%), the negative impact of exchange rates (-0.5%), volumes and country mix (-2.4%) as well as others (-0.2%).

2.3. Group Adjusted Operating Income (loss)*

The following table shows Adjusted Operating Income by business segment:

(in million euros)	**31 December 2018**	**31 December 2019**	**Change**
Automotive	4,466	5,037	571
Faurecia	1,263	1,227	(36)
Other businesses and eliminations**	(40)	60	100
Adjusted operating income	**5,689**	**6,324**	**635**

** Adjusted operating income (loss) excludes from Operating income certain adjustments comprising Restructuring costs, Impairment of CGU's and Other operating income (expense) considered rare or discrete events and are infrequent in nature.*
*** Including the activities of Banque PSA Finance not covered by the partnerships signed with Santander Consumer Finance and BNPP*

In 2019, the **Automotive adjusted operating margin**, which corresponds to the ratio of the Automotive adjusted operating income to the Automotive revenues, stood at 8.5% compared to 7.6% in 2018.

PACE! plan target (6% adjusted operating margin in 2026) is achieved with Opel Vauxhall reaching a 6.5% adjusted operating margin as early as 2019.

Group adjusted operating margin stood at 8.5% compared to 7.7% in 2018.

The 12.8% increase in the **Automotive adjusted operating income** was due to the company's improved performance (+€1,057 million), despite an unfavourable operating environment (-€486 million):

- the negative effect of the **Automotive division's operating environment** stemmed from a (€42) million effect of weaker markets and from a (€243) 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 (€201) million;
- the improved **performance of the Automotive business** was due essentially to a positive effect of product mix amounting to +€818 million and pricing amounting to +€102 million, as well as lower production and fixed costs amounting to +€540 million, partially offset by the loss of market share and country mix for (€253) million.

Faurecia's recurring operating income was €1,227 million, down €36 million.

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

Other operating income and expenses represented a net expense of €(1,656) million compared to €(1,289) million in 2018. They primarily included restructuring costs totalling €(1,531) million, up €480 million and of which the Automotive division represented €(1,335) million and Faurecia Group €(194) million.

The Group's net financial expenses stood at €(344) million, an improvement of €102 million compared to 2018. Net financial income and expenses are set out in Note 12 to the consolidated financial statements at 31 December 2019.

The **Income tax expense** amounted to €(716) million in 2019 compared with €(615) million in 2018. See Note 14 to the consolidated financial statements at 31 December 2019.

The **share in net earnings of companies at equity** totalled a loss of (€24) million in 2019, compared to a loss of (€44) million in 2018.

The contribution of the Dongfeng joint ventures (DPCA and DPCS) represented a loss of €(383) million, down €149 million and including impairments for a total impact of €(249) million. The contribution of Changan PSA Automobiles Co., Ltd (CAPSA) was

€(50) million in 2019 compared to (€68) million in 2018. See Note 11.3 to the consolidated financial statements at 31 December 2019.

In November 2019, PSA and Chongqing Changan Automobiles signed an agreement with a Chinese company for the disposal of shares. The agreement defines the terms of financing for the joint venture. In December 2019, all of the group's commitments, not conditional on closing, were taken into account.

The contribution of the joint ventures under the partnership between Banque PSA Finance and Santander Consumer Finance amounted to €280 million, up €39 million. See Note 11.3 to the consolidated financial statements at 31 December 2019.

The contribution of the joint ventures under the partnership between Banque PSA Finance and BNP Paribas covering the financing activity of OV amounted to €76 million in 2019, down €30 million. See Note 11.3 to the consolidated financial statements at 31 December 2019.

The **net income, Group share** of €3,201 million was up €374 million. **Basic earnings per share** were €3.58 versus €3.16 in 2018. And **diluted earnings per share** were €3.40 up from €3.01 in 2018.

A **dividend** of €1.23 per share[8] will be submitted for approval at the next Shareholders' Meeting with an ex-dividend date considered to be on 21 May 2020, and the payment date on 25 May 2020.

2.5. Banque PSA Finance

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

(in million euros)	**31 December 2018**	**31 December 2019**	**Change**
Revenue	1,989	2,163	174
Cost of risk*	0.13%	0.21%	+0.08 pts
Adjusted operating income	**939**	**1,012**	**73**
Penetration rate	29.1%	29.7%	+0.6 pts
Number of new contracts (leasing and financing)	1,088,212	1,150,132	+ 61,920

** As a percentage of net average net outstandings*

2.6. Faurecia*

The results of Faurecia are the following :

(in million euros)	**31 December 2018**	**31 December 2019**	**Change**
Revenue	17,525	17,768	243
Adjusted operating income	**1,263**	**1,227**	**(36)**
As a % of revenue	7.2%	6.9%	
Operating income (loss)	**1,115**	1,013	**(102)**
Net financial income (expense)	(163)	(219)	(56)
Consolidated profit (loss) for the period	**793**	**665**	**(128)**
Free cash flow*	403	(520)	(923)
Net financial position**	(545)	(2,692)	(2,147)

** Including Clarion consolidated in 2019*

*** After IFRS 16 effect and including Clarion consolidated*

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

2.7. Outlook

Market outlook: In 2020, the Group anticipates a decrease by 3% of the automotive market in Europe, by 2% in Russia and a stable market in Latin America.

Operational outlook: Groupe PSA has set the target to deliver over 4.5% Automotive recurring operating margin[9] on average for the period 2019-2021.

[8] Dividend per share calculated on the basis of the total number of outstanding shares of the company minus the treasury shares of the company as of 25 February 2020. The actual dividend per share will depend on the number of treasury shares held at the ex-dividend date and any shares issued or cancelled prior to this date.

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

3. FINANCIAL POSITION AND CASH

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

The **net financial position of manufacturing and sales companies** at 31 December 2019 consists of net cash of €7,914 million after IFRS 16 effect and the acquisition of Clarion by Faurecia. In this positive net cash position, the Automotive division has a positive cash position of €10,606 million and Faurecia has a net debt of €2,692 million at 31 December 2019, compared to a net debt of €545 million at the end of December 2018.

(in million euros)	31 December 2018	31 December 2019
Non current financial liabilities	(5,257)	(8,915)
Current financial liabilities	(2,182)	(2,521)
Other non current financial assets	684	652
Current financial assets	892	1,319
Cash and cash equivalent	14,961	17,379
NET FINANCIAL POSITION	**9,098**	**7,914**
of which Auto	***9,643***	***10,606***

The Group continued to actively manage its debt in 2019. In April 2019, Peugeot S.A. issued a Schuldscheindarlehen of €522 million maturing in October 2023, April 2026 and April 2027 and then in September 2019, issued bonds of €600 million maturing in September 2029. Moreover, Faurecia issued a bond of €500 million maturing in June 2026 before tapping it in October 2019 for €250 million. In November 2019, Faurecia also issued bonds for €700 million maturing in June 2027. At the same time, Faurecia offered to repurchase bond maturing 2023 (€700 million) which had a success rate of 76%; the residual notes 2023 have been early repaid.

Liquidity reserves for the manufacturing and sales companies amounted to €23,405 million at 31 December 2019, versus €21,371 million at 31 December 2018, with €19,205 million in cash and cash equivalents, financial investments and current & non-current financial assets, and €4,200 million in undrawn lines of credit.

(in million euros)	31 December 2018	31 December 2019
Cash and cash equivalent	**14,961**	17,379
Current & non current financial assets	**1,460**	1,826
Total	**16,421**	**19,205**
Lines of credit (undrawn) - excluding Faurecia	**3,000**	3,000
Lines of credit (undrawn) - Faurecia	**1,950**	1,200
TOTAL FINANCIAL SECURITY	**21,371**	**23,405**
of which Faurecia	***4,211***	**3,604**

3.2. Free cash flow from manufacturing and sales operations

The **free cash flow** generated over the period stood at €2,745 million, €3,265 million of which was contributed by the Automotive division. The free cash flow over the period mainly stemmed from:

- €8,545 million in cash flows generated by recurring operations of which a contribution of €6,543 million of the Automotive division;
- €(1,161) million in cash flows related to restructuring plans including €(966) million for the Automotive division;
- €1,173 million improvement in the working capital requirement, including €745 million in trade payables, €(197) million in trade receivables, €485 million in inventories and €140 million of other variations;
- €(5,909) million in capitalised capital expenditure and research & development, of which the Automotive division's share which represented €(3,550) million and €(901) million in exceptional investments/asset disposals, mainly linked to the acquisition of Clarion by Faurecia for €(969) million. Total research and development expenses incurred increased in 2019 compared to 2018 and are presented in Note 5 to the consolidated financial statements at 31 December 2019.
- €97 million of dividends received from Banque PSA Finance.

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

(in thousands of new vehicles)	31 December 2019	31 December 2018
Group	112	164
Independent dealer network*	494	516
TOTAL	**606**	**680**

**including importers*

Excluding Free Cash Flow, the changes in net financial position represented €(2,431) million. These are mainly related to dividends paid to Group shareholders in the amount of €(697) million as well as the dividends paid to Faurecia minority shareholders for €(133) million, to the debt situation of Clarion following its acquisition by Faurecia for €(240) million, to the new leasing debt under IFRS 16 for €(420) million and finally to DFG share repurchase debt for €(667) million.

3.3. Liquidity and funding of finance companies

The liquidity and funding of finance companies are discussed in Notes 13.4 and 13.5 to the consolidated financial statements at 31 December 2019.

4. RISK FACTORS AND UNCERTAINTIES

Main risk factors specific to the Group and its business

The Group operates in a profoundly changing environment not only in terms of technology, but also as regards modes of consumption and new entrants into the automotive industry. It is therefore exposed to risks that, if materialised, could have a significant adverse effect on its business, financial position, results or outlook. PSA Group pays close attention to ensuring that the risks inherent in its business lines are effectively managed across its various businesses. The Group's various operating units identify and assess risks and evaluate the related internal controls on an ongoing basis, in France and abroad, with annual reporting to the Executive Committee. (Faurecia has its own process). The principal specific risk factors to which the Group may be exposed are described in depth in the 2018 Registration Document (Chapter 1.5) [10] 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 2019, Group sales in the UK represented 395,000 vehicles). A one per cent gross change in the pound sterling euro exchange rate has an impact of around €40 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 on margins linked to the European regulation on CO_2 coming into force in the year 2020, as well as the 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, 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 13.4 and Note 12.6 to the consolidated financial statements at 31 December 2019 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 13 to the consolidated financial statements at 31 December 2019).

- **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 17 to the consolidated financial statements at 31 December 2019).

[10] The 2018 Registration Document was filed with the Autorité des Marchés Financiers (AMF) on March 26, 2019, in accordance with Article 212-13 of the General Regulations of the AMF, under filing number D.19-0201.

5. MERGER BETWEEN FCA AND PSA

On December 17, 2019, FCA and PSA entered into a combination agreement (the "**combination agreement**") providing for a merger of their businesses (the "**merger**"). In addition, certain shareholders of FCA and PSA have made undertakings to support the merger and, among other things, vote their shares in favor of the merger at their respective extraordinary general meetings of shareholders. Below is a summary of the transaction and the main provisions of the combination agreement and the shareholders' undertakings.

Transaction Structure and Merger Consideration

If the merger is approved by the requisite votes of the FCA shareholders and the PSA shareholders and the other conditions precedent to the merger are satisfied or, to the extent permitted under the combination agreement and by applicable law, waived, PSA will be merged with and into FCA; The combined entity ("**DutchCo**") will be named by mutual agreement of FCA and PSA with effect from the day immediately following completion of the merger.

The closing of the merger shall take place on the second Friday after satisfaction or (to the extent permitted under the combination agreement and by applicable law) waiver of the closing conditions and the merger shall be effective at midnight (Central European Time) following the signing of the merger deed (the "**Effective Time**"), at which time, the separate corporate existence of PSA shall cease, and DutchCo shall continue as the sole surviving corporation, and, by operation of law, DutchCo, as successor, shall succeed to and assume all of the rights and obligations, as well as the assets and liabilities, of PSA in accordance with Dutch law and French law.

At the Effective Time, by virtue of the merger and without any action on the part of any holder of PSA ordinary shares or FCA common shares, PSA shareholders will have the right to receive 1.742 DutchCo common shares for each PSA ordinary share that they hold and each issued and outstanding common share of FCA shall remain unchanged as one (1) common share in DutchCo. There will be no carryover of the existing double voting rights currently held by Exor in FCA pursuant to the existing FCA loyalty voting structure. To that end, the combination agreement provides that at the Effective Time all special voting shares of FCA held by Exor will be reacquired by DutchCo for no consideration.

Governance of DutchCo

The combination agreement provides for certain arrangements relating to the governance of DutchCo, including causing DutchCo to adopt, immediately following the Effective Date, new articles of association, board regulations and a loyalty voting program in the agreed form. The principal terms of such governance arrangements are summarized below.

DutchCo Board Composition

The combination agreement provides that after closing of the merger the board of directors of DutchCo (the "**DutchCo Board**") shall be a single tier board initially composed of 11 members, including the following initial directors:

- the CEO of DutchCo;
- two (2) Independent Directors nominated by FCA;
- two (2) Independent Directors nominated by PSA;
- two (2) directors nominated by Exor;
- one (1) director nominated by Bpifrance [11] (or EPF/FFP, as further described below);
- one (1) director nominated by EPF/FFP; and
- two (2) employee representatives.

For these purposes, "Independent Director" means a director meeting the independence requirements under the Dutch Corporate Governance Code and, with respect to members of the Audit Committee, also meeting the independence requirements of Rule 10A-3 under the Exchange Act, and the NYSE listing requirements.

Nomination Rights

The rights of Exor, EPF/FFP and Bpifrance to nominate the number of directors mentioned above also apply to future terms of office of the DutchCo Board; provided that:

- if the number of DutchCo common shares held by Bpifrance, and/or any of its affiliates, or EPF/FFP, and/or any of its affiliates, falls below 5% of the issued and outstanding DutchCo common shares, such shareholder shall no longer be entitled to nominate a director (in which case, any director nominated by Bpifrance or EPF/FFP, as the case may be, shall be required to promptly resign); and
- if, at the Effective Time, at any time within the six (6) years following the closing of the merger or on the sixth (6th) anniversary of the closing of the merger, both (i) the number of DutchCo common shares held by EPF/FFP and/or their affiliates increases to 8% or more of the issued and outstanding DutchCo common shares and (ii) the number of DutchCo common shares held by Bpifrance and/or its affiliates falls below 5% of the issued and outstanding DutchCo common shares, then EPF/FFP shall be entitled to nominate a second director to the DutchCo Board to replace the Bpifrance nominee (the "EPF/FFP Additional Director"),

[11] *Bpifrance shall include jointly Bpifrance Participations S.A. and its wholly-owned subsidiary Lion Participations SAS*

As an exception to the foregoing, if, at the Effective Time or within six (6) years of the Effective Time:

- the number of DutchCo common shares held by Bpifrance and its affiliates, on the one hand, or EPF/FFP and its affiliates, on the other hand, represents between 4% and 5% of the issued and outstanding DutchCo common shares (the "**Threshold Stake**");
- either Bpifrance or EPF/FFP has not lost its right to nominate a director in accordance with the preceding paragraph; and
- the number of DutchCo common shares held by Bpifrance, EPF/FFP and their respective affiliates represents, in aggregate, 8% or more of the issued and outstanding DutchCo common shares,

the shareholder which holds the Threshold Stake will maintain its right to nominate a director to the DutchCo Board until the sixth (6th) anniversary of the closing of the merger (it being understood that while Bpifrance is entitled to nominate a director pursuant to this proviso, EPF/FFP shall not be entitled to nominate the EPF/FFP Additional Director).

Additionally, Exor's right to nominate directors will decrease in the event Exor and/or its affiliates reduce their equity ownership in DutchCo as follows:

- if the number of shares held by Exor and/or its affiliates falls below the number of shares corresponding to 8% of the issued and outstanding DutchCo common shares, Exor will be entitled to nominate one (1) director instead of two (2); and
- if the number of shares held by Exor and/or its affiliates falls below the number of shares corresponding to 5% of the issued and outstanding DutchCo common shares, Exor will no longer be entitled to nominate a director;

In such cases, the director designated by Exor for resignation from among the directors nominated by Exor shall be required to resign as promptly as reasonably practicable after the number of DutchCo common shares held by Exor and/or its affiliates falls below the applicable threshold.

Any event or series of events (including any issue of new shares) other than a transfer (including transfer under universal title) of PSA shares or DutchCo shares shall be disregarded for the purpose of determining whether the applicable shareholder reaches the relevant threshold(s).

Initial Management of DutchCo

The combination agreement provides that the following positions shall be filled by the following individuals from the day immediately after the closing of the merger:

- Chairman: John Elkann;
- CEO: Carlos Tavares;
- Vice Chairman: a director nominated by EPF/FFP; and
- Senior Independent Director: an Independent Director nominated by PSA.

The initial term of office of each of the Chairman, CEO, Senior Independent Director and Vice Chairman shall be five (5) years, in each case beginning at the day immediately after the closing of the merger. The initial term of office for each of the other directors shall be four (4) years. Mr. Elkann and Mr. Tavares will be the only executive directors.

The board regulations provide that, in addition to the Chairman's other powers set out in the board regulations, if the Chairman is an executive director, he or she will be consulted and work together with the CEO on that basis on important strategic matters affecting DutchCo as set forth in the board regulations.

In addition to his/her powers set out in the DutchCo Articles of Associations and board regulations, the CEO will be responsible for the management of DutchCo in accordance with the Dutch Civil Code and will be vested with full authority to represent DutchCo individually.

The Senior Independent Director (acting as the voorzitter under Dutch Law) shall preside over the meetings of the DutchCo Board and shall be vested with the powers to convene the board and the general meetings of shareholders of DutchCo.

Voting Limitations

The combination agreement provides that under the DutchCo articles of association no shareholder, acting alone or in concert, together with votes exercised by affiliates of such shareholder or pursuant to proxies or other arrangements conferring the right to vote, may cast 30% (the "**Voting Threshold**") or more of the votes cast at any general meeting of shareholders of DutchCo, including after giving effect to any voting rights exercisable through DutchCo special voting shares. Any voting right in excess of the Voting Threshold will be suspended. Furthermore, the DutchCo articles of association will provide that, before each shareholders' meeting, any shareholder holding voting rights in excess of the Voting Threshold shall notify DutchCo of its shareholding and total voting rights in DutchCo and provide, upon request by DutchCo, any information necessary to ascertain the composition, nature and size of the equity interest of that person and any other person acting in concert with it. This restriction (i) may be removed by the affirmative vote of the holders of two-thirds of the issued and outstanding DutchCo common shares (for the avoidance of doubt, without giving effect to any voting rights exercisable through DutchCo special voting shares, and subject to the aforementioned 30% voting cap) and (ii) shall lapse upon any person holding more than 50% of the issued and outstanding DutchCo common shares (other than DutchCo special voting shares) as a result of a tender offer for DutchCo common shares.

Shareholders Matters

Each of Exor, Bpifrance, EPF/FFP and Dongfeng (the "**Reference Shareholders**"), in its capacity as shareholder of PSA or FCA, as applicable, has entered into a letter agreement (a "**Letter Agreement**") with PSA or FCA, as applicable, setting forth, among other things, the following undertakings relating to the merger and the future governance of DutchCo:

- *Support of the merger* - Each Reference Shareholder has undertaken to vote or cause to be voted all shares owned or controlled by it or as to which it has the power to vote in favor of any decision in furtherance of the approval of the transactions contemplated by the combination agreement that is submitted to the shareholders;
- *Standstill* - Each Reference Shareholder shall be restricted from buying shares to increase its interest in PSA, FCA (before the merger) or DutchCo for a period ending seven years following the Effective Time, except that EPF/FFP may increase its shareholding by up to a maximum of 2.5% in DutchCo (or 5% in PSA) by acquiring shares from Bpifrance and/or Dongfeng and/or on the market, provided that market acquisitions may not represent more than 1% of the DutchCo common shares or 2% of the PSA ordinary shares plus, if applicable, the percentage of DutchCo common shares (or PSA ordinary shares) sold by Bpifrance to buyers other than EPF/FFP or any of its affiliates;
- *Lock-up* - From the date of the combination agreement until 3 years after closing of the merger Exor, Bpifrance and EPF/FFP will be subject to a lock-up in respect of their shareholdings in the relevant company before closing of the merger and in DutchCo thereafter, except that Bpifrance will be permitted to reduce its shareholdings by 5% in PSA or 2.5% in DutchCo; and
- *Dongfeng Buy-back* - Dongfeng has agreed to sell, and PSA has agreed to buy, 30.7 million PSA ordinary shares prior to closing of the merger (the ordinary shares repurchased by PSA will be cancelled). Notwithstanding the above, Dongfeng may sell all or or part of such shares to third parties prior to the closing of the merger, in which case the purchase by PSA described in the prior sentence will apply to the balance of such 30.7 million PSA ordinary shares not otherwise sold by Dongfeng. Dongfeng is subject to a lock up until the Effective Time for the balance of its participation in PSA, resulting in an ownership of 4.5% in DutchCo immediately after the Effective Time.

Certain Covenants

In addition to making reciprocal customary representation and warranties and agreeing to customary restrictions on their respective operations as from the time of the combination agreement until the Effective Time, FCA and PSA each have agreed to take certain actions between the date of the combination agreement and the Effective Time, such as the seeking of competition law and other regulatory approvals, the making of stock exchange and securities filings, and the application for listing of the DutchCo common shares issued in connection with the merger on the NYSE, Euronext Paris and the MTA prior to the closing date of the merger.

Pre-merger Distributions

Prior to the Effective Time (i) an extraordinary cash distribution of €5.5 billion may be paid by FCA to its shareholders, (ii) an ordinary dividend for an amount of €1.1 billion in respect of the fiscal year ending December 31, 2019 may be paid by each of FCA and PSA and (iii) if the closing of the merger has not occurred before the 2021 annual general meetings of PSA and FCA, an ordinary dividend in respect of the fiscal year ending December 31, 2020 for an amount to be agreed by FCA and PSA on the basis of their respective distributable amounts shall be paid by each of PSA and FCA, in the case of (ii) and (iii) subject to the availability of sufficient distributable amounts.

Faurecia Distribution

PSA is permitted to distribute to its shareholders by special or interim dividend all of the shares held by PSA in Faurecia prior to the Effective Time with no material changes in any currently existing commercial arrangements between PSA and Faurecia, other than amendments in the ordinary course.

Comau Separation

Promptly following the Effective Time, DutchCo is permitted to allocate to its shareholders through a demerger or similar transaction all the shares held by DutchCo in Comau or implement other value-creating alternative structures, including the sale of all the shares held by DutchCo in Comau (each of such transactions, the "**Comau Separation**"). FCA shall, prior to the closing of the merger, work diligently to prepare for the Comau Separation to enable the Comau Separation to be completed promptly following the closing of the merger, including by establishing the perimeter, capital structure and governance of Comau in consultation with PSA and, if applicable, preparing all necessary documentation for the listing of Comau shares on the appropriate securities exchange.

Other Provisions

The combination agreement contains customary exclusivity provisions requiring the parties to refrain from soliciting any acquisition proposal from third-parties as well as covenants requiring the board of directors of each of FCA and PSA to recommend that their respective shareholders approve the transaction, subject to limited exceptions to ensure compliance with the directors' fiduciary duties in connection with a superior proposal.

The obligation of each party to effect the merger is subject to customary closing conditions, including the absence of a material adverse effect with respect to the other party, regulatory clearances and approval by the shareholders of PSA and FCA.

The Combination Agreement is available on the website of the Group (www.groupe-psa.com), section '*PSA-FCA merger project*'.

III CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Contents

The consolidated financial statements of Groupe PSA are presented for the years ended 31 December 2019, 2018 and 2017.

CONSOLIDATED STATEMENTS OF INCOME

(in million euros)	Notes	2019 [(1)]	2018	2017 restated [(2)]
Continuing operations				
Revenue	*5.1*	**74 731**	**74 027**	**62 256**
Cost of goods and services sold		(59 083)	(59 233)	(49 872)
Selling, general and administrative expenses		(6 472)	(6 623)	(6 253)
Research and development expenses	*5.3*	(2 852)	(2 482)	(2 153)
Restructuring costs	*5.4*	(1 531)	(1 051)	(951)
Impairment of CGUs	*5.5*	(283)	(299)	(96)
Other operating income (expense)	*5.6*	158	61	143
Operating income (loss)		**4 668**	**4 400**	**3 074**
Financial income		192	188	167
Financial expenses		(536)	(634)	(405)
Net financial income (expense)	*12.2*	**(344)**	**(446)**	**(238)**
Income (loss) before tax of fully consolidated companies		**4 324**	**3 954**	**2 836**
Current taxes		(816)	(1 008)	(565)
Deferred taxes		100	393	(134)
Income taxes	*14*	**(716)**	**(615)**	**(699)**
'Share in net earnings of equity method investments	*11.3*	(24)	(44)	217
Consolidated profit (loss) from continuing operations		**3 584**	**3 295**	**2 354**
Attributable to Owners of the parent		*3 201*	*2 827*	*1 931*
Attributable to Non controlling interests		*383*	*468*	*423*
Consolidated profit (loss) from discontinued operations		**-**	**-**	*(7)*
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD		**3 584**	**3 295**	**2 347**
Attributable to Owners of the parent		*3 201*	*2 827*	*1 924*
Attributable to Non controlling interests		*383*	*468*	*423*

(in euros)				
Basic earnings per €1 par value share of continuing operations - attributable to Owners of the parent		3,58	3,16	2,18
Basic earnings per €1 par value share - attributable to Owners of the parent		3,58	3,16	2,17
Diluted earnings per €1 par value share of continuing operations - attributable to Owners of the parent		3,40	3,01	2,05
Diluted earnings per €1 par value share - attributable to Owners of the parent		3,40	3,01	2,04

[(1)] *The effects of IFRS 16 application are described in Note 2.3.*

[(2)] *These financial statements have been restated due to first time application of IFRS 15.*

CONSOLIDATED COMPREHENSIVE INCOME

(in million euros)	2019 [1]	2018	2017 restated [2]
Consolidated profit (loss) for the period	**3 584**	**3 295**	**2 347**
Fair value remeasurement to cash flow hedges	(56)	16	27
> of which, reclassified to the income statement	3	(10)	-
> of which, recognised in equity during the period	(59)	26	27
Gains and losses from remeasurement of financial assets	-	-	5
> of which, reclassified to the income statement	-	-	-
> of which, recognised in equity during the period	-	-	5
Exchange differences on translating foreign operations	(111)	(187)	(421)
Income tax benefit (expense)	10	-	
Amounts to be potentially reclassified to profit or loss	**(157)**	**(171)**	**(389)**
Actuarial gains and losses on defined benefits' pension obligations	212	334	(78)
Income tax benefit (expense)	12	(68)	
Amounts not to be reclassified to profit or loss	**224**	**266**	**(78)**
Total other amounts of comprehensive income (loss)	**67**	**95**	**(467)**
> of which, companies at equity	14	(27)	(113)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**3 651**	**3 390**	**1 880**
> of which, attributable to equity holders of the parent	3 261	2 933	1 571
> of which, attributable to minority interests	390	457	309

[1] *The effects of IFRS 16 application are described in Note 2.3.*

[2] *These financial statements have been restated due to first time application of IFRS 15.*

The income and expenses recognized in comprehensive income correspond to all changes in equity resulting from transactions with non-shareholder third parties.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets *(in million euros)*	**Notes**	**31 December 2019** [1]	**31 December 2018**	**31 December 2017 restated** [2]
Goodwill	*8.1*	4 312	3 608	3 321
Intangible assets	*8.1*	10 288	9 201	8 269
Property, plant and equipment	*8.2*	16 922	14 136	13 218
Equity method Investments - manufacturing and sales companies	*11*	719	1 072	1 356
Equity method investments - finance companies	*11*	2 604	2 372	2 116
Other non-current financial assets - manufacturing and sales companies	*12.4.A*	652	684	487
Other non-current financial assets - finance companies		11	28	23
Other non-current assets	*9.1*	1 733	1 669	1 705
Deferred tax assets	*14*	1 198	1 036	809
Total non-current assets		**38 439**	**33 806**	**31 304**
Loans and receivables - finance companies	*13.2.A*	85	179	331
Short-term investments - finance companies		78	79	114
Inventories	*6.1*	6 269	6 710	7 289
Trade receivables	*6.2*	2 503	1 904	2 426
Current taxes	*14*	221	376	353
Other receivables	*6.3.A*	2 922	2 470	2 496
Derivative financial instruments on operating - assets		95	110	274
Operating assets		**12 173**	**11 828**	**13 283**
Current financial assets and Financial investments	*12.4.A*	**1 321**	**892**	**1 434**
Cash and cash equivalents - manufacturing and sales companies	*12.4.B*	**17 379**	**14 961**	**11 582**
Cash and cash equivalents - finance companies	*13.2.C*	**454**	**465**	**312**
Total current assets		**31 327**	**28 146**	**26 611**
TOTAL ASSETS		**69 766**	**61 952**	**57 915**

Equity and liabilities *(in million euros)*	**Notes**	**31 December 2019** [1]	**31 December 2018**	**31 December 2017 restated** [2]
Equity	*15*			
Share capital		905	905	905
Treasury shares		(240)	(270)	(270)
Retained earnings and other accumulated equity, excluding non controlling interests		18 409	16 450	13 929
Non controlling interests		2 727	2 509	2 142
Total equity		**21 801**	**19 594**	**16 706**
Non-current financial liabilities	*12.5*	8 917	5 257	4 778
Other non-current liabilities	*9.2*	5 173	4 926	4 280
Non-current provisions	*10*	1 345	1 392	1 596
Deferred tax liabilities	*14*	830	781	897
Total non-current liabilities		**16 265**	**12 356**	**11 551**
Financing liabilities - finance companies	*13.3*	272	327	407
Current provisions	*10*	4 941	5 065	4 782
Trade payables		14 505	13 551	13 362
Current taxes	*14*	469	525	234
Other payables	*6.3.B*	8 869	8 293	8 139
Derivative financial instruments on operating - liabilities		124	59	203
Operating liabilities		**29 180**	**27 820**	**27 127**
Current financial liabilities	*12.5*	**2 520**	**2 182**	**2 531**
Total current liabilities		**31 700**	**30 002**	**29 658**
TOTAL EQUITY AND LIABILITIES		**69 766**	**61 952**	**57 915**

[1] *The effects of IFRS 16 application are described in Note 2.3.*

[2] *These financial statements have been restated due to first time application of IFRS 15.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in million euros)	Notes	2019 [1]	2018	2017 restated [2]
Consolidated profit (loss) from continuing operations		**3 584**	**3 295**	**2 354**
Adjustments for non-cash items:				
> depreciation, amortisation and impairment	*16.2*	3 717	2 995	2 754
> provisions		(97)	304	220
> changes in deferred and current taxes		(139)	(142)	134
> (gains) losses on disposals and other		(190)	(651)	(377)
Net financial expenses (income)		344	446	238
Dividends received from, net of share in net result of, equity method investments		274	189	152
Fair value remeasurement of cash flow hedges		30	72	28
Change in carrying amount of leased vehicles		50	226	(90)
Funds from operations		**7 573**	**6 734**	**5 413**
Changes in working capital	*6.4.A*	1 132	1 661	46
Net cash from (used in) operating activities of continuing operations [3]		**8 705**	**8 395**	**5 459**
Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies		51	38	85
Acquisitions of consolidated subsidiaries and equity method investments		(1 293)	(713)	(1 095)
Proceeds from disposals of property, plant and equipment and of intangible assets		298	509	323
Investments in property, plant and equipment	*8.2.B*	(2 765)	(2 510)	(2 351)
Investments in intangible assets	*8.1.B*	(2 146)	(2 061)	(1 947)
Change in amounts payable on fixed assets		(160)	(198)	(239)
Other		43	196	68
Net cash from (used in) investing activities of continuing operations		**(5 972)**	**(4 739)**	**(5 156)**
Dividends paid:				
> to Peugeot S.A. shareholders		(697)	(474)	(431)
> to minority shareholders of subsidiaries		(133)	(143)	(135)
Proceeds from issuance of shares		4	27	305
(Purchases) sales of treasury shares		(29)	(48)	(137)
Changes in other financial assets and liabilities	*16.4*	923	631	42
Payment of lease liabilities		(377)	-	-
Other		-	-	2
Net cash from (used in) financing activities of continuing operations		**(309)**	**(7)**	**(354)**
Net cash from the transferred assets and liabilities of operations held for sale		-	-	**(7)**
Impact of hyperinflation		(28)	22	-
Effect of changes in exchange rates		7	(66)	(121)
Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership		2 403	**3 605**	**(179)**
Net cash and cash equivalents at beginning of period		15 402	**11 797**	**11 976**
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	*16.1*	**17 805**	**15 402**	**11 797**

[1] The effects of IFRS 16 application are described in Note 2.3.

[2] These financial statements have been restated due to first time application of IFRS 15.

[3] Including an impact of tax paid of €854 miilions (€816 millions in 2018 and €687 millions in 2017)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in million euros)	Share capital	Treasury stock	Retained earnings excluding revaluations	Revaluations - excluding non controlling interests: Cash flow hedges	Remeasure-ment of the fair value of financial assets	Actuarial gains and losses on pension obligations	Effect of changes in exchange rates	Equity - Attributable to Owners of the parent	Non controlling interests	Total equity
At 31 December 2016	**860**	**(238)**	**12 108**	**6**	**18**	**(31)**	**(66)**	**12 657**	**1 961**	**14 618**
1st implementation of IFRS 15	-	-	18	-	-	-	-	18	(24)	(6)
At 31 December 2016 restated [(1)]	**860**	**(238)**	**12 126**	**6**	**18**	**(31)**	**(66)**	**12 675**	**1 937**	**14 612**
Comprehensive income	-	-	1 926	22	5	(80)	(302)	1 571	309	1 880
Measurement of stock options and performance share grants	-	-	29	-	-	-	-	29	11	40
Repurchase of treasury shares	-	(116)	(18)	-	-	-	-	(134)	(22)	(156)
Effect of changes in scope of consolidation and other	-	-	(6)	-	-	-	-	(6)	27	21
Issuance of shares	45	-	243	-	-	-	-	288	17	305
Peugeot S.A. equity warrants granted to General Motors	-	-	541	-	-	-	-	541	-	541
Treasury shares delivered to employees	-	84	(53)	-	-	-	-	31	-	31
Dividends paid by Peugeot S.A.	-	-	(431)	-	-	-	-	(431)	-	(431)
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(137)	(137)
At 31 December 2017 restated [(1)]	**905**	**(270)**	**14 357**	**28**	**23**	**(111)**	**(368)**	**14 564**	**2 142**	**16 706**
1st implementation of IFRS 9	-	-	31	-	(23)	-	-	8	-	8
Impact of hyperinflation	-	-	29	-	-	-	-	29	2	31
At January 1st 2018 restated [(2)]	**905**	**(270)**	**14 417**	**28**	**-**	**(111)**	**(368)**	**14 601**	**2 144**	**16 745**
Comprehensive income	-	-	2 827	9	-	257	(160)	2 933	457	3 390
Measurement of stock options and performance	-	-	38	-	-	-	-	38	11	49
Dividends linked to equity warrants granted to General Motors	-	-	(12)	-	-	-	-	(12)	-	(12)
Effect of changes in scope of consolidation and other	-	-	21	-	-	-	-	21	46	67
Issuance of shares	-	-	-	-	-	-	-	-	25	25
Treasury shares	-	-	(22)	-	-	-	-	(22)	(25)	(47)
Dividends paid by Peugeot S.A.	-	-	(474)	-	-	-	-	(474)	-	(474)
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(149)	(149)
At 31 December 2018	**905**	**(270)**	**16 795**	**37**	**-**	**146**	**(528)**	**17 085**	**2 509**	**19 594**
1st implementation of IFRS 16	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**2**	**-**	**2**
At January 1st 2019 restated [(3)]	**905**	**(270)**	**16 797**	**37**	**-**	**146**	**(528)**	**17 087**	**2 509**	**19 596**
Comprehensive income	-	-	3 201	(38)	-	231	(133)	3 261	390	3 651
Impact of hyperinflation	-	-	136	-	-	-	-	136	4	140
Measurement of performance share grants	-	-	44	-	-	-	-	44	8	52
Dividends linked to equity warrants granted to General Motors	-	-	(35)	-	-	-	-	(35)	-	(35)
Dongfeng commitment	-	-	(684)	-	-	-	-	(684)	-	(684)
Effect of changes in scope of consolidation and other	-	5	(33)	-	-	-	-	(28)	(37)	(65)
Treasury shares delivered to employees	-	23	(23)	-	-	-	-	-	-	-
Treasury shares	-	2	(12)	-	-	-	-	(10)	(14)	(24)
Dividends paid by Peugeot S.A.	-	-	(697)	-	-	-	-	(697)	-	(697)
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(133)	(133)
AT 31 DECEMBER 2019	**905**	**(240)**	**18 694**	**(1)**		**377**	**(661)**	**19 074**	**2 727**	**21 801**

[(1)] *Financial statements restated due to the first application of IFRS 15.*

[(2)] *Financial statements restated due to the first application of IFRS 9.*

[(3)] *Financial statements restated due to the first application of IFRS 16.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Preliminary note

The consolidated financial statements for 2019 including explanatory notes were authorized for issue by the Managing Board of Peugeot S.A. and endorsed by the supervisory board on 25 February 2020.

NOTE 1 - SIGNIFICANT EVENT

Groupe PSA and FCA agree to merge

On December 18, 2019, Fiat Chrysler Automobiles N.V. ("FCA") (NYSE: FCAU / MTA: FCA) and Peugeot S.A. ("Groupe PSA") signed a binding Combination Agreement providing for a 50/50 merger of their businesses to create the 4th largest global automotive Original Equipment Manufacturer (OEM) by volume and 3rd largest by revenue (the "Merger").

The merged entity will benefit from an efficient governance structure designed to promote effective performance, with a Board comprised of 11 members, 5 out of 9 non-executive directors of which need to be independent. Five Board members will be nominated by FCA and its reference shareholder (including John Elkann as Chairman) and five will be nominated by Groupe PSA and its reference shareholders (including the Senior Non-Executive Director and the Vice Chairman). At closing the Board will include two members representing FCA and Groupe PSA employees. Carlos Tavares will be the Chief Executive Officer for an initial term of five years and will also be a member of the Board.

The new group's Dutch-domiciled parent company will be listed on Euronext (Paris), the Borsa Italiana (Milan) and the New York Stock Exchange.

Under the proposed by-laws of the combined company, no shareholder would have the power to exercise more than 30% of the votes cast at shareholders' meetings. It is also foreseen that there will be no carryover of existing double voting rights but that new double voting rights will accrue after a three-year holding period after completion of the merger.

In the context of the contemplated Merger, Dongfeng Group (DFG) will sell 30.7 million shares to PSA (in which case they will be canceled prior to closing) and/or to third parties (including on the market). The accounting for this financial instrument and its impact on the consolidated financial statements at 31 December 2019 of Groupe PSA is discussed in Note 12.3.

Before closing of the Merger, FCA will distribute to its shareholders a special dividend of €5.5 billion while Groupe PSA will distribute to its shareholders its 46% stake in Faurecia. At December 31, Faurecia continues to be consolidated within continuing operations.

In addition, FCA will continue work on the separation of its holding in Comau which will be separated promptly following closing for the benefit of the shareholders of the combined company. Each company intends to distribute a €1.1 billion ordinary dividend in 2020 related to fiscal year 2019, subject to approval by each company's Board of Directors and shareholders. At closing, Groupe PSA shareholders will receive 1.742 shares of the new combined company for each share of Groupe PSA, while FCA shareholders will have 1 share of the new combined company for each share of FCA.

Preparation of the Merger is progressing as expected and completion of the proposed combination continues to be expected to take place in 12-15 months, subject to customary closing conditions, including approval by both companies' shareholders at their respective Extraordinary General Meetings and the satisfaction of antitrust and other regulatory requirements.

Otherwise, the proposed Merger has no other impact on the consolidated financial statements at 31 December 2019 than the merger costs for services received from various financial and legal external advisors that have been expensed as incurred for a total amount of €25 million in connection with the negotiation and completion of the proposed Merger.

NOTE 2 - ACCOUNTING POLICIES

2.1. ACCOUNTING STANDARDS APPLIED

The PSA Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board on 31 December 2019. There is no effect on these consolidated financial statements resulting from differences between IFRS as issued by the IASB and IFRS as adopted by the European Union.

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

New standards and amendments

The following new standards or IFRIC interpretations, which were effective from January 1, 2019, were:

- ***IFRS 16 - Leases*** (see Notes 2.2 for the first application and 2.3 for the effects on the consolidated financial statements)
- ***IFRIC 23 - Uncertainty over Income Tax Treatments***, whose adoption had no material effect on the consolidated statements.

New standards and amendments not yet effective

The following new IFRS standards, amendments or IFRIC interpretations mandatory for the periods beginning on or after January 1, 2020 (and not early applied) are expected to have no significant impact from January 1, 2020:

- Amendments to IFRS 3 « Definition of a business »
- Amendments to IAS 1 and IAS 8 « Definition of Material »
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendment to conceptual framework

Regarding ***IFRS 17 Insurance contracts***, subject to its adoption by the European Union, it will become effective in 2021, in place of the current IFRS 4 standard. The IASB issued an exposure draft on June 26, 2019 containing a number of amendments to IFRS 17 "Insurance Contracts". The modifications are intended to facilitate the implementation of the standard. In particular, it is proposed to delay the first date of application by one year, thus postponed to financial years beginning on or after January 1, 2022.

This new accounting standard bases the valuation of insurance contracts on a prospective assessment of insurers' commitments. Such an approach implies an increased use of complex models, fed by numerous hypotheses, and could require significant changes to existing models, tools and processes. Groupe PSA is currently assessing the impact on Banque PSA Finance.

In 2018, the main new IFRS standards applicable to the Group was as follows (see Note 2.4):

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

In addition, IAS 29 Hyperinflation had been applied to the operations in Argentina (see Note 2.5).

2.2. FIRST APPLICATION IMPACT OF IFRS 16 – ACCOUNTING PRINCIPLES

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

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

IFRS 16 stipulates the recognition of any leases on the balance sheet of the lessees, with the recognition of an asset (representing the right-of-use of the leased asset for the term of the lease) and of a debt (for the obligation to pay rent). For the lessors, the current distinction between operating leases and finance leases remains, with a mode of recognition that is essentially unchanged.

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

- Transition measures:
  - Use of the modified retrospective approach. No restatement of the comparative periods.
  - The identical classification of asset and liability balances for finance leases identified under IAS 17 in right-of-use assets and lease liabilities as authorized by the standard;
  - The lease liability is assessed at the present value of the rental payments remaining due. The Group makes use of knowledge acquired after the fact, for example, to determine the term of a lease that contains renewal or termination options;
  - The right-of-use as at the transition date is equal to the liability of the lease, adjusted for the amount of the rent payments paid in advance or to be paid. The initial direct costs are included in the valuation of the right-of-use on the transition date;
  - Exemption of leases whose remaining term is less than 12 months at 1 January 2019, and the low-value leases held by the Group;
  - The discount rate applied on the transition date corresponds to the incremental borrowing rate determined on the remaining term of the leases for the entire Group. The impact reported in the June 30, 2019 interim financial statements has been adjusted as a consequence of Faurecia's change to incremental borrowing rates on the duration rather than the terms of the leases at 2019 year-end resulting in a €39 million increase in Lease liabilities.
  - The group opted to record deferred taxes for the net amount of temporary differences resulting from the 1st application of IFRS 16.

- Permanent recognition:
  - Exemption of new short-term leases (term of less than 12 months including economic incentive renewal periods) and low-value leases;
  - **The lease term** corresponds to the non-cancellable period of each lease, to which should be added any renewal option that the Group is reasonably certain to carry out, and any option of termination that the Group is reasonably certain to not carry out. Specifically, in the case of commercial leases in France (3-6-9 years), the Group used a maximum term of 9 years, in accordance with the opinion of the ANC (*Autorité des Normes Comptables*). However, IFRS Interpretation Committee decided on November 26 2019 that as long as either the lessor or the lessee has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated. The group is currently assessing the impact of this decision on the lease liability and lease assets as of January 1st 2019.
  - **The discount rate** corresponds to the incremental borrowing rate determined on the lease term of the leases for the entire Group; this rate is defined according to the duration of the contract in order to take into account the payment profiles. The incremental borrowing rate is a default rate, to be used only if the interest rate implicit in the contract can not be easily determined.

On the date of their entry into force, which corresponds to the date on which the leased asset is made available to the lessee, the leases, as defined by ***IFRS – 16 Leases*** are recognised:

- As fixed assets (right-of-use) for the amount of the debt of the rent payments (determined above), increased by advance payments made to the lessor, initial direct costs incurred, less any lease incentives received, as well as an estimation of the costs of decommissioning or of refurbishing the leased asset according to the terms of the lease, if applicable; and
- As financial liabilities for the amount of rent payments over the term of the lease as determined above, discounted at the rate determined above.

These fixed assets are amortized on a straight-line basis, either for the term of the lease, or for their useful life, if it is less than the term of the lease or if the lease transfers ownership of the asset to the lessee, or if there is a purchase option that is reasonably certain to be exercised.

In the consolidated statements of cash flows, the payments of lease liabilities are reported in the cash flows from financing activities, pursuant to IFRS 16 leases.

2.3. IMPACT OF THE FIRST-TIME APPLICATION OF IFRS 16 – IMPACT ON THE 2019 CONSOLIDATED FINANCIAL STATEMENTS

A. **Consolidated statements of income**

The impact of the first-time application of IFRS 16 on the consolidated statement of income of the year 2019 concerns:

- The operating income with a positive net impact of €16 million, stemmed from the positive effect of the non-recognition of the lease expense for €348 million combined with the negative impact of €332 million for the amortization expense of the related rights of use.
- The net financial income (expense) for a negative impact of €62 million.

B. **Consolidated balance sheet**

The impact of the first-time application of IFRS 16 on the consolidated balance sheet at 1st January 2019 concerns:

- For the assets,
  - the rights of use listed in tangible assets for an amount of €1,507 million,
  - the pre-paid expenses in the Other receivables for a negative amount of €7 million
- For the liabilities,
  - the lease liabilities reported under:
    - the non-current financial liabilities for an amount of €1,193 million,
    - the current financial liabilities for an amount of €305 million.

C. **Consolidated statements of cash flows**

The impact of the first-time application of IFRS 16 on the consolidated statement of cash flows of the year 2019 concerns:

- The net cash from (used in) operating activities of continuing operations for a positive amount of €378 million;
- The net cash from (used in) financing activities of continuing operations (payment of lease liabilities) for a negative amount of €378 million.

D. **Reconciliation of the debts on lease obligations and off-balance sheet commitments as at 1 January 2019**

(in million euros)	**At 1st January 2019**
Non-cancellable lease commitments	**1 809**
Exemptions (less than twelve months and low-value)	(40)
Term	(28)
Discount rate	(221)
Others	(22)
LEASE LIABILITIES	**1 498**

2.4. FIRST APPLICATION OF IFRS 15 AND IFRS 9 IN 2018 – ACCOUNTING PRINCIPLES AND IMPACTS ON THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

A. Accounting principles

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

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

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

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

- 5.1.A – Revenue;
- 6.2 – Trade receivables;
- 10 – Current and non-current provisions;
- 12.7.B – Hedging instruments (manufacturing and sales companies);
- 12.8 – Financial instruments (manufacturing and sales companies);
- 13.1 – Financing and financial instruments – Finance companies;

B. Impact on the 2017 consolidated financial statements

(1) Consolidated statement of income

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

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

(2) Consolidated statement of financial position

ASSETS

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

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

EQUITY AND LIABILITIES

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

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

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

(3) Consolidated statement of Cash Flows

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

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

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

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

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

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

The main effects of the application of hyperinflation accounting were in 2018 :

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

2.6. USE OF ESTIMATES AND ASSUMPTIONS

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

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

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

For the preparation of the 2019 consolidated annual financial statements, special attention was paid to the following items:

- The recoverable amount of goodwill, intangible assets and property, plant and equipment (see Note 8.3), as well as the recoverable amount of investments in companies accounting for under the equity method (see Note 11.3);
- Recognition of development expenditures as assets (see Note 5.3);
- Provisions (particularly restructuring provisions, pensions, warranty provisions for new cars as well as claims and litigation) (see Note 5.4, Note 7.1 and Note 10);
- Sales incentives (see Note 5.1.A.(1).(a));
- Residual values of vehicles sold with buyback commitment (see Note 8.2.D and Note 9.2);
- Deferred tax assets (see Note 14);

For the preparation of the 2017 annual financial statements, special attention was also paid to the 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).

NOTE 3 - SCOPE OF CONSOLIDATION

3.1. ACCOUNTING POLICIES

A. Consolidation policies

(1) Consolidation methods

The generic name Groupe PSA refers to the Group of companies of which Peugeot S.A. is the parent.

The financial statements of Peugeot S.A. and companies in which Peugeot S.A. directly or indirectly exercises exclusive control are fully consolidated.

Companies in which Peugeot S.A. directly or indirectly exercises a significant influence are included in the consolidated financial statements using the equity method.

Under IFRS 11, with respect to its interests in joint operations, the Group recognizes its assets and its share of the assets held jointly, its liabilities and its share of the liabilities incurred jointly, its revenues and expenses arising from its transactions with the joint operations including its share of the revenue and expenses of the joint operations incurred jointly. Joint arrangements that qualify as joint ventures because the parties have rights to the net assets of the arrangement are accounted for using the equity method.

The securities of companies fulfilling the consolidation criteria and which are not consolidated for materiality or feasibility reasons would not have had a significant impact on the consolidated financial statements as a whole. These securities are registered as equity securities in accordance with the general principles described in Note 12.7.

All significant intragroup transactions and internal margins are eliminated in consolidation.

The Group attributes the profit or loss of a subsidiary between the parent and minority interests based on their respective ownership interests. As a result, if there is no agreement committing the parent to absorbing the losses of the subsidiary, minority interests may be negative.

(2) Changes in scope of consolidation resulting in exclusive control

Business combinations occurring after 1 January 2010 are accounted for using the acquisition method, in accordance with ***IFRS 3 – Business Combinations***.

The identifiable assets acquired and liabilities and contingent liabilities assumed are measured at acquisition-date fair value, provided that they meet the accounting criteria of IFRS 3 (Revised). The residual goodwill represents anticipated post-acquisition cash flows due to synergies in addition to the assets and liabilities recognised on initial consolidation. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred.

In the event of a price adjustment in the 12 months following the acquisition date, the provisional initial assessment is adjusted against goodwill. Any subsequent adjustment is recognised as debt or credit against profit or loss of the Group.

In accordance with ***IAS 36 – Impairment of Assets***, goodwill is not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired (see Note 8.3).

(3) Goodwill on equity method investments

Goodwill attributable to acquisitions of equity method investments is the excess of the cost of shares, including directly attributable acquisition costs, over the Group's equity in the acquisition-date fair value of the identifiable assets and liabilities acquired. It is included in "Equity method Investments" and tested for impairment at the level of the equity method investments concerned.

(4) Other changes in scope of consolidation

Any change in ownership interests resulting in the loss of control of an entity is recognised in "other operating income (loss)" as a disposal of the whole entity immediately followed by an investment in the remaining interest

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

B. Conversion methods

(1) Translation of the financial statements of foreign subsidiaries

(a) Standard method

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

(b) Specific method

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

(2) Translation of transactions in foreign currencies

In compliance with IAS 21, transactions in foreign currencies are translated into the subsidiary's functional currency at the exchange rate on the transaction date.

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

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

3.2. COMPOSITION OF THE GROUP

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

	31 December 2019	31 December 2018	31 December 2017
Fully consolidated companies			
Manufacturing and sales companies	350	325	317
Finance companies	17	18	18
	367	**343**	**335**
Joint operations			
Manufacturing and sales companies	3	3	3
Companies at equity			
Manufacturing and sales companies	42	38	55
Finance companies	44	43	43
	86	**81**	**98**
CONSOLIDATED COMPANIES	**456**	**427**	**436**

Business combinations: Acquisition of Clarion by Faurecia

Faurecia, through its subsidiary Hennape Six SAS, has reached on October 26, 2018 binding agreements with Clarion and Hitachi, the controlling shareholder owning 63.8% of Clarion, for a tender offer to acquire 100% of the shares of Clarion, listed on the Tokyo Stock Exchange, for a price of ¥2,500 per clarion share. The tender offer has been authorized by antitrust authorities. Clarion shareholders have tendered 95.2% of their shares to the offer launched on January 30, 2019. The tender offer, closed on February 28, 2019, has been followed by a squeeze out at the end of which Hennape Six SAS has acquired on March 28, 2019 the remaining Clarion shares (excluding treasury shares) which have been paid in July 2019.

This acquisition has been financed through the issuance by Faurecia SE in December 2018 of a €700 million *Schuldscheindarlehen* and a €500 million bridge loan. Faurecia SE has successfully issued on March 27, 2019 €500 million of senior notes due 2026 at 3.125% to refinance the bridge loan.

Faurecia thus acquires key competencies in electronics, software, full digital audio systems, human-machine interface and image treatment, which are at the heart of its strategy for Sustainable Mobility and Cockpit of the Future.

This business combination was accounted for provisionally at December 31, 2019 as the fair values assigned to the identifiable assets acquired and liabilities assumed and the related goodwill may be amended within the one-year period following the March 2019 acquisition date. The purchase price allocation is being finalized; as of December 31, 2019, out of the initial purchase price of €1,099 million; €495.6 million has been allocated to the net assets acquired, specifically to customer relationships for €185 million and to technologies for €125 million and €603.9 million to the goodwill. A portion of this goodwill has been reallocated for € 75 million to the other activities of the group as synergies linked to this acquisition.

Clarion's accounts have been included in the consolidated financial statements since April 1, 2019. Clarion's total contribution to Faurecia's consolidated revenue and operating income (before depreciation of acquired intangible assets) was respectively €586.3 million and €17.6 million for the year 2019.

The table below shows a breakdown of Clarion's net assets acquired by Faurecia:

in € million	**Fair value**
Intangible assets	393
Property, plant and equipment	246
Right-of-use assets	7
Other non current assets	18
Total Non Current Assets	**664**
Inventories, net	84
Trade accounts receivable	242
Other Current assets	165
Cash & cash equivalent	134
Total Current Assets	**625**
TOTAL ASSETS	**1 289**
Non controlling interests	0
Long term provisions and Non current liabilities	52
Non current financial liabilities	119
Non current lease liabillities	7
Total non current liabilities	**178**
Trade payables	202
Current provisions	103
Current liabilities	196
Current financial liabilities	114
Current portion of lease liabilities	0
Total current liabilities	**616**
TOTAL LIABILITIES	**794**
Net acquired assets	**496**
Net acquired assets by the Group (100%)	**496**
Goodwill	-604
Acquisition cost	**1 099**

NOTE 4 - 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 and allocate financial resources between them. The Group's main performance indicator on the business segments is the adjusted operating income.

The Group's operations are managed and reported in the management reporting around three main segments:

- The Automotive segment, consisting of the historical Peugeot Citroën DS business segment and of the Opel Vauxhall business segment that is still in a process of full integration in terms of manufacturing capacity and commercial distribution with the Peugeot Citroën business segment.
- The Automotive Equipment segment, corresponding to the Faurecia Group comprising :
    - The Interiors business;
    - The Seating business (vehicle seats);
    - The Clean Mobility business and (exhaust systems' technology) ;
    - The Clarion Electronics business (cockpit electronics and low-speed ADAS).

  Faurecia is listed on Euronext. At 31 December 2019, Peugeot S.A. holds 46.34% of Faurecia's capital and 62.99% 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 exclusively retail financing to customers of the Peugeot, Citroën, DS, Opel and 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 partnerships between Banque PSA Finance and Santander Consumer Finance for the Peugeot, Citroën and DS brands as well as from the partnerships with BNP Paribas for the Opel and Vauxhall brands.

The Group’s other activities are housed under “Other businesses”, which mainly includes the Peugeot S.A. holding company and the 25% retained interests in Gefco.

4.1. BUSINESS SEGMENTS

The columns for each business segment shown in the table below are on a stand-alone basis. Faurecia and Banque PSA Finance publish consolidated financial statements, and segment information for these two businesses is therefore presented down to the level of net profit (loss). For the other segments, as cash positions and taxes are managed jointly in some countries, only the adjusted operating income and share in net earnings of equity method investments are presented by segment.

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.

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

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

	2019							
	Automotive				Finance companies			
(in million euros)	Peugeot Citroën DS [1]	Opel Vauxhall [1]	Automotive Equipment	Other Businesses	100%	Reconciliation	Eliminations and unallocated	Total
Revenue								
> third parties	43 558	15 384	15 738	3	1 920	(1 872)	-	74 731
> intragroup, intersegment	2 538	1 984	2 030	173	243	(232)	(6 736)	-
Total	**46 096**	**17 368**	**17 768**	**176**	**2 163**	**(2 104)**	**(6 736)**	**74 731**
Adjusted operating income (loss)	**3 923**	**1 121**	**1 227**	**36**	**1 012**	**(987)**	**(8)**	**6 324**
Restructuring costs			(194)		(3)	3	(1 337)	(1 531)
Impairment of CGUs			-		-	-	(283)	(283)
Other operating income (expense)			(19)		(18)	17	178	158
Operating income (loss)			**1 013**		**991**	**(967)**	**3 631**	**4 668**
Net financial income (expense)			**(219)**		**3**	**-**	**(128)**	**(344)**
Income taxes expense			(167)		(255)	254	(548)	(716)
Share in net earnings of equity method investments	(456)	-	38	22	16	356	-	(24)
Consolidated profit (loss) from continuing operations			**665**		**755**	**(357)**	**-**	**3 584**
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD			**665**		**755**	**(357)**		**3 584**
Attributable to Owners of the parent			*272*		*398*	*-*		*3 201*
Attributable to Non controlling interests			*393*		*357*	*(358)*		*383*
Capital expenditure (excluding sales with a buyback commitment)	**3 012**	**506**	**1 367**	**-**	**48**	**(22)**	**-**	**4 911**
Depreciation provision	**(2 058)**	**(133)**	**(1 177)**	**(6)**	**(36)**	**22**	**-**	**(3 388)**

(1) The figures of theses columns are dispalyed before elimination of the inter-company operations between PCD and OV segments.

Adjusted operating income (loss) is the measure used by the chief operating decision maker to assess performance, allocate resources to the Group’s operating segments and to view operating trends, perform analytical comparisons and benchmark performance between periods and among the segments. Adjusted operating income (loss) excludes from Operating income certain adjustments comprising Restructuring costs, Impairment of CGU’s and Other operating income (expense) considered rare or discrete events and are infrequent in nature.

In 2019, on a fully consolidated basis, Banque PSA Finance (Finance Companies segment) generated net banking revenue of €1,744 million. Net provision expense (cost of risk) amounted to €82 million.
In 2019, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €50 million. Net provision expense (cost of risk) amounted to €1 million.

	2018							
	Automotive				Finance companies			
(in million euros)	Peugeot Citroën DS [1]	Opel Vauxhall [1]	Automotive Equipment	Other Businesses	100%	Reconciliation	Eliminations and unallocated	Total
Revenue								
> third parties	41 638	16 913	15 418	3	1 807	(1 752)	-	74 027
> intragroup, intersegment	1 389	1 393	2 107	145	182	(166)	(5 050)	-
Total	**43 027**	**18 306**	**17 525**	**148**	**1 989**	**(1 918)**	**(5 050)**	**74 027**
Adjusted operating income (loss)	**3 617**	**859**	**1 263**	**(19)**	**939**	**(962)**	**(8)**	**5 689**
Restructuring costs			(104)		(4)	4	(947)	(1 051)
Impairment of CGUs			(21)		(1)	-	(277)	(299)
Other operating income (expense)			(23)		(7)	7	84	61
Operating income (loss)			**1 115**		**927**	**(951)**	**3 309**	**4 400**
Net financial income (expense)			**(163)**		**24**	**(14)**	**(293)**	**(446)**
Income taxes expense			(190)		(290)	288	(423)	(615)
'Share in net earnings of equity method investments	(448)	-	31	13	13	347	-	(44)
Consolidated profit (loss) from continuing operations			**793**		**674**	**(330)**	**-**	**3 295**
CONSOLIDATED PROFIT (LOSS) FORTHE PERIOD			**793**		**674**	**(330)**	**-**	**3 295**
Attributable to Owners of the parent			*324*		*336*	*10*	*-*	*2 827*
Attributable to Non controlling interests			*469*		*338*	*(340)*	*-*	*468*
Capital expenditure (excluding sales with a buyback commitment)	**2 746**	**541**	**1 269**	**-**	**40**	**(23)**	**-**	**4 573**
Depreciation provision	**(1 832)**	**(90)**	**(879)**		**(33)**	**19**	**-**	**(2 815)**

(1) The figures of theses columns are dispalyed before elimination of the inter-company operations between PCD and OV segments.

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

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

	2017							
	Automotive				Finance companies			
(in million euros)	Peugeot Citroën DS [1]	Opel Vauxhall [1]	Automotive Equipment	Other Businesses	100%	Reconciliation	Eliminations and unallocated	Total
Revenue								
> third parties	40 281	6 864	14 993	2	1 347	(1 231)	-	62 256
> intragroup, intersegment	454	374	1 969	88	129	(106)	(2 908)	-
Total	**40 735**	**7 238**	**16 962**	**90**	**1 476**	**(1 337)**	**(2 908)**	**62 256**
Adjusted operating income (loss)	**2 966**	**(179)**	**1 156**	**23**	**632**	**(618)**	**(2)**	**3 978**
Restructuring costs			(86)		(1)	1	(865)	(951)
Impairment of CGUs			-		-	-	(96)	(96)
Other operating income (expense)			(10)		(11)	11	153	143
Operating income (loss)			**1 060**		**620**	**(606)**	**2 000**	**3 074**
Net financial income (expense)			**(131)**		**4**	**(1)**	**(110)**	**(238)**
Income taxes expense			(261)		(204)	194	(428)	(699)
'Share in net earnings of equity method investments	(55)	-	35	11	17	209	-	217
Consolidated profit (loss) from continuing operations			**703**		**437**	**(204)**	**-**	**2 354**
Consolidated profit (loss) from discontinued operations			**(7)**		**-**	**-**	**-**	**(7)**
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD			**696**		**437**	**(204)**	**-**	**2 347**
Attributable to Owners of the parent			*279*		*226*	*1*	*-*	*1 924*
Attributable to Non controlling interests			*417*		*211*	*(205)*	*-*	*423*
Capital expenditure (excluding sales with a buyback commitment)	**2 717**	**169**	**1 217**		**30**	**(13)**	**-**	**4 120**
Depreciation provision	**(1 877)**	**(25)**	**(796)**		**(19)**	**7**	**-**	**(2 710)**

(1) The figures of theses columns are dispalyed before elimination of the inter-company operations between PCD and OV segments.

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

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

4.2. CONSOLIDATED BALANCE SHEETS

Assets *(in million euros)*	31 December 2019 Automotive	Automotive equipment	Finance companies	Other businesses and Eliminations	Total
Goodwill	1 975	2 318	-	19	4 312
Intangible assets	7 669	2 551	66	2	10 288
Property, plant and equipment	13 055	3 874	3	(10)	16 922
Equity method investments	317	240	2 605	161	3 323
Other non-current financial assets	148	70	11	434	663
Other non-current assets	1 260	137	199	137	1 733
Deferred tax assets	4 052	467	7	(3 328)	1 198
Total non-current assets	**28 476**	**9 657**	**2 891**	**(2 585)**	**38 439**
Inventories	4 718	1 551	-	-	6 269
Trade receivables	113	2 861	163	(471)	2 666
Current taxes	75	70	12	64	221
Other receivables	2 045	1 107	96	(326)	2 922
Derivative financial instruments on operating - assets	1	9	-	85	95
Current financial assets and Financial investments	65	15	2	1 239	1 321
Cash and cash equivalents	15 142	2 319	454	(82)	17 833
Total current assets	**22 159**	**7 932**	**727**	**509**	**31 327**
TOTAL ASSETS	**50 635**	**17 589**	**3 618**	**(2 076)**	**69 766**

Equity and liabilities *(in million euros)*	31 December 2019 Automotive	Automotive equipment	Finance companies	Other businesses and Eliminations	Total
Equity					**21 801**
Non-current provisions	854	466	-	25	1 345
Non-current financial liabilities	1 292	3 826	2	3 797	8 917
Deferred tax liabilities	2 049	34	7	(1 260)	830
Other non-current liabilities	5 165	2	-	6	5 173
Total non-current liabilities	**9 360**	**4 328**	**9**	**2 568**	**16 265**
Current provisions	4 543	255	84	59	4 941
Current financial liabilities	4 998	1 271	-	(3 749)	2 520
Trade payables and Finance companies' liabilities	9 681	5 334	272	(510)	14 777
Current taxes	797	77	9	(413)	469
Other payables	7 259	1 687	53	(130)	8 869
Derivative financial instruments on operating - liabilities	2	1	-	121	124
Current financial liabilities	**27 280**	**8 625**	**418**	**(4 622)**	**31 700**
TOTAL EQUITY AND LIABILITIES					**69 766**

Within the French tax group, each component of the French tax group determines its income tax position on a stand alone basis. The impact of the consolidation of the French tax group is reflected in the Other businesses and eliminations.

Assets *(in million euros)*	31 December 2018 Automotive	Automotive equipment	Finance companies	Other businesses and Eliminations	Total
Goodwill	1 944	1 664	-	-	3 608
Intangible assets	7 186	1 959	56	-	9 201
Property, plant and equipment	11 374	2 785	2	(25)	14 136
Equity method investments	762	144	2 372	166	3 444
Other non-current financial assets	208	90	28	386	712
Other non-current assets	1 287	109	129	144	1 669
Deferred tax assets	3 918	356	9	(3 247)	1 036
Total non-current assets	**26 679**	**7 107**	**2 596**	**(2 576)**	**33 806**
Inventories	5 280	1 430	-	-	6 710
Trade receivables	131	2 169	258	(396)	2 162
Current taxes	94	140	13	129	376
Other receivables	1 939	740	82	(291)	2 470
Derivative financial instruments on operating - assets	4	30	-	76	110
Current financial assets and Financial investments	49	67	-	776	892
Cash and cash equivalents	13 841	2 105	466	(986)	15 426
Total current assets	**21 338**	**6 681**	**819**	**(692)**	**28 146**
TOTAL ASSETS	**48 017**	**13 788**	**3 415**	**(3 268)**	**61 952**

Equity and liabilities *(in million euros)*	31 December 2018 Automotive	Automotive equipment	Finance companies	Other businesses and Eliminations	Total
Equity					**19 594**
Non-current provisions	964	409	-	19	1 392
Non-current financial liabilities	755	1 870	-	2 632	5 257
Deferred tax liabilities	1 745	31	7	(1 002)	781
Other non-current liabilities	4 921	5	-	-	4 926
Total non-current liabilities	**8 385**	**2 315**	**7**	**1 649**	**12 356**
Current provisions	4 654	173	144	94	5 065
Current financial liabilities	5 003	936	-	(3 757)	2 182
Trade payables and Finance companies' liabilities	9 450	4 560	328	(460)	13 878
Current taxes	814	56	3	(348)	525
Other payables	6 839	1 499	55	(100)	8 293
Derivative financial instruments on operating - liabilities	12	7	-	40	59
Current financial liabilities	**26 772**	**7 231**	**530**	**(4 531)**	**30 002**
TOTAL EQUITY AND LIABILITIES					**61 952**

Assets *(in million euros)*	31 December 2017 Automotive	Automotive equipment	Finance companies	Other businesses and Eliminations	Total
Goodwill	1 932	1 388	1	-	3 321
Intangible assets	6 581	1 634	54	-	8 269
Property, plant and equipment	10 655	2 591	3	(31)	13 218
Equity method Investments	1 048	151	2 117	156	3 472
Other non-current financial assets	204	54	23	229	510
Other non-current assets	3 434	246	13	(2 884)	809
Deferred tax assets	1 117	327	102	159	1 705
Total non-current assets	**24 971**	**6 391**	**2 313**	**(2 371)**	**31 304**
Inventories	5 906	1 383	-	-	7 289
Trade receivables	760	2 134	432	(455)	2 871
Current taxes	303	144	15	(109)	353
Other receivables	1 855	653	(10)	(2)	2 496
Derivative financial instruments on operating - assets	257	4	96	(83)	274
Current financial assets and Financial investments	381	32	12	1 009	1 434
Cash and cash equivalents	10 557	1 563	320	(546)	11 894
Total current assets	**20 019**	**5 913**	**865**	**(186)**	**26 611**
TOTAL ASSETS	**44 990**	**12 304**	**3 178**	**(2 557)**	**57 915**

Equity and liabilities *(in million euros)*	31 December 2017 Automotive	Automotive equipment	Finance companies	Other businesses and Eliminations	Total
Equity					**16 706**
Non-current provisions	1 152	413	-	31	1 596
Non-current financial liabilities	771	1 598	-	2 409	4 778
Deferred tax liabilities	1 844	17	7	(971)	897
Other non-current liabilities	4 277	2	-	1	4 280
Total non-current liabilities	**8 044**	**2 030**	**7**	**1 470**	**11 551**
Current provisions	4 444	167	119	52	4 782
Current financial liabilities	5 417	697	-	(3 583)	2 531
Trade payables and Finance companies' liabilities	9 554	4 219	415	(419)	13 769
Current taxes	443	58	9	(276)	234
Other payables	6 571	1 508	(11)	71	8 139
Derivative financial instruments on operating - liabilities	194	-	92	(83)	203
Current financial liabilities	**26 623**	**6 649**	**624**	**(4 238)**	**29 658**
TOTAL EQUITY AND LIABILITIES					**57 915**

4.3. CONSOLIDATED STATEMENTS OF CASH FLOWS

	31 December 2019				
(in million euros)	Automotive	Automotive Equipement	Finance companies	Other businesses and eliminations	Total
Funds from operations	5 489	1 807	189	88	7 573
Changes in working capital	1 054	32	(42)	88	1 132
Net cash from(using in) operating activities of continuing operations	6 543	1 839	147	176	8 705
Net cash from(using in) investing ativities of continuing operations	(3 417)	(2 359)	(63)	(133)	(5 972)
Net cash from(using in) financing ativities of continuing operations	(2 767)	729	(97)	1 826	(309)
Effect of changes in exchange rates	(45)	5	1	18	(21)
Increase (Decrease)in net cash from continuing operations and held for sale or to be continued in partnership	**314**	**214**	**(12)**	**1 887**	**2 403**
Net cash and cash equivalents at beginning of the period	**1 212**	**2 108**	**462**	**11 620**	**15 402**
Net cash and cash equivalents at end of period	**1 526**	**2 322**	**449**	**13 508**	**17 805**

	31 December 2018				
(in millions euros)	Automotive	Automotive Equipement	Finance companies	Other businesses and eliminations	Total
Funds from operations	4 956	1 604	118	56	6 734
Changes in working capital	1 800	112	48	(299)	1 661
Net cash from(using in) operating activities of continuing operations	6 756	1 716	166	(243)	8 395
Net cash from(using in) investing ativities of continuing operations	(3 366)	(1 313)	(18)	(42)	(4 739)
Net cash from(using in) financing ativities of continuing operations	(3 248)	160	-	3 081	(7)
Effect of changes in exchange rates	(2)	(20)	-	(22)	(44)
Increase (Decrease)in net cash from continuing operations and held for sale or to be continued in partnership	**140**	**543**	**148**	**2 774**	**3 605**
Net cash and cash equivalents at beginning of the period	**1 072**	**1 566**	**314**	**8 845**	**11 797**
Net cash and cash equivalents at end of period	**1 212**	**2 108**	**462**	**11 620**	**15 402**

	31 December 2017				
(in million euros)	Automotive	Automotive Equipement	Finance companies	Other businesses and eliminations	Total
Funds from operations	3 765	1 507	145	(4)	5 413
Changes in working capital	(202)	232	(78)	94	46
Net cash from(using in) operating activities of continuing operations	3 563	1 739	67	90	5 459
Net cash from(using in) investing ativities of continuing operations	(1 639)	(1 613)	(535)	(1 369)	(5 156)
Net cash from(using in) financing ativities of continuing operations	(1 945)	(82)	264	1 402	(361)
Effect of changes in exchange rates	(70)	(48)	(2)	(1)	(121)
Increase (Decrease)in net cash from continuing operations and held for sale or to be continued in partnership	**(91)**	**(4)**	**(206)**	**122**	**(179)**
Net cash and cash equivalents at beginning of the period	**1 166**	**1 566**	**520**	**8 724**	**11 976**
Net cash and cash equivalents at end of period	**1 075**	**1 562**	**314**	**8 846**	**11 797**

4.4. GEOGRAPHICAL INFORMATION

The indicators provided by region are revenue broken down by customer marketing area and property, plant and equipment broken down by geographic location of the consolidated companies.

(in million euros)	Europe [1]	Eurasia	China & South-Asia	India Pacific	Latin America	Middle East & Africa	North America	Total
2019								
Revenue	58 758	595	3 232	1 705	3 383	3 015	4 043	**74 731**
Property, plant and equipment	14 048	149	674	363	799	303	586	**16 922**
2018								
Revenue	58 007	557	3 147	1 478	3 842	2 802	4 194	**74 027**
Property, plant and equipment	12 151	122	541	141	651	166	364	**14 136**
2017 restated [2]								
Revenue	46 269	477	2 920	1 226	4 490	2 975	3 899	**62 256**
Property, plant and equipment	11 511	143	453	123	578	73	337	**13 218**

[1] ***of which France :***

(in million euros)	2019	2018	2017 restated [2]
Revenue	17 037	16 306	14 751
Property, plant and equipment	6 586	5 991	5 779

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

NOTE 5 - OPERATING INCOME

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

5.1. REVENUE

A. Accounting policies

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

(1) Manufacturing and sales companies

(a) Automotive segment

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

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

The cost of current and future sales incentive programs is accounted for in operating income in the period in which the sales are registered. They are provided for country by country on the basis of historical costs for the previous three months. In cases where the cost of the program varies according to sales, it is deducted from revenue. In other cases, it is recognised as an expense in cost of goods and services sold.

The Group's incentive programs include retail financing granted at a significant discount to market interest rates. The corresponding cost is recognised at the time of the sale, as a deduction from revenue.

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

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

The warranties provided to end customers are designed to cover defects in the vehicles sold. Insurance type warranties are subject to provisions in accordance with IAS 37 (see Note 10).

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

The difference between the sale price and the buyback price is recognised as rental revenue on a straight-line basis over the duration of the buyback commitment. The vehicle is initially recognised at production cost. It is depreciated on a straight-line basis over the term of the lease, less its residual value, representing the estimated resale price on the used vehicle market. Any additional gain made on the final sale of the vehicle is recognised in the period in which it is sold on the used vehicle market. If the net difference is a loss, an allowance is booked when the buyback contract is signed.

The Group acts as a principal for transportation services.

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

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

(b) Automotive Equipment segment

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

For supply of monoliths[1] to customers the Group acts as an agent

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

Development work is generally considered as a capitalisable pre-production expense and does not trigger, in this case, a recognition of revenue that is separate from the revenue from the parts. Development work is recognised under intangible assets (see Note 5.3.A).

(2) Finance companies

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

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

Most of the finance activities are managed in partnership with Santander and BNP Paribas. The revenue of these operations is not included in the Group's consolidated revenue as these companies are accounted for using the equity method (see Notes 11.4.B et 11.4.C). The revenue of all financing activities at 100% is presented in Note 4.1.

B. Key figures

(in million euros)	**2019**	**2018**	**2017**
Sales of vehicles and other goods	73 198	72 417	60 490
Service revenue	1 485	1 555	1 650
Financial services revenue	48	55	116
TOTAL	**74 731**	**74 027**	**62 256**

Sales of goods consist mainly of sales of vehicles and automobile parts, sub-assemblies and components.

Service revenues primarily comprise auto repairs and servicing by captive dealers, and vehicle leasing services as described in Note 8.2.D.

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

5.2. OPERATING EXPENSES ANALYSED BY NATURE

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

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

Staff costs (excluding restructuring costs)

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

(in million euros)	2019	2018	2017
Automotive Division	(6 531)	(6 795)	(5 638)
Automotive Equipment Division	(3 470)	(3 304)	(3 177)
Finance companies	(7)	(6)	(7)
Other businesses	(134)	(137)	(98)
TOTAL	**(10 142)**	**(10 242)**	**(8 920)**

In 2019, the Competitiveness and Employment Tax Credit (CICE) doesn't apply anymore. The CICE amounted to €83 million in 2018 and €103 million in 2017, and had been deducted from personnel expenses.

Details of pension costs are disclosed in Note 7.

Depreciation expense

Depreciation expense included in operating income breaks down as follows:

(in million euros)	2019	2018	2017
Capitalised development expenditure	(1 182)	(1 065)	(939)
Other intangible assets	(180)	(123)	(98)
Specific tooling	(746)	(669)	(616)
Other property, plant and equipment	(1 280)	(958)	(1 057)
TOTAL	**(3 388)**	**(2 815)**	**(2 710)**

5.3. RESEARCH AND DEVELOPMENT EXPENSES

A. Accounting policies

Research and development expenses include the cost of scientific and technical activities, industrial property, and the education and training necessary for the development, production or implementation and marketing of new or substantially improved materials, methods, products, processes, systems or services.

Under ***IAS 38 – Intangible Assets***, development expenditure is recognised as an intangible asset if the entity can demonstrate in particular:

- its intention to complete the intangible asset as well as the availability of adequate technical, financial and other resources for this purpose;
- that it is probable that the future economic benefits attributable to the development expenditure will flow to the entity;
- that the cost of the asset can be measured reliably.

Capitalised development costs include related borrowing costs (see Note 12.2.A).
Expenses for the year include research costs, non-capitalised study and development costs under the above criteria, and the depreciation of capitalized development costs.

(1) Automotive segment

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

(2) Automotive Equipment Division

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

B. Research and development expenses, net

(in million euros)	2019	2018	2017
Total expenditure [(1)]	(4 290)	(3 914)	(3 586)
Capitalised development expenditure [(2)]	2 179	2 099	2 021
Non-capitalised expenditure	**(2 111)**	**(1 815)**	**(1 565)**
Amortisation of capitalised development expenditure	(741)	(667)	(588)
TOTAL	**(2 852)**	**(2 482)**	**(2 153)**

[(1)] *Including €2,959 million for the Automotive segment (€2,872 million in 2018).*

[(2)] *In addition to this expenditure, borrowing costs are capitalised pursuant to IAS 23 - Borrowing costs (Revised).*

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

In addition, the depreciation of the capitalised development expenditure is classified in “Cost of goods and services sold” for €439 million in 2019 (€399 million in 2018 and €348 million in 2017).

5.4. RESTRUCTURING COSTS

(in million euros)	2019	2018	2017
Termination costs for employees	(1 041)	(755)	(817)
Reengineering costs for plants, R&D and IT systems	(490)	(296)	(134)
TOTAL	**(1 531)**	**(1 051)**	**(951)**

In 2019, reeingeering costs for plants, R&D and IT systems are mainly linked to restructuring Opel through the transfer of some research and development activities to SEGULA Technologies and the IT convergence between Peugeot Citroën DS and Opel Vauxhall for €328 million. On 15 November 2018, Groupe PSA / Opel and the global engineering group SEGULA Technologies announced the signature of a strategic partnership following their discussions, in accordance with the announcement made on 5 September 2018. In November 2019, under this agreement, the transfer of the OPEL research and development activity took place.

Termination costs for employees

(in million euros)	2019	2018	2017
Automotive segment	(870)	(654)	(739)
Automotive Equipment segment	(169)	(97)	(79)
Other businesses segment	(2)	(4)	1
TOTAL	**(1 041)**	**(755)**	**(817)**

Termination costs for employees consist mainly of workforce reductions.

In 2019, the termination costs for employees amounted to 1,041 M€. They relate chiefly to the recognition of restructuring plans (voluntary and senior leaves, pre-pensions) covering the industrial Opel Vauxhall’s sites in Europe (855 M€).

5.5. IMPAIRMENT OF CGUs

(in million euros)	2019	2018	2017
Impairment of CGUs	(283)	(299)	(96)

The impact in the income statement is disclosed in note of impairment test (note 8.3.B)

5.6. OTHER OPERATING INCOME (EXPENSES)

(in million euros)	2019	2018	2017
TOTAL	**158**	**61**	**143**

In 2019, the other operating income (158 M€) stems mainly from the disposals of equity investments (119 M€).
In 2017, the other operating income (143 M€) derived chiefly from the sales of property (164 M€).

NOTE 6 - WORKING CAPITAL

6.1. INVENTORIES

Inventories are stated at the lower of cost and net realisable value, in accordance with ***IAS 2 - Inventories***.

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

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

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

	31/12/2019			31/12/2018			31/12/2017		
(in million euros)	Gross	Allowance	Net	Gross	Allowance	Net	Gross	Allowance	Net
Raw materials and supplies	1 548	(196)	1 352	1 280	(154)	1 126	1 272	(153)	1 119
Semi-finished products and work-in-progress	1 083	(30)	1 053	1 028	(33)	995	1 017	(30)	987
Goods for resale and used vehicles	1 078	(97)	981	1 016	(62)	954	1 204	(83)	1 121
Finished products and replacement parts	3 153	(270)	2 883	3 873	(238)	3 635	4 289	(227)	4 062
Total	**6 862**	**(593)**	**6 269**	**7 197**	**(487)**	**6 710**	**7 782**	**(493)**	**7 289**

6.2. TRADE RECEIVABLES

Following the application of IFRS 9, a provision for expected credit losses is recorded on the trade receivables of manufacturing and sales companies upon their initial recognition, based on an assessment of expected credit losses at maturity. The provision is then reviewed according to the increase in the risk of non-recovery, if applicable. Indications of a provision for expected credit losses include the existence of unresolved claims or litigation, the age of the receivables and the obligor's significant financial difficulties.

In accordance with IFRS 9 and with no change with IAS 39, the Group derecognises receivables for which the contractual rights to receive the cash flows have been transferred along with substantially all of the risks and rewards of ownership. In analysing the transfer of risks, dilution risk is not included inasmuch as it has been defined and correctly segregated notably from the risk of late payment. Transferred receivables are not derecognised when the default risk is retained by the Group. Costs incurred in transferring a receivable are recognised in financial expense.

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

(in million euros)	31/12/2019	31/12/2018	31/12/2017
Trade receivables	2 837	2 272	2 767
Allowances for doubtful accounts	(311)	(343)	(307)
Total - manufacturing and sales companies	**2 526**	**1 929**	**2 460**
Elimination of transactions with the finance companies	(23)	(25)	(34)
Total Trade receivables in the statements of financial position	**2 503**	**1 904**	**2 426**

Assignments of trade receivables to financial institutions are disclosed in Note 12.5.E.

6.3. OTHER RECEIVABLES AND OTHER PAYABLES

A. Other receivables

(in million euros)	31 December 2019	31 December 2018	31 December 2017
State, regional and local taxes excluding income tax	1 358	1 171	1 198
Personnel-related receivables	35	39	41
Due from suppliers	258	204	195
Prepaid expenses	738	567	444
Miscellaneous other receivables	439	409	535
Total Manufacturing and sales companies	**2 828**	**2 390**	**2 413**
Finance companies and eliminations	94	80	83
Total Other receivables in the statements of financial position	**2 922**	**2 470**	**2 496**

B. Other payables

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Taxes payable other than income taxes	1 273	1 162	1 108
Personnel-related payables	1 323	1 273	1 207
Payroll taxes	334	334	358
Payable on fixed asset purchases	1 074	1 310	1 625
Customer prepayments	3 464	3 105	2 004
Deferred income	938	678	943
Miscellaneous other payables	434	403	849
Total Manufacturing and Sales Companies	**8 840**	**8 265**	**8 094**
Finance companies and eliminations	29	28	45
Total Other payables in the statements of financial position	**8 869**	**8 293**	**8 139**

6.4. CHANGE IN WORKING CAPITAL

A. Analysis of the change in working capital

(in million euros)	2019	2018	2017
(Increase) decrease in inventories	485	368	(50)
(Increase) decrease in trade receivables	(197)	1 342	(476)
Increase (decrease) in trade payables	745	294	1 177
Change in income taxes	(11)	(67)	(124)
Other changes	151	(330)	(404)
Total manufacturing and sales companies	**1 173**	**1 607**	**123**
Net cash flows with Group finance companies and eliminations	(41)	54	(77)
Changes in working capital requirements in the statement of cash flows	**1 132**	**1 661**	**46**

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

(1) Analysis by type

2019 *(In million euros)*	**At 1 January**	**At 31 December**
Inventories	(6 710)	(6 269)
Trade receivables	(1 929)	(2 526)
Trade payables	13 551	14 505
Income taxes	159	251
Other receivables	(2 390)	(2 827)
Other payables	8 265	8 840
Derivative financial instruments on operating	(51)	29
Total manufacturing and sales companies	**10 895**	**12 003**
Finance companies and eliminations	(37)	(46)
Total working capital requirements	**10 858**	**11 957**

(2) Movements of the year of the manufacturing and sales companies's working capital

(in million euros)	**2019**	**2018**	**2017**
At 1 January	**10 895**	**9 110**	**7 283**
Cash flows from operating activities	1 110	2 022	74
Cash flows from investing activities	(108)	(269)	(144)
Changes in scope of consolidation and other	(124)	(120)	1 898
Translation adjustment	193	164	28
Revaluations taken to equity	37	(12)	(29)
At 31 December	**12 003**	**10 895**	**9 110**

The change in working capital in the consolidated statement of cash flows at 31 December 2019 (€1,173 million positive effect) corresponds to cash flows from operating activities (€1,110 million positive effect), exchange differences (€40 million negative effect), change in the ineffective portion of currency options (€35 million positive effect) and other movements (€68 million positive effect).

(in million euros)	**2019**	**2018**	**2017**
Cash flows from operating activities of manufacturing and sales companies	**1 110**	**2 022**	**74**
Exchange differences	(40)	(37)	15
Change in the ineffective portion of currency options	35	(97)	28
Other changes	68	(281)	6
Change in working capital - Manufacturing and sales companies	**1 173**	**1 607**	**123**
Finance companies and Eliminations	(41)	54	(77)
Change in working capital in the statement of cash flows	**1 132**	**1 661**	**46**

In 2018, the Other changes (€281 million euros) mainly resulted from IFRIC 23 for € 264 million euros (reclassification of provision to corporate tax debt for € 88 million euros and additional corporate tax debt for uncertain tax position for € 176 million euros).

NOTE 7 - EMPLOYEE BENEFITS EXPENSE

7.1. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits paid in accordance with the laws and regulations of the countries in which they operate, Group companies are liable for the payment of supplementary pensions and retirement bonuses. These benefits are paid under defined contribution and defined benefit plans.

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

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

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

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

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

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

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

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

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

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

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

A. Plan descriptions

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

In France, the existing defined benefit plans covering almost exclusively the Peugeot Citroën DS employees concern:

- the retirement bonuses provided for by collective bargaining agreements;
- the portion of the top-hat pension scheme for engineers and management personnel that was not transferred to an external fund in 2002 and guarantees an aggregate replacement rate from all plans of up to 60% of the employee's final salary (currently covering 2,400 retired employees);
- the pension plan set up by the former subsidiary of the Chrysler group in France (Talbot), which was closed to new entrants in 1981 and covers 11,100 retired employees at end-2019;
- the closed Citroën supplementary plan (ACC) that covered 4,100 retired employees at end-2019.

In the United Kingdom, the Group has four trustee-administered defined benefit plans for the Peugeot Citroën DS and Opel Vauxhall Automotive segmenst. These plans have been closed to new Peugeot Citroën DS entrants since May 2002. At 31 December 2019, 17,100 beneficiaries were covered by these plans, including 2,400 active employees, 5,600 former employees not yet retired and 9,100 retired employees. The plans guarantee a replacement rate of up to 66% of the employee's final salary of the Peugeot Citroën DS Automotive segment's staff.

In Germany, the main defined benefit plan relates to Opel Automobile GmbH covering beneficiaries in these companies at 31 December 2019 in the form of:

- the retirement bonuses provided for by collective bargaining agreements;
- the supplementary pension plan covering 16,600 employees, 1,700 former employees not yet retired and 600 retired employees.

In Faurecia Group, in France, all managerial employees with a salary in tranche C are granted a defined benefit pension scheme. This scheme enables a yearly acquisition of a rent based on the tranche C part of the salary. Executive Committee members who have an employement contract with Faurecia SE or any of its subsidiaries also benefit from a defined benefit pension scheme for French members and defined contribution pension scheme for foreign members, the schemes having been approved by the Board of Directors on February 11, 2015. In order to comply with the PACTE law from May 22, 2019 and its notification of July 3, 2019 transposing Directive 2014/50/EU. these two defined benefit schemes have been closed, the rights acquired in these schemes being frozen as of December 31, 2019.

B. Assumptions

	Euro zone	United-Kingdom
Discount Rate		
December 2019	**1,20%**	**2,20%**
December 2018	1,95%	2,95%
December 2017	1,60%	2,60%
Inflation Rate		
December 2019	**1,80%**	**3,10%**
December 2018	1,80%	3,30%
December 2017	1,80%	3,20%

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

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

The assumptions regarding future salary increases take into account inflation and forecast individual pay rises in each country. The assumption for French plans is inflation plus individual pay rise according to the employee’s age. The assumption for the United Kingdom plans is inflation plus 0.25 %. In Germany, the assumption is for inflation plus 2.30% for hourly employees and 2.55% for salaried employees.

Mortality, staff turnover and retirement age assumptions are based on the specific economic conditions of each host country.

Sensitivity of assumptions: a 0.25-point increase or decrease in the discount rate and in the inflation rate in France, the United Kingdom and Germany would lead to the following increases or decreases in projected benefit obligations:

	Discount rate +0,25%	Discount rate +0,25%
France	-2,90%	2,07%
United Kingdom	-3,85%	3,50%
Germany	-5,01%	-0,11%

A 1-point increase or decrease in the expected return on external funds would have led to an increase or decrease in the investment income recognised in 2019 of €8 million for French plans, €26 million for the United Kingdom plans and €26 million for the German plans.
In 2012, the Group arranged an interest rate swap for the United Kingdom within the pension fund, making it possible to vary hedging assets in response to changes in the liability at the discount rate.

C. Information on external funds

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

The breakdown of external funds is as follows:

	31/12/2019		31/12/2018		31/12/2017	
	Equities	Bonds	Equities	Bonds	Equities	Bonds
France	21%	79%	22%	78%	19%	81%
United Kingdom	10%	90%	10%	90%	12%	88%
Germany	5%	95%	0%	100%	0%	100%

The fair value of shares and bonds was at level 1 in 2017, 2018 and 2019.

In 2019, the actual return on external funds managed by the Group in France, in Germany and by the pension trusts in the United Kingdom was +11.2 % for the French funds, +9.4 % for the United Kingdom funds and +23.6% for the German funds. In France, equity funds consist of MSCI EMU Euro index tracker funds and international index tracker funds, while bond funds are invested in prime European government bonds (minimum investment grade), in European corporate bonds rated A or higher and in European inflation-linked government bonds.

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

In Germany, all the equities are invested in global equity funds. Bond investments are 82 % in corporate bonds with an average rating of A-, 9 % in EU government bonds (minimum investment grade) and 9 % in short-term money market instruments.

In France, the Group is free to decide the amount of its contributions to the external funds. No decision had been made as to the amount of contributions to be paid in 2020.

In the United Kingdom, the Group's annual contribution (excluding Faurecia) amounted to £52 million (€62 million) in 2019. It is estimated at £46 million (€57 million) for 2020, although this sum may change in light of the negotiations planned for 2020.

In Germany, the Group’s annual contribution (excluding Faurecia) amounted to €4 million. It is estimated at €3 million for 2020.

D. Movement for the year

▪ Excluding minimum funding requirement (IFRIC 14)

	2019					2018					2017				
(in million euros)	France	United Kingdom	Germany	Other	Total	France	United Kingdom	Germany	Other	Total	France	United Kingdom	Germany	Other	Total
Projected benefit obligation															
At beginning of period: Present value	**(1 357)**	**(2 136)**	**(2 847)**	**(505)**	**(6 845)**	**(1 498)**	**(2 274)**	**(3 024)**	**(554)**	**(7 350)**	**(1 620)**	**(2 098)**	**(425)**	**(270)**	**(4 413)**
Service cost	(40)	(36)	(96)	(28)	(200)	(42)	(41)	(109)	(14)	(206)	(49)	(62)	(48)	(14)	(173)
Interest cost	(26)	(64)	(53)	(8)	(151)	(22)	(59)	(50)	(9)	(140)	(24)	(56)	(26)	(7)	(113)
Benefit payments for the year	56	108	21	43	228	104	178	18	32	332	111	114	11	35	271
Unrecognised actuarial gains and (losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- amount	(82)	(40)	(371)	(50)	(543)	98	55	313	42	508	86	(187)	(151)	3	(249)
at beginning of period (1)	*6,0%*	*1,9%*	*0,0%*	*9,7%*	*7,9%*	*6,5%*	*2,4%*	*10,4%*	*7,6%*	*6,9%*	*5,3%*	*8,9%*	*5,4%*	*1,1%*	*5,6%*
Past service cost	-	-	-	-	-	-	(6)	-	6	-	-	-	-	-	-
Effect of changes in exchange rates	-	(111)	-	(3)	(114)	-	16	-	3	19	-	75	-	15	90
Effect of changes in scope of consolidation and other	76	-	70	(8)	138	(1)	(1)	1	(14)	(15)	(3)	(60)	(2 385)	(316)	(2 764)
Effect of curtailments and settlements	59	(7)	12	114	178	4	(4)	4	3	7	1	-	-	-	1
At period-end: Present value	(1 314)	(2 286)	(3 264)	(445)	(7 309)	(1 357)	(2 136)	(2 847)	(505)	(6 845)	(1 498)	(2 274)	(3 024)	(554)	(7 350)
External fund															
At beginning of period: Fair value	**789**	**2 567**	**2 602**	**381**	**6 339**	**859**	**2 764**	**2 704**	**297**	**6 624**	**899**	**2 777**	**130**	**140**	**3 946**
Normative return on external funds	14	77	44	7	142	12	72	45	5	134	13	75	22	4	114
Actuarial gains and (losses):	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- amount	31	131	550	7	719	(4)	(109)	(51)	(12)	(176)	20	81	46	(3)	144
at beginning of period (1)	*3,9%*	*5,1%*	*21,1%*	*1,8%*	*11,3%*	*0,5%*	*3,9%*	*1,9%*	*4,0%*	*2,7%*	*2,2%*	*2,9%*	*1,7%*	*2,1%*	*3,6%*
Effect of changes in exchange rates	-	138	-	(1)	137	-	(22)	-	1	(21)	-	(97)	-	(8)	(105)
Employer contributions	8	64	6	24	102	33	37	4	24	98	45	42	15	7	109
Benefit payments for the year	(92)	(108)	(21)	(42)	(263)	(114)	(176)	(19)	(31)	(340)	(118)	(114)	(11)	(25)	(268)
Effect of changes in scope of consolidation and other	-	-	(98)	(85)	(183)	3	1	(81)	97	20	-	-	2 502	182	2 684
At period-end: Fair value	**750**	**2 869**	**3 083**	**291**	**6 993**	**789**	**2 567**	**2 602**	**381**	**6 339**	**859**	**2 764**	**2 704**	**297**	**6 624**

E. Reconciliation of statement of financial position's items

(in million euros)	2019 France	2019 United Kingdom	2019 Germany	2019 Other	2019 Total	2018 France	2018 United Kingdom	2018 Germany	2018 Other	2018 Total	2017 France	2017 United Kingdom	2017 Germany	2017 Other	2017 Total
Present value of projected benefit obligation	**(1 314)**	**(2 286)**	**(3 264)**	**(445)**	**(7 309)**	**(1 357)**	**(2 136)**	**(2 847)**	**(505)**	**(6 845)**	**(1 498)**	**(2 274)**	**(3 024)**	**(554)**	**(7 350)**
Fair value of external funds	750	2 869	3 083	291	6 993	789	2 567	2 602	381	6 339	859	2 764	2 704	297	6 624
Net (liability) asset recognised in the balance sheet before minimum funding requirement (IFRIC 14)	**(564)**	**583**	**(181)**	**(154)**	**(316)**	**(568)**	**431**	**(245)**	**(124)**	**(506)**	**(639)**	**490**	**(320)**	**(257)**	**(726)**
Minimum funding requirement liability (IFRIC 14)	-	-	-	-	-	-	(37)	-	-	(37)	-	(37)	-	-	(37)
Net (liability) asset recognised in the balance sheet	**(564)**	**583**	**(181)**	**(154)**	**(316)**	**(568)**	**394**	**(245)**	**(124)**	**(543)**	**(639)**	**453**	**(320)**	**(257)**	**(763)**
Of which, liability (Note 10)	(590)	(91)	(305)	(181)	(1 167)	(592)	(159)	(273)	(159)	(1 183)	(663)	(134)	(320)	(276)	(1 393)
Of which, asset	26	674	124	27	851	24	553	28	35	640	24	587	-	19	630
Of which, unfunded plans	*0,0%*	*0,0%*	*0,0%*	*11,7%*	*0,7%*	*0,0%*	*0,0%*	*0,0%*	*10,0%*	*0,7%*	*0,3%*	*0,0%*	*0,0%*	*15,4%*	*1,2%*

F. Expenses recognised in the statement of income

These expenses are recorded as follows:

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

Pension expenses break down as follows:

(in million euros)	2019 France	2019 Royaume-Uni	2019 Allemagne	2019 Autres pays	2019 Total	2018 France	2018 Royaume-Uni	2018 Allemagne	2018 Autres pays	2018 Total	2017 France	2017 Royaume-Uni	2017 Allemagne	2017 Autres pays	2017 Total
Service cost	(40)	(36)	(96)	(28)	(200)	(42)	(41)	(109)	(14)	(206)	(49)	(62)	(48)	(14)	(173)
Interest cost	(26)	(64)	(53)	(8)	(151)	(22)	(59)	(50)	(9)	(140)	(24)	(56)	(26)	(7)	(113)
Normative return on external funds	14	77	44	7	142	12	72	45	5	134	13	75	22	4	114
Past service cost	-	-	-	-	-	-	(6)	-	6	-	-	-	-	-	-
Effect of curtailments and settlements	59	(7)	12	23	87	4	(4)	4	3	7	1	-	-	-	1
Total (before minimum funding requirement liability)	**7**	**(30)**	**(93)**	**(6)**	**(122)**	**(48)**	**(38)**	**(110)**	**(9)**	**(205)**	**(59)**	**(43)**	**(52)**	**(17)**	**(171)**
Change in minimum funding requirement liability (IFRIC14)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**7**	**(30)**	**(93)**	**(6)**	**(122)**	**(48)**	**(38)**	**(110)**	**(9)**	**(205)**	**(59)**	**(43)**	**(52)**	**(17)**	**(171)**

7.2. SHARE-BASED PAYMENT

Stock options and performance shares are granted to Group management and certain employees under equity-settled share-based payment plans. These plans are recognised in accordance with ***IFRS 2 – Share-based Payment***.

A. Employee stock options

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

B. Performance share plans

(1) Peugeot S.A. performance share plans

Main features of the performance share plans

	2015 plan	2016 plan	2017 plan	2018 plan	2019 plan	Total
Date of Shareholders' Meeting	24/03/2013	27/04/2016	27/04/2016	27/04/2016	28/04/2018	
Managing board meeting date	27/02/2015	02/06/2016	10/04/2017	09/04/2018	20/05/2019	
Vesting date of shares	31/03/2017 for French tax résidents 31/03/2019 for non-French tax résidents	30/06/2019 (Fraction 1) 30/06/2020 (Fraction 2)	14/04/2020 (Fraction 1) 14/04/2021 (Fraction 2)	10/04/2021 (Fraction 1) 10/04/2022 (Fraction 2)	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	
Weighted average fair value at the grant date	15,13 €	11,71 €	15,38 €	18,48 €	17,69 €	
Total number of shares granted						
Oustanding shares unvested at January 1 2017	**2 438 000**	**2 200 000**	**-**	**-**	**-**	**4 638 000**
Granted	-	-	2 693 000	-	-	2 693 000
Vested	(2 019 000)	-	-	-	-	(2 019 000)
Cancelled or forfeited	(40 000)	(33 500)	(31 500)	-	-	(105 000)
Oustanding shares unvested at January 1 2018	**379 000**	**2 166 500**	**2 661 500**	**-**	**-**	**5 207 000**
Granted	-	-	-	2 700 000	-	2 700 000
Vested	-	-	-	-	-	-
Cancelled or forfeited	(13 000)	(106 000)	(109 000)	(82 500)	-	(310 500)
Oustanding shares unvested at January 1 2019	**366 000**	**2 060 500**	**2 552 500**	**2 617 500**	**-**	**7 596 500**
Granted	-	-	-	-	3 100 000	3 100 000
Vested	(358 000)	(1 014 000)	-	-	-	(1 372 000)
Cancelled or forfeited	(8 000)	(32 500)	(100 500)	(93 000)	(18 500)	(252 500)
Oustanding shares unvested at December 31	**-**	**1 014 000**	**2 452 000**	**2 524 500**	**3 081 500**	**9 072 000**

The shares previously purchased on the market are definitively acquired at the end of an acquisition period of three or four years from the date of allocation for the 2016 and subsequent plans. This acquisition is subject to a presence condition as well as performance conditions.

Performance share plans – Share-based compensation costs

The expense corresponds to the fair value determined by reference to the instruments allocated. The expense thus calculated is distributed linearly over the vesting period.

For free share allocation plans, the fair value is determined on the basis of the share price on the grant date less the distribution of dividends expected during the vesting period.

(a) 2015 performance share plan

A performance share plan was established in 2015. The vesting period ended on March 31 2019. As at 31 December 2019, there is no share potentially attributable. The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €1.4 million euros for 2018, and €4.4 million euros in 2017, excluding payroll taxes.

(b) 2016 performance share plan

A performance share plan was established in 2016. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. Taking into consideration the performance targets, the shares will vest in two equal parts subject to continued employment on 3 June 2019 and 3 June 2020. The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €4.8 million for 2019, excluding payroll taxes (€7 million euros in 2018 and €7.1 million euros in 2017).

(c) 2017 performance share plan

A performance share plan was established in 2017.. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. Taking into consideration the performance targets, the shares will vest in two equal parts subject continued employment on 14 April 2020 and 14 April 2021. The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €11.0 million for 2019, excluding payroll taxes (€11 million euros in 2018 and €7.5 million euros in 2017).

(d) 2018 performance share plan

A performance share plan was established in 2018. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. 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. The personnel expense associated with this plan, measured in accordance with IFRS 2, was €13.2 million for 2019, excluding payroll taxes (€9.5 million euros in 2018).

(e) 2019 performance share plan

Following the authorization given by the Extraordinary Shareholders' Meeting of 24 April 2018 and the Supervisory Board at its meeting of 25 February 2019, the Peugeot S.A. Managing Board adopted a performance share plan effective at 20 May 2019, subject to performance conditions. This plan covers a maximum total of 3,100,000 shares. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period.

The definitive acquisition is subject to achieving the performance objectives related to:

- Profitability through the average percentage of adjusted operating income of the Automotive division;
- Quality through the Group World Automotive quality failure rate;
- Compliance with environmental requirements through the level of CO^2 emissions.

Reaching these performance objectives will be evaluated over a period of three years (2019 to 2021).

Given these objectives, the shares will be acquired in two equal portions on 23 May 2022 and 23 May 2023, subject to a condition of presence at the date of 31 December that precedes the vesting period concerned.

The personnel expense associated with the 2019 plan, measured in accordance with IFRS 2, was €8.2 million for the year2019, excluding payroll taxes.

(2) Faurecia performance share plan

In 2010, Faurecia established a performance share plan for executives of group companies. These shares are subject to service and performance conditions.

The amount recognised in income for the period is an expense of €18.9 million (compared with an expense of €20 million in 2018 and of €21.1 million in 2017).

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

	Maximum number of performance shares(1) due if:	
(number of shares)	- objective achieved	- objective exceeded
Date of Managing Board decision:		
20/07/2017	520 181	676 200
19/07/2018	395 952	501 740
09/10/2019	899 350	1 169 900

(1) Net of free shares granted cancelled.

The performance conditions for the plan attributed by the Board of July 23, 2015 have been met, the corresponding shares, ie 594,666 have been definitely distributed in July 2019. The performance conditions for the plan attributed by the Board of July 25, 2016 have been met, the corresponding shares, ie 595,201 will be definitely distributed in July 2020.

7.3. MANAGEMENT COMPENSATION

The Group is directly managed by the Managing Board. The Group's management bodies correspond to the Grobal Executive Committee, which includes the members of the Managing Board and other members of executive management.

The compensation details provided in the table above do not include payroll taxes. The amount of compensation paid to members of management bodies, including accrued variable compensation, is provisional.

(In million euros)	Notes	2019	2018	2017
Number of Executive Committee members at 31 December		19	18	18
Fixed & variable compensation and other short-term benefits (excluding pensions)		24,2	21,7	22,2
Stock option and performance share costs (1)	7.2	9,1	9,0	4,8

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

Furthermore, the expense recognised in 2019 for the contribution to the defined contribution pension plan totalled €4.6 million for the members of the Managing Board and the other members of the Executive Committee and breaks down into €2.3 million paid to a pension fund and €2.3 million paid in cash to the beneficiaries (taking into account a scheme based on taxation upon first deposit).

Details of the performance shares granted in 2015, 2016, 2018, and 2019 granted to members of the managing bodies and still exercisable at period-end, can be found in the following table:

(number of options)	2019	2018	2017
Performance shares granted at 31 December	2 452 100	2 229 000	1 670 000

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

NOTE 8 - GOODWILL AND INTANGIBLE ASSETS – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and intangible assets are carried at amortised cost less deductions of impairment losses, pursuant to IAS 36 (see Note 8.3).

8.1. GOODWILL AND INTANGIBLE ASSETS

A. Accounting policies

Accounting policies relating to goodwill are described in Note 3.1.A.(2) and those related to research and development expenses in Note 5.3.(A).

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

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

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

B. Change in carrying amount

(in million euros)	31/12/2019 Goodwill	Development expenditure	Brands, software and other intangible assets	Intangible assets
At beginning of period	**3 608**	6 584	2 617	**9 201**
Purchases/additions [1]	-	1 997	149	2 146
Depreciation for the year	(30)	(1 181)	(181)	(1 362)
Impairment losses	-	(160)	(2)	(162)
Disposals	-	(10)	(8)	(18)
Change in scope of consolidation and others [2]	732	54	393	447
Translation adjustment	2	7	29	36
At period-end	**4 312**	**7 291**	**2 997**	**10 288**

[1] *Including borrowing costs o f €47 million capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" (see Note 12.2.A).*

[2] *Including Clarion impact (see Note 3.2 for €604 million).*

(in million euros)	31/12/2018 Goodwill	*Development expenditure*	*Brands, software and other intangible assets*	Intangible assets
At beginning of period	**3 321**	*5 844*	*2 425*	**8 269**
Purchases/additions [1]		*1 897*	*134*	2 031
Depreciation for the year		*(1 065)*	*(123)*	(1 188)
Impairment losses		*(102)*	-	(102)
Disposals		*(10)*	*(8)*	(18)
Change in scope of consolidation and others	282	*18*	*193*	211
Translation adjustment	5	*2*	*(4)*	(2)
At period-end	***3 608***	***6 584***	***2 617***	**9 201**

[1] *Including borrowing costs of €63 million capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" (see Note 12.2.A).*

(in million euros)	31/12/2017 Goodwill	*Development expenditure*	*Brands, software and other intangible assets*	Intangible assets
At beginning of period	**1 514**	***5 133***	***594***	**5 727**
Purchases/additions [1]	-	1 798	150	1 948
Depreciation for the year	-	(939)	(98)	(1 037)
Impairment losses	-	(80)	-	(80)
Disposals	-	(1)	(46)	(47)
Change in scope of consolidation and others [2]	1 829	8	1 824	1 832
Translation adjustment	(22)	(75)	1	(74)
At period-end	**3 321**	**5 844**	**2 425**	**8 269**

[1] *Including borrowing costs of €88 million capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" (see Note 12.2.A).*

[2] *Including €1, 810 million of goodwill and €1, 792 miilions of intangible assets related to the acquisition of Opel.*

C. Breakdown of goodwill at period-end

(in million euros)	31/12/2019	31/12/2018	31/12/2017
Net			
Automotive Opel Vauxhall CGU	1 823	1 823	1 810
Automotive Peugeot Citröen DS CGU	151	121	122
Other businesses CGU	20		
Faurecia CGUs inside Faurecia Group	2 146	1 492	1 216
Faurecia CGU at PSA level	172	172	172
Financing activities Peugeot Citroën DS CGU	-	-	1
TOTAL	**4 312**	**3 608**	**3 321**

Impairment tests on goodwill allocated to the Automotive Equipment CGUs are discussed in Note 8.3.

8.2. PROPERTY, PLANT AND EQUIPMENT

A. Accounting policies

(1) Gross value

In accordance with ***IAS 16 - Property, Plant and Equipment***, property, plant and equipment are stated at acquisition or production cost. They are not revalued.

Capitalised costs include the portion of specific tooling expenses incurred by the Group under cooperation agreements that is not billed to its partners.

The cost of items of property, plant and equipment that take at least twelve months to get ready for their intended use includes related borrowing costs (see Note 12.2.A).

Government grants are recognised as a reduction in the cost of the corresponding assets.

Maintenance costs are expensed as incurred.

Leased assets include vehicles leased to retail customers by the Group's companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 5.1.A.(1)(a).

Assets used under leases, as defined in ***IFRS 16 - Leases***, are recognised as rights of use at an amount equal to the present value of the future lease payments over the term of the lease (recognised as financial liabilities), plus any lease payments made in advance and any initial direct costs incurred, less any lease incentives received. The cost may also include an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
The assets are depreciated by applying the method and rates indicated below.

(2) Depreciation

Standard method

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

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

The useful lives are reviewed periodically, in particular in the case of decisions to stop manufacturing a vehicle or a mechanical component.

(b) Specific tooling

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

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

B. Breakdown of property, plant and equipment

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

	31/12/2019					
(in million euros)	**Land and buildings**	**Plant and equipment**	**Leased vehicles [1]**	**Fixtures, fittings and other**	**Assets under construction**	**Total**
Net						
Reclassification of finance leases	**2 203**	**6 345**	**3 547**	**408**	**1 633**	**14 136**
1st implementation of IFRS 16	(23)	(2)	-	(1)	(14)	(40)
At 1st January 2019	**2 180**	**6 343**	**3 547**	**407**	**1 619**	**14 096**
Purchases/additions	81	1 269	-	47	1 368	2 765
Depreciation for the year	(176)	(1 414)	(5)	(113)	-	(1 708)
Impairment losses	(12)	(103)	-	-	(6)	(121)
Disposals	(201)	(81)	-	(5)	(10)	(297)
Transfers and reclassifications	35	739	-	41	(816)	(1)
Change in scope of consolidation and other [1]	285	510	191	49	(501)	534
Translation adjustment	13	(4)	30	-	(20)	19
AT PERIOD-END	**2 205**	**7 259**	**3 763**	**426**	**1 634**	**15 287**
Gross value	*6 485*	*34 372*	*4 095*	*1 328*	*1 664*	*47 944*
Accumulated depreciation and impairment	*(4 280)*	*(27 113)*	*(332)*	*(902)*	*(30)*	*(32 657)*

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

	31/12/2018					
(in million euros)	**Land and buildings**	**Plant and equipment**	**Leased vehicles (2)**	**Fixtures, fittings and other**	**Assets under construction**	**Total**
Net						
At beginning of period	**2 309**	**5 654**	**3 299**	**340**	**1 616**	**13 218**
Purchases/additions [1]	100	1 040	-	99	1 278	2 517
Depreciation for the year	(188)	(1 329)	(14)	(96)	-	(1 627)
Impairment losses	(14)	(27)	-	-	3	(38)
Disposals	(118)	(78)	-	(19)	-	(215)
Transfers and reclassifications	22	546	-	39	(607)	-
Change in scope of consolidation and other [2]	104	559	266	47	(639)	337
Translation adjustment	(12)	(20)	(4)	(2)	(18)	(56)
At period-end	**2 203**	**6 345**	**3 547**	**408**	**1 633**	**14 136**
Gross value	*6 570*	*33 014*	*3 841*	*1 165*	*1 657*	*46 247*
Accumulated depreciation and impairment	*(4 367)*	*(26 669)*	*(294)*	*(757)*	*(24)*	*(32 111)*

(1) Including property, plant and equipment acquired under finance leases for €14million. Borrowing costs capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" amounted to €17 million (see Note 12.2.A).

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

In 2018, the Group reviewed the useful life of its tangible assets in order to comply with the durations observed. This led to a decrease in depreciation charges of €133 million over the year.

(in million euros)	31/12/2017 Land and buildings	Plant and equipment	Leased vehicles (2)	Fixtures, fittings and other	Assets under construction	Total
Net						
At beginning of period	**2 116**	**5 058**	**2 475**	**327**	**1 253**	**11 229**
Purchases/additions [(1)]	121	1 052	-	31	1 202	2 406
Depreciation for the year	(253)	(1 323)	(12)	(85)	-	(1 673)
Impairment losses	28	8	-	-	7	43
Disposals	(107)	(38)	-	(7)	-	(152)
Transfers and reclassifications	24	205	-	32	(261)	-
Change in scope of consolidation and other [(2)]	408	786	850	44	(551)	1 537
Translation adjustment	(28)	(94)	(14)	(2)	(34)	(172)
At period-end	**2 309**	**5 654**	**3 299**	**340**	**1 616**	**13 218**
Gross value	*6 766*	*31 853*	*3 537*	*958*	*1 647*	*44 761*
Accumulated depreciation and impairment	*(4 457)*	*(26 199)*	*(238)*	*(700)*	*(31)*	*(31 625)*

[(1)] Including property, plant and equipment acquired under finance leases for €14 million. Borrowing costs capitalised in accordance with IAS 23 (Revised) - "Borrowing Costs" amounted to €31 million (see Note 12.2.A).

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

C. Rights of use

(in million euros)	31/12/2019 Land and buildings	Plant and equipment	Fixtures, fittings and other	Total
Net				
Reclassification of finance leases	23	2	15	40
1st implementation of IFRS 16	1 329	68	110	1 507
At 1st January 2019	**1 352**	**70**	**125**	**1 547**
Purchases/additions	313	51	63	427
Depreciation for the year	(234)	(33)	(51)	(318)
Impairment losses	(14)	-	-	(14)
Disposals	(39)	-	(9)	(48)
Change in scope of consolidation and other	6	21	3	30
Translation adjustment	11	-	-	11
AT PERIOD-END	**1 395**	**109**	**131**	**1 635**
Gross value	*1 650*	*143*	*183*	*1 976*
Accumulated depreciation and impairment	*(255)*	*(34)*	*(52)*	*(341)*

The Right of use of €1,635 million as at 31 December 2019 is composed of €877 million from Faurecia and €758 million for the rest of the Group (at 1st January 2019, the respective figures were €726 million and €781 million).

D. Leased vehicles

Leased vehicles totaling an amount of €3,763 million at year-end include vehicles leased to retail customers by the Group's companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 5.1.A.(1)(a).

8.3. ASSET IMPAIRMENT

A. Accounting policies

Under ***IAS 36 "Impairment of Assets***", the carrying amount of property, plant and equipment and intangible assets is tested for impairment whenever there are indicators of impairment and at least once a year for assets with indefinite useful lives, which are primarily goodwill and brands. Indicators of impairment include a significant fall in volumes, deteriorating profitability, technological or regulatory developments that adversely impact the business.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. For purpose of impairment testing, the carrying value of the asset or group of assets tested is usually compared with its estimated value in use and, if lower than its carrying value, with its fair value less costs to sell. Value in use is usually measured as the net present value of estimated future cash flows. The recoverable value of brands is estimated by reference to market royalties.

A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (a "CGU").

For purpose of impairment testing, the recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of the cash-generating unit ("CGU") to which the asset belongs.

In assessing the value in use of an asset or CGU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU that are not reflected in the estimated future cash flows.

An impairment loss is recognized if the recoverable amount is lower than the carrying amount of the asset or group of assets tested. For purpose of measuring the carrying amount of the asset or group of assets tested, the IFRS 16 right of use net of lease liabilities related to the assets or group of assets tested is included. The impairment loss is first allocated to any goodwill allocated to the CGU (when applicable), then to other assets of the CGU, on a pro rata basis of the carrying amount of each of the asset in the CGU.

For purpose of impairment testing, CGUs of Groupe PSA are as follows:

- In the Automotive segment, CGUs are based on geography for Peugeot Citroën DS with Opel Vauxhall considered as a separate CGU;
- In the Automotive equipment segment, the four business CGUs are tested separately. The CGU of Faurecia as a whole is considered for the purpose of the Faurecia goodwill testing at PSA level.
- Banque PSA Finance partnerships with Santander Consumer France and with BNP Paribas are each a CGU; and,
- Several CGUs corresponding to other businesses, mainly the goodwill and brands of Celor/Aramis and Free2move.

Furthermore, at a lower level, brands (e.g. Opel and Vauxhall) are tested yearly, and, in case of indication of impairment, technologies (e.g. diesel and electric) and vehicles (including related technology and toolings specific to a vehicle) are tested based on cash flows associated with such assets or group assets through the Automotive segment.

B. Impairment test on the CGU and individual assets of the Automotive segment

Goodwill and intangible assets and property with an indefinite useful life

The Opel Vauxhall goodwill, as well as the Opel and Vauxhall brands, are subject to an annual impairment test. They are allocated to the Opel Vauxhall Automotive CGU. The net carrying amount of all property, plant and equipment, net of IFRS 16 lease debt and of buy back assets, and intangible assets included in this CGU was €5.4 billion, of which non-depreciable assets for €3.6 billion which were not subject to impairment through th. The net cash generated by the 2020-2022 Medium-Term Plan (PMT), was discounted at an after-tax rate of 9%, with a terminal value discounted at 10% that takes into account a growth rate to infinity of 1%. The discount rates and the growth rate to infinity are reviewed each year and were not changed compared to prior periods 2017 and 2018. The Medium-Term Plan taken as a reference in the test at the end of 2018 covered the years 2019-2022, with an estimated year for 2023.

In the Peugeot Citroën DS business segment CGUs, the Europe CGU is subject to an annual impairment test. The net carrying amount of all property, plant and equipment, net of IFRS 16 lease debt and of buy back assets, and intangible assets included in this CGU was €12.0 billion euros of assets, including non-depreciable assets for 0.1 billion euro which were not subject to impairment through this test. The net cash generated by the 2020-2022 Medium-Term Plan (PMT) was discounted at an after-tax rate of 9% with a terminal value discounted at 10% that takes into account growth rate to infinity of 1%. The discount rates and the growth rates to infinity are reviewed each year and have not been modified compared to the previous periods 2017 and 2018. The Medium-Term Plan referred to in the test at the end of 2018 covered the years 2019-2022, with an estimated year for 2023. The Medium-Term Plan taken as a reference in the test at the end of 2017 covered the years 2018-2022.

The CGU Celor / Aramis was the subject of an impairment test to cover tangible and intangible assets and goodwill of €97 million. The test did not evidence any loss of value.

As for 2018 and 2017, the recoverable value of the assets remained higher than their carrying amount, even when combining the variations of the three assumptions: +0.5% of the discount rate for cash flows, -0.5% for the growth rate to infinity, and -0.5% for the adjusted operating income (loss) for the terminal value.

Given the indicators of impairment identified, specific impairment tests were performed on the Latin American CGU and the Russian CGU were performed on the basis of the 2020-2022 MTP. The discount rates used were 13.4% (16.5% in 2018 and 2017) for the Latin American plants and 13% (the same in 2018 and 2017) for the Russian plant. These tests identified an additional annual impairment charge of €2 million (€30 million in 2018 and €17 million in 2017) related to capital expenditure during the year in Russia. In Latin America, additional impairments were taken into account in Brazil for €39 million and in Argentina for €29 million due to projections of volumes and profitability. These depeciations were recognised under “Impairment of CGUs”.

As at 31 December 2019, total impairments amount respectively to €236 million for the Latin American and to €113 million for the Russian plants.

In addition, the individual R&D assets, held by the integrated companies of the Peugeot Citroën DS business segment, and dedicated to Latin America, were impaired for an amount of €12 million in 2019.

Other assets

In addition, the research and development individual assets held by the fully consolidated companies of the Peugeot Citroën DS business segment and dedicated to the Chinese activities have been impaired by €173 million in 2019, in addition to €78 million in 2018 and €80 million in 2017.

At 31 December 2019, the analyses of the volumes and profitability forecasts did not reveal any indicators of impairment for the specific assets dedicated to the Vehicles.

C. Impairment test on Faurecia group CGUs and other assets

FAURECIA GROUP CGUs

The carrying amount of each CGU was compared with the higher of its fair value and value in use. Value in use is defined as the present value of estimated future cash flows expected to be generated by each cash-generating unit based on the latest projections from the Medium-Term Plan (2020–2022 plan revised at mid-2019).

The main assumption affecting value in use is the level of operating income, particularly for the calculation of terminal value. The calculation was performed by extrapolating to infinity projected cash flows for the last year of the Medium-Term Plan (2022) using a growth rate of 1.4% (1.4% in 2018 and 2017).

The weighted average cost of capital used to discount future cash flows is reviewed each year,

The weighted cost of capital used to discount future cash flows is reviewed each year by an independent expert, and is set at 9% for 2019 (the same as 2017 and 2018) for all the CGUs, except Clarion. They all bear the same specific risks relating to the automotive supplier sector and the CGUs multinational operation does not justify using geographically different discount rates except for Clarion Electronics, for which a discount rate of 8% has been considered to take into account a slightly different country exposure.

The test performed at end-2019 confirmed that the goodwill allocated to the CGUs was fairly stated in the statement of financial position.

The statement of financial position's values are presented in the table below:

(in million euros)	31 December 2019	31 December 2018	31 December 2017
> Seating	850	843	794
> Clean Mobility	465	377	355
> Interior Systems	295	272	67
> Clarion Electronics [(1)]	536	-	-
TOTAL	**2 146**	**1 492**	**1 216**

(1) Following the acquisition of Clarion in March 2019, the Faurecia group now has a fourth operational unit which combines the activities of electronic smart cockpit and software integration

The recoverable amount of the assets is greater than their carrying value, and the combined sensitivity to changes in assumptions (0.5 percentage point increase in the discount rate, 0.5 percentage point reduction in the perpetual growth rate and 0.5 percentage point reduction in the perpetual operating income) did not trigger any impairment of goodwill.

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

[(1)] Joint Comprehensive of Action Plan signed in Vienna

FAURECIA CGU IN THE ACCOUNTS OF PSA GROUP

The stock market value of the Faurecia shares held by Peugeot S.A. at 31 December 2019 was €3 072 million (€2,115 million in 2018 and €4 166 million in 2017) based on a share price of €48.03, representing the price that would be paid in a transaction between minority shareholders not leading to the acquisition of control. The Group's share of Faurecia's net assets in the consolidated statement of financial position is valued at € 2, 043 million (including a goodwill of €172 million recorded at Peugeot S.A.).

In light of these values, no impairment loss was recognised on the Faurecia goodwill at 31 December 2019. Applying the same approach, no impairment loss was recognized on the Faurecia goodwill at 31 December 2018 and 31 December 2017.

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

(in million euros)	31/12/2019	31/12/2018	31/12/2017
Capital commitments for the acquisition of non-current assets	1 405	1 350	1 284
Orders for research and development work	11	10	22
Minimum purchase commitments	-	-	173
Non-cancellable lease commitments [(1)]	301	1 809	1 867
TOTAL	**1 717**	**3 169**	**3 346**

[(1)] IFRS 16 impact (see Note 2.3)

A. Minimum purchase commitments

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

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

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

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

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

This item corresponds mainly to commitments to purchase property, plant and equipment. It also includes the Group's commitment towards the two “Fonds d’Avenir Automobile” funds (FAA tier 1 and tier 2) set up to support automotive equipment manufacturers. The Group's total commitment to FAA amounted to €204 million. At 31 December 2019, the Group had already paid €150 million into these two funds.

NOTE 9 - OTHER NON-CURRENT ASSETS AND OTHER NON-CURRENT LIABILITIES

9.1. OTHER NON-CURRENT ASSETS

(in million euros)	Notes	31 December 2019	31 December 2018	31 December 2017
Excess of payments to external funds over pension obligations	*7.1.E*	851	640	630
Units in the FAA funds		39	48	69
Derivative instruments		11	8	6
Equity investments		196	409	393
Guarantee deposits and other		636	564	607
TOTAL		**1 733**	**1 669**	**1 705**

The Group has invested in the two funds "Fonds d’Avenir Automobile" (FAA - tier 1 and tier 2). The Group has committed €204 million to these two funds, €150 million of which has been paid to date. These units have been classified as " at fair value through profit or loss" in accordance with IFRS 9 (see Note 12.7.C.(2)). They are reported as non-current assets because of the lock-up applicable to the Group's investment.

9.2. OTHER NON-CURRENT LIABILITIES

(in million euros)	Notes	31 December 2019	31 December 2018	31 December 2017
Liabilities related to vehicles sold with a buyback commitment	*5.1.A.(1).(a)*	4 932	4 667	4 180
Other		241	259	100
TOTAL		**5 173**	**4 926**	**4 280**

NOTE 10 - CURRENT AND NON-CURRENT PROVISIONS

ACCOUNTING POLICIES

In accordance with ***IAS 37 – Provisions, Contingent Liabilities and Contingent Assets***, a provision is recognised when, at the statement of financial position date, the Group has a present obligation towards a third party, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and no inflow of resources of an equivalent amount is expected. Provisions for restructuring costs are recognised only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed formal plan.

In application of ***IFRIC – 21 Levies charged by public authorities***, taxes levied by public authorities are recognised as of the date of their tax generating event.

Provisions are discounted only when the effect is material. In this case, the discount rate is based on a risk-free rate.

Warranties

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

(en millions d'euros)	31 December 2018	Additions	(utilisations)	Releases (unused provisions)	Recognised in equity during the period	Change in scope of consolidation and other	31 December 2019
Pensions (Note 7.1.E)	1 183	212	(144)	(87)	53	(50)	1 167
Other employee benefit obligations and others	209	34	(31)	(8)	-	(26)	178
Total non-current provisions	**1 392**	**246**	**(175)**	**(95)**	**53**	**(76)**	**1 345**
Warranties	1 563	705	(743)	(130)	-	24	1 419
Commercial and tax claims and litigations	773	148	(224)	(176)	-	421	942
Restructuring plans [1]	1 373	1 076	(663)	(53)	-	29	1 762
Long-term and operating contract losses	504	324	(392)	(22)	-	(141)	273
Others	852	118	(81)	(118)	-	(226)	545
Total current provisions	**5 065**	**2 371**	**(2 103)**	**(499)**	**-**	**107**	**4 941**

[1] The main additions for restructuring plans in 2019 are discussed in Note 5.4

The provision for warranties mainly concerns sales of new vehicles, where the contractual obligations generally cover two years.

It corresponds to the expected cost of warranty claims related to vehicles and replacement parts. The amount expected to be recovered from suppliers is recognised as an asset, under "Miscellaneous other receivables" (Note 6.3.A).

Provisions for tax claims concern a number of claims on operating taxes primarily outside France notably in Brazil.

NOTE 11 - EQUITY METHOD INVESTMENTS

The share in earnings of equity method investments represents the Group's share of the earnings of those companies, plus any impairment of equity method investments.

Gains on disposals of equity method investments are recorded in operating income.

Equity method investments include:

- joint ventures in the automotive activities with Dong Feng Motor Group (see Note 11.4.A) and Changan, 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 11.4.B);
  - 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 11.4.C);
  - as well as the joint company with Dongfeng Motor Group in China;
- the companies over which the Group has significant influence, mainly Gefco.

11.1. CHANGES IN THE CARRYING AMOUNT OF EQUITY METHOD INVESTMENTS

(in million euros)	31 December 2019	31 December 2018	31 December 2017
At beginning of period	3 444	3 472	3 014
Dividends and profit transfers	(251)	(145)	(369)
Share of net earnings	(24)	(44)	217
Newly consolidated companies (1)	182	13	555
Capital increase (reduction) (2)	334	210	57
Changes in scope of consolidation and other	(378)	(37)	108
Translation adjustment	16	(25)	(110)
At period-end	**3 323**	**3 444**	**3 472**
O/w Dongfeng Peugeot Citroën Automobile goodwill	77	76	75
O/w Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill	2	3	2
O/w Saipa Citroën Company goodwill	-	-	90
O/w Gefco goodwill	93	57	57
O/w Auto Avaliar and UAP goodwill	11	-	-

11.2. SHARE IN NET ASSETS OF EQUITY METHOD INVESTMENTS

(in million euros)	Latest % interest	31 December 2019	31 December 2018	31 December 2017
Dong Feng Peugeot Citroën Automobile [(1)] Dong Feng Peugeot Citroën Automobile Sales Co and Dongfeng Peugeot Citroën International Co	50%	269	645	897
Changan PSA Automobiles Co., Ltd	50%	(123)	(65)	(190)
Saipa Citroën Company	50%	-	-	140
Other		49	10	11
Automotive Peugeot Citroën DS		*195*	*590*	*858*
Automotive equipment		*240*	*144*	*136*
Gefco [(1)]	25%	161	166	156
Peugeot Scooters[(2)]	49%	-	(11)	-
Other activities		*161*	*155*	*156*
Manufacturing and sales activities		**596**	**889**	**1 150**
Finance companies in partnership with Santander Consumer Finance	50%	1 899	1 685	1 535
Finance companies in partnership with BNP Paribas	50%	590	588	493
Dongfeng Peugeot Citroën Automobile Finance Company Ltd (1)	25%	115	99	88
Finance activities		**2 604**	**2 372**	**2 116**
Total		**3 200**	**3 261**	**3 266**

(1) *Including goodwill (see Note 11.1)*

(2) *Peugeot Scooters were sold to the indian groupe Minhindra Two Wheelers Europe in October 2019.*

The share in net assets of equity method investments breaks down into €3,323 million (€3,444 million at 31 December 2018 and €3,472 million at 31 December 2017) for companies with positive net equity, reported under "Equity method companies" less €123 million (€183 million at 31 December and €206 million at 31 December 2017) for companies with negative net equity.

In November 2019, PSA and Chongqing Changan Automobiles signed an agreement with a chineese company for the disposal of shares. The agreement defines the terms of financing for the joint venture. In December 2019, all of the group's commitments, not conditional on closing, were taken into account.

11.3. SHARE IN NET EARNINGS OF EQUITY METHOD INVESTMENTS

(in million euros)	Latest % interest	2019	2018	2017
Coopération avec Dongfeng Motor Company :		*(383)*	*(234)*	*(30)*
> Dongfeng Peugeot Citroën Automobiles (1)	50%	(225)	(110)	(14)
> Dongfeng Peugeot Citroën Automobiles Sales Co	50%	(158)	(124)	(16)
Changan PSA Automobiles Co., Ltd:	50%	(50)	(68)	(24)
Iran Khodro Automobiles Peugeot				(2)
> Saïpa Citroën Company	50%	-	(148)	-
> Other entities		(24)	2	1
Others		*(24)*	*(146)*	*(1)*
Automotive		*(457)*	*(448)*	*(55)*
Automotive equipment		38	31	35
Gefco [(1)]	25%	29	24	17
Peugeot Scooters	49%	(6)	(11)	(6)
Other activities		*23*	*13*	*11*
Manufacturing and sales activities		**(396)**	**(404)**	**(9)**
Finance companies in partnership with Santander Consumer Finance	50%	280	241	201
Finance companies in partnership with BNP Paribas	50%	76	106	8
Dongfeng Peugeot Citroën Automobile Finance Company Ltd (1)	25%	16	13	17
Finance activities		**372**	**360**	**226**
Total		**(24)**	**(44)**	**217**

(1) Including goodwill (see Note 11.1)

11.4. KEY FINANCIAL DATA OF EQUITY METHOD INVESTMENTS

The detailed data about the equity method investments are the following.

A. Dongfeng Motor Group cooperation agreement in the automotive activities

PSA Group and Dongfeng Motor Group have two joint ventures:

- Dongfeng Peugeot Citroën Automobile (DPCA), based in Wuhan, which is subject to joint control and is qualified for accounting purposes as a joint venture. It manufactures motor vehicles under the Dongfeng Peugeot, Dongfeng Citroën brands in China and Fengshen brand;
- Dongfeng Peugeot Citroën Automobile Sales Co (DPCS), based in Wuhan, over which the Group has significant influence. It markets in China the vehicles produced by DPCA.

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

Earnings items at 100%

	In million euros			In million yuans		
	2019	2018	2017	2019	2018	2017
Revenue	1 781	3 652	5 404	13 769	28 339	41 355
Adjusted operating income (loss)	(315)	(244)	59	(2 441)	(1 918)	498
Operating income (loss) [(1)]	(463)	(490)	(138)	(3 600)	(3 858)	(1 060)
Of which depreciation and impairment	*(406)*	*(550)*	*(548)*	*(3 131)*	*(4 314)*	*(4 172)*
Net financial income (loss) [(1)]	(30)	10	51	(240)	75	384
Income taxes, including impairment	(272)	12	26	(2 120)	96	211
Profit (loss) of the period	**(765)**	**(468)**	**(61)**	**(5 960)**	**(3 687)**	**(465)**
Group's share in the profit (loss) of the period	(383)	(234)	(30)	-	-	-
Income and expenses recognised in equity, net	-	-	-	-	-	-
Other information		-	-		-	
Net dividend received from the joint venture(s) by PSA	-	-	200	-	-	-

[(1)] No material impact from IFRS 16 application.

Statement of financial position's items at 100%

	In million euros			In million yuans		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
Assets						
Non-current assets	1 848	2 347	2 728	14 453	18 490	21 295
Current assets	824	1 040	2 666	6 433	8 185	20 806
Of which cash and cash equivalents	*186*	*213*	*1 691*	*1 453*	*1 675*	*13 196*
Liabilities						
Non-current liabilities (excluding equity)	157	35	43	1 229	277	338
Of which non-current financial liabilities	*157*	*35*	*43*	*1 229*	*277*	*338*
Current liabilities	2 127	2 213	3 731	16 637	17 429	29 106
Of which current financial liabilities	*766*	*476*	*511*	*5 987*	*3 749*	*3 685*
Equity	388	1 139	1 620	3 019	8 969	12 657
Transition table						
Equity	388	1 139	1 620			-
% of interest	50%	50%	50%			
Group's share in equity	191	569	810			-
Goodwill	77	76	75			-
Investments in company at equity	268	645	885			-

B. Santander agreement in the financing activities

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

The scope of the partnership with Santander includes at 31 December 2019 eleven European countries as well as Brazil.

Earnings items at 100%

In million euros	2019	2018	2017
Interest revenue	2 178	1 975	1 794
Interest expenses	(951)	(854)	(753)
Net banking revenue	**1 227**	**1 121**	**1 041**
General operating expenses and others	(397)	(384)	(380)
Gross operating income	**830**	**737**	**661**
Cost of risk	(64)	(23)	(58)
Operating income from continuing operations before tax [1]	**766**	**714**	**603**
Non operating items	(6)	(11)	(12)
Income from continuing operations before tax	**760**	**703**	**591**
Income taxes	(199)	(219)	(190)
Profit (losss) for the period	**561**	**484**	**401**
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	281	242	201
Income and expenses recognised in equity, net	(256)	(15)	(3)
Other information			
Net dividend received from the joint venture(s) by PSA Group	136	105	136

[1] *O/w 3 million euros from IFRS 16 application.*

Statement of financial position's at 100%

In million euros	31 December 2019	31 December 2018	31 December 2017
Customer loans and receivables	31 688	27 940	24 605
Other assets [1]	3 688	2 916	2 639
Total assets	**35 376**	**30 856**	**27 244**
Financing liabilities [1]	24 765	22 038	18 978
Other liabilities	6 855	5 455	5 199
Equity	3 756	3 363	3 067
Total liabilities	**35 376**	**30 856**	**27 244**

[1] *O/w 25 million euros as at January 1st 2019 for the first time application of IFRS 16.*

C. BNP Paribas agreement in the financing activities

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

The scope of the partnership with BNP Paribas includes at 31 December 2019 six European countries.

Earnings items at 100%

In million euros	2019	2018	2017
Interest revenue	743	680	79
Interest expenses	(277)	(165)	(13)
Net banking revenue	**466**	**515**	**66**
General operating expenses and others	(225)	(249)	(43)
Gross operating income	**241**	**266**	**23**
Cost of risk	(19)	(15)	(1)
Operating income from continuing operations before tax [1]	**222**	**251**	**22**
Non operating items	(13)	28	-
Income from continuing operations before tax	**209**	**279**	**22**
Income taxes	(57)	(68)	(6)
Profit (losss) for the period	**152**	**211**	**16**
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	76	106	8
Income and expenses recognised in equity, net	-	(2)	-
Other information			
Net dividend received from the joint venture(s) by PSA Group	74	-	-

(1) No material impact from IFRS 16 application.

Statement of financial position's items at 100%

In million euros	31/12/2019	31/12/2018	31/12/2017
Customer loans and receivables	11 064	9 817	9 157
Other assets [1]	1 593	551	1 020
Total assets	**12 657**	**10 368**	**10 177**
Financing liabilities [1]	9 444	7 549	7 133
Other liabilities	2 033	1 641	2 057
Equity	1 180	1 178	987
Total liabilities	**12 657**	**10 368**	**10 177**

(1) O/w 8 million euros as at January 1st 2019 for the first time application of IFRS 16.

D. Summarized information relating to the investees

Earnings items at 100%

	In million euros		
	2019	**2018**	**2017**
Sales	12 469	16 283	16 862
Adjusted operating income (loss)	819	982	950
Income from continuing operations	(299)	(119)	286
Net income	**(299)**	**(119)**	**286**

Statement of financial position's items at 100%

	In million euros		
	31 December 2019	31 December 2018	31 December 2017
Assets			
Non-current assets	4 107	3 876	4 451
Current assets	52 771	46 529	44 690
Total Assets	**56 877**	**50 405**	**49 141**
Liabilities	-	-	-
Non-current liabilities	1 664	1 038	1 094
Current liabilities	48 747	42 894	41 783
Equity	6 467	6 473	6 264
of which Non controlling interests	-	-	-
Total Equity and Liabilities	**56 877**	**50 405**	**49 141**

11.5. IMPAIRMENT OF EQUITY METHOD INVESTMENTS IN THE AUTOMOTIVE BUSINESS

The companies accounted for using the equity method in the Automotive business include the companies in partnership with Dong Feng Motor Company Group and the company in partnership with Changan Group, based in China.

The non-current assets of these companies are tested for impairment on the basis of the same principles as applicable to the Automotive business of Groupe PSA (see Note 8.3.B). When there are indicators of impairment, the assets that are specific to the vehicle models are tested separately and all assets (including those that aren't specific to the models) are tested in aggregate at the level of each partnership.

Dongfeng

At 31 December 2019, impairment testing at the companies in partnership with the Dong Feng Motor Company Group resulted in the recognition of RMB 1, 364 million in impairment losses (RMB 682 million in PSA share, i.e. €87 million).

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

At 31 December 2017, impairment testing at the companies in partnership with the Dong Feng Motor Group resulted in the recognition of RMB 1,515 million in impairment losses (the Group's share was RMB 758 million, i.e. €97 million).

In addition, Groupe PSA does additional impairment testing of its other equity method investments when there are indicators of impairment, such as for example a significant fall in volumes or deteriorating profitability. The recoverable amount is determined by looking at the value in use based on cash flow forecasts. These forecasts are taken from the most recent medium-term plan for 2020-2024 approved by the partners. The terminal value is determined with reference to the data in the final years of the plan and having regard to a perpetual growth rate of 2.6% (3.0% in 2018 and in 2017). The future cash flows are discounted using an after-tax rate of 12.5% for 2020-2024 and 13.5% for the terminal value (the same in 2018 and 2017).

Changan

At 31 December 2019, impairment testing on the non-current assets of Changan PSA Automobile Co, Ltd led to maintain the total impairment of equity method investments and recorded provisions of €78 million (including €50 million in 2019) for the Group commitment.

At 31 December 2018, impairment testing on the non-current assets of Changan PSA Automobile Co, Ltd led to maintain the total impairment of equity method investments and recorded provisions of €28 million after taking into account a loss of €40 million over the 2018 financial year.

At 31 December 2017, impairment testing by Changan PSA Automobile Co, Ltd in cooperation with Changan Group did not identify any additional impairment losses.

At 31 December 2019, 31 December 2018 and 31 December 2017, the impairment testing of equity method investments in the automotive business did not identify any impairment losses on top of those already recognised for the assets of these companies.

11.6. RELATED PARTY TRANSACTIONS – EQUITY METHOD INVESTMENTS

Transactions with equity method investments are billed on arm's length terms.
Sale and purchase transactions carried out by the consolidated manufacturing and sales companies with equity method investments are as follows:

(in million euros)	2019	2018	2017
Sales to manufacturing and sales companies [1]	320	364	675
Sales and assignments to companies in partnership with Santander	5 701	5 404	5 171
Purchases [2]	(2 947)	(2 630)	(2 257)

[1] of which €189 million in sales to companies in partnership with Dongfeng Motor Group (€294 million in 2018 and €546 millions en 2017).

[2] of which €2,264 million in purchases from Gefco (€1,942 million in 2018 and €1,856 million in 2017).

Receivables and payables with equity method investments are as follows:

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Long-term loans	-	-	48
Loans - due within one year	78	16	116
Accounts receivable	270	147	318
Accounts paybale	(249)	(176)	(364)

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

NOTE 12 - FINANCING AND FINANCIAL INSTRUMENTS – MANUFACTURING AND SALES COMPANIES

12.1. ACCOUNTING POLICIES

The principles governing the measurement of financial assets and liabilities within the meaning of IAS 32 and IFRS 9 are described in Note 12.7.

12.2. NET FINANCIAL INCOME (EXPENSE)

(in million euros)	2019	2018	2017
Interest income	81	19	42
Finance costs	(290)	(288)	(208)
Other financial income	104	159	121
Other financial expenses	(242)	(346)	(196)
Total manufacturing and sales companies	**(347)**	**(456)**	**(241)**
Finance companies	3	10	3
Net financial income (expense) in the consolidated statement of income	**(344)**	**(446)**	**(238)**

Finance costs include the revaluation of the current financial liability of repurchase of obligation to DFG (see Note 12.3)

A. Finance costs of manufacturing and sales companies

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

(in million euros)	2019	2018	2017
Interest on borrowings and bank overdrafts	(248)	(293)	(326)
Interest on finance lease liabilities	(62)	(8)	(11)
Foreign exchange gain (loss) on financial transactions and other	(43)	(72)	2
Finance costs incurred	**(353)**	**(373)**	**(335)**
Of which Automotive Division and Other Businesses	*(162)*	*(249)*	*(216)*
Capitalised borrowing Costs	63	85	127
TOTAL	**(290)**	**(288)**	**(208)**

- **Capitalised borrowing costs**

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

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

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

Finance costs incurred, net of interest income of manufacturing and sales companies

(in million euros)	2019	2018	2017
Finance costs incurred	(353)	(373)	(335)
Of which Automotive Division and Other Businesses	*(162)*	*(249)*	*(216)*
Interest income	81	19	42
Of which Automotive Division and Other Businesses	*-*	*9*	*31*
Total	**(272)**	**(354)**	**(293)**
Of which Automotive Division and Other Businesses	*(162)*	*(240)*	*(185)*

B. Other financial income and expenses of manufacturing and sales companies

(in million euros)	2019	2018	2017
Expected return on pension funds	22	18	21
Other financial income	86	141	100
Other financial income	**108**	**159**	**121**
Interest cost on employee benefit obligations	(32)	(23)	(20)
Ineffective portion of the change in fair value of financial instruments	(65)	(97)	(28)
Other financial expenses	(149)	(226)	(148)
Other financial expenses	**(246)**	**(346)**	**(196)**

12.3. CURRENT AND NON-CURRENT FINANCIAL ASSETS AND LIABILITIES EXCLUDING DERIVATIVES FINANCIAL INSTRUMENTS ON OPERATING

A. Current and Non-current financial assets

(in million euros)	31 December 2018	Net increase in cash and cash equivalent	Change in scope of consolidation	Remeasure of equity	Exchange rate fluctuations	Other changes	31 December 2019
Other non-current financial assets	684	(106)	58	(4)	8	12	652
Current financial assets	842	473	(80)	-	12	22	1 269
Financial investments	50	-	-	-	-	-	50
Cash and cash equivalent	14 961	2 418	-	-	-	-	17 379
Current and non-current financial assets	**16 537**	**2 785**	**(22)**	**(4)**	**20**	**34**	**19 350**

B. Current and Non-current financial liabilities

(in million euros)	31 December 2018	Net increase in cash and cash equivalent	Change in scope of consolidation	Remeasure of equity	Exchange rate fluctuations	Other changes	31 December 2019
Non-current financial liabilities	5 257	2 737	86	5	14	816	8 915
Current financial liabilities	2 182	(609)	103	-	(26)	870	2 520
Current and non-current financial liabilities	**7 439**	**2 128**	**189**	**5**	**(12)**	**1 686**	**11 435**

In the context of the contemplated Merger with FCA, Dongfeng Group (DFG) has agreed to sell, and Groupe PSA has agreed to buy, 30.7 million shares prior to closing (those shares will be cancelled). See Note 1.

At the date of commitment, a current financial liability of €685 million euros has been initially recognized against equity. Subsequently, as at 31 December 2019, it has been remeasured at €668 million euros against in net financial income (expense) for €17 million.

12.4. BREAKDOWN OF FINANCIAL ASSETS

A. Other non-current and current financial assets and Financial investments

	31 December 2019		31 December 2018		31 December 2017	
(in million euros)	Non-current	Current	Non-current	Current	Non-current	Current
Financial assets classified as "at amortised cost"	241	1 269	259	841	255	1 261
Financial assets classified as "at fair value through profi	411	-	425	1	232	8
Financial investments "at amortised cost" [(1)]	-	50	-	50	-	165
Other non-current financial assets - Manufacturing and sales companies	**652**	**1 319**	**684**	**892**	**487**	**1 434**
Other non-current financial assets - Finance companies	11	2	28	-	23	-
Total Other financial assets in the statement of financial position	**663**	**1 321**	**712**	**892**	**510**	**1 434**

[(1)] *Short-term investments are investments of surplus cash flows for which the remaining maturity and investment horizon is less than 12 months.*

B. Cash and cash equivalents

Cash primarily represents cash in bank current accounts, and excludes bank overdrafts. Cash equivalents consist primarily of cash investments and negotiable debt securities that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value and held in order to meet short-term cash commitments with an original maturity of three months or less according to IAS 7.

Cash and cash equivalents include the following items:

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Mutual fund units and money market securities	12 942	11 537	8 719
Cash and current account balances	4 437	3 424	2 863
Total - manufacturing and sales companies	**17 379**	**14 961**	**11 582**
o/w deposits with finance companies	-	*(1)*	*(8)*
Finance companies	*454*	*465*	*312*
Cash and cash equivalent in the statement of financial position	**17 833**	**15 426**	**11 894**

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

At 31 December 2019, cash equivalents mainly included money mutual funds for €9,649 million (€ 8,676 million at 31 December 2018 and €4,610 million at 31 December 2017), bank deposits and overnight money market notes in the amount of €2,698 million (€1,899 million at 31 December 2018 and €1,489 million at 31 December 2017)and commercial paper for €80 million (€80 million at 31 December 2018 and €104 million at 31 December 2017).

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

12.5. BREAKDOWN OF FINANCIAL LIABILITIES

	Carrying amount at 31 December 2019		Carrying amount at 31 December 2018		Carrying amount at 31 December 2017	
	Amortised cost or fair value		Amortised cost or fair value		Amortised cost or fair value	
(in million euros)	Non-current	Current	Non-current	Current	Non-current	Current
Other bonds	5 863	47	4 021	499	3 835	651
Other long-term borrowings	1 644	927	1 144	408	795	452
Other short-term financing and overdraft facilities	1	1 222	-	1 239	-	1 399
Derivative financial instruments on financing and others	15	2	2	11	1	2
Total financial liabilities before lease liabilities	**7 523**	**2 198**	**5 167**	**2 157**	**4 631**	**2 504**
Finance lease liabilities	1 392	322	90	25	147	27
Total financial liabilities	**8 915**	**2 520**	**5 257**	**2 182**	**4 778**	**2 531**

A. Main financing transactions during the year

The financial risk management policy is set out in Note 12.6.A.

The main transactions during the year were as follows:

- In January 2019 upon maturity, Peugeot S.A. repaid the 2013 bonds for €430.4 million;
- On 13 March 2019, Faurecia carried out a bond issue of €500 million due in June 2026, with annual coupon of 3.125%. This loan is intended to refinance the bridge loan of €500 million put in place in 2018 as part of the financing of Faurecia's acquisition of Clarion. On 31 October 2019, Faurecia tapped its June 2026 bond for €250 million;
- On 11 April 2019, Peugeot S.A. raised €522 million using a private investment under German law, *Schuldscheindarlehen*. This transaction is structured in several tranches denominated in euros, with maturity of 4.5, 7 and 8 years;
- On 18 September 2019, Peugeot S.A. issued bonds for €600 million maturing in September 2029, bearing an annual coupon of 1.125%.
- On 27 November 2019, Faurecia issued bonds for €700 million maturing in June 2027, bearing an annual coupon of 2.375%; at the same time, Faurecia offered to repurchase bond maturing 2023 (€700 million) which had a success rate of 76%; the residual notes 2023 have been early repaid.

B. Characteristics of bonds and other borrowings

(in million euros)	Carrying amount at 31 December 2019 Non-current	Carrying amount at 31 December 2019 Current	Issuing currency	Due
Manufacturing and sales companies (excluding Faurecia) - Euro-denominated loans				
2003 bond issue - €600m	797	10	EUR	Q3/2033
2016 bond issue - €500m	497	9	EUR	Q2/2023
2017 bond issue - €600m	597	9	EUR	Q1/2024
2017 bond issue - €100m	100	2	EUR	Q1/2024
2018 bond issue - €650m	645	10	EUR	Q1/2025
2019 bond issue - €600m	590	1	EUR	Q3/2029
Schuldschein 2019 - €522m	522	3	EUR	2023 to 2027
Faurecia				
2018 bond issue - €700m	680	1	EUR	Q2/2025
2019 bond issue - €700m	680	2	EUR	Q2/2027
2019 bond issue - €750m	755	1	EUR	Q2/2025
Total bond issues	**5 863**	**48**		
Peugeot SA				
Commitment to buy out (Dongfeng)	-	667	EUR	
Manufacturing and sales companies (excluding Faurecia) - Euro currency loans				
EIB loan [1] - €250m	244	-	EUR	Q1/2024
FDES loan (1) - Zero coupon	-	24	EUR	Q1/2020
Borrowings - Morocco	138	-	EUR	2021 to T4/2025
Borrowings - China	-	1	EUR	2019
Borrowings - Spain	79	20	EUR	2018 to 2026
Borrowings - Other France	72	-	EUR	2021
Borrowings - Other [2]	62	68	EUR	na
Manufacturing and sales companies (excluding Faurecia) - Foreign currency loans				
Borrowings - Brazil	37	15	BRL	2019 à 2024
Other borrowings	41	12	na	na
Faurecia				
Other borrowings	971	120	EUR/USD	2018 to 2024
Total other long-term borrowings	**1 644**	**927**		

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

(2) Concerns notably the Automotive segment Opel Vauxhall

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

(in million euros)	Issuing currency	Carrying amount at 31 December 2019	Carrying amount at 31 December 2018	Carrying amount at 31 December 2017
Commercial paper	EUR	391	411	80
Short-term loans	N/A	512	509	464
Bank overdrafts	N/A	250	212	332
Payments issued [1]	N/A	26	23	93
Factoring liabilities on assets that have not been derecognised	N/A	43	84	430
TOTAL		**1 222**	**1 239**	**1 399**

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

D. Finance lease liabilities

The finance lease liabilities can be analysed as follows by maturity:

(in million euros)	31/12/2019
2020	322
2021	266
2022	215
2023	183
2024	144
2025	141
Subsequent years	443
Total Finance lease liabilities	**1 714**

E. Financing by the assignment of receivables

The Automotive sectors and Faurecia meet part of their financing needs by selling receivables to financial institutions. The financing of receivables in the Peugeot Citroën DS and Opel Vauxhall Automotive sectors' dealer networks by financing companies in partnership with Santander and BNP Paribas totalled €8,383 million (€7,748 million at 31 December 2018 and €6,982 million at 31 December 2017).

The sold receivables are derecognised when they meet the criteria specified in Note 6.2.

Other financing through the sale of receivables is as follows:

	31 December 2019		31 December 2018		31 December 2017	
(en millions d'euros)	Total receivables sold to non-Group financial institutions	Portion sold but not derecognised	Total receivables sold to non-Group financial institutions	Portion sold but not derecognised	Total receivables sold to non-Group financial institutions	Portion sold but not derecognised
Portion financed by third party financial institution [1]	**3 284**	**213**	**3 174**	**239**	**3 094**	**456**
- of which Faurecia group	792	89	825	69	833	68

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

Faurecia sold and derecognised its French research tax credits (*credit d'impôt recherche – CIR*) for an amount of €72 millions.

The sale of receivables constitutes usual short-term financing.

F. UNDRAWN SYNDICATED LINES OF CREDIT

The Group's manufacturing and sales companies have the following additional borrowing capacity under revolving lines of credit expiring at various dates through to 2024:

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Peugeot S.A. and GIE PSA Trésorerie	3 000	3 000	3 000
Faurecia	1 200	1 950	1 200
Undrawn confirmed lines of credit	**4 200**	**4 950**	**4 200**

Following the exercise of the first option of extension of the syndicated credit line of Peugeot S.A. and the GIE PSA Trésorerie, which, of a total amount of €3,000 million, is due in May 2023 for €190 million, and May 2024 for an amount of €2,810 million. The Group has a second option of extension for one year (from May 2024 to May 2025), subject to banks approval.

This credit facility was undrawn at the period-end.

Faurecia's additional borrowing capacity, independent from that of Peugeot S.A., results from a 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 June 2023 with two optional one-year extensions. Following the exercise of the first extension option in June 2019, the maturity of this credit has been extended to June 2024.

This credit facility was undrawn at the period-end.

12.6. MANAGEMENT OF FINANCIAL RISKS

A. Financial risk management policy

In the course of its business, PSA Group is exposed to liquidity risks, as well as interest rate, counterparty, currency and other market risks arising, in particular, from changes in commodity prices and equity prices. The Group's financial risk management policy applies in full since 2018 to the operations of the Opel Vauxhall entities.

(1) Liquidity risk

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

Pursuant to this policy, the Group:

- Implement a pro-active management of its debt structure by issuing bonds under an EMTN program or implementing Liability Management transactions;
- has recourse to bank borrowings in France and abroad;
- sells receivables;
- arranges confirmed lines of credit for its financial security;
- and, where necessary, issues convertible bonds or other debt instruments.

The Group could also raise funds by a capital increase.

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

The repayment schedule of financial liabilities is set out in the table below. In June 2010, Peugeot S.A. put in place a €5 billion EMTN programme, €2.45 billion of which had been drawn down at end-December 2019.

Contractual repayment schedule of financial liabilities and derivative instruments – manufacturing and sales companies

The following table shows undiscounted cash flows from financial liabilities and derivative instruments. They include principal repayments as well as future contractual interest payments. Foreign currency cash flows and variable or indexed cash flows have been determined based on market data at the year-end.

31 December 2019			**Undiscounted contractual cash flows**					
(in million euros)	**Assets**	**Liabilities**	**2020**	**2021**	**2022**	**2023**	**2024**	**> 5 years**
Financial liabilities								
Bonds - principal repayments								
Manufacturing and sales companies - (	-	(3 748)	(176)	-	-	(700)	(700)	(2 172)
Faurecia	-	(2 115)	35	-	-	-	-	(2 150)
Other long-term debt - principal repayments								
Manufacturing and sales companies - (	-	(814)	(251)	(66)	(66)	(67)	(307)	(57)
Faurecia	-	(1 091)	(121)	(66)	(388)	(211)	(213)	(92)
Total bonds and other borrowings								
Manufacturing and sales companies - (	-	(4 562)	(427)	(66)	(66)	(767)	(1 007)	(2 229)
Faurecia	-	(3 206)	(86)	(66)	(388)	(211)	(213)	(2 242)
Total interest on bonds and other borrowings								
Manufacturing and sales companies - (	-	(44)	(44)	-	-	-	-	-
Faurecia	-	(4)	(4)	-	-	-	-	-
Commitment to buy out (Dongfeng) [(1)]								
Finance lease liabilities								
Manufacturing and sales companies - (	-	(808)	(149)	(130)	(104)	(88)	(68)	(269)
Faurecia	-	(906)	(173)	(136)	(111)	(95)	(76)	(315)
Derivative instruments	108	(142)	(142)	-	-	-	-	-
TOTAL	**108**	**(10 339)**	**(1 692)**	**(398)**	**(669)**	**(1 161)**	**(1 364)**	**(5 055)**

[(1)] *See Note 1.*

Covenants

None of the borrowings of the manufacturing and sales companies excluding Faurecia is subject to specific acceleration clauses based on minimum credit ratings. In some cases, the borrowings of manufacturing and sales companies are subject to clauses whereby the borrower gives the lenders certain guarantees that are commonly required within the automotive industry. They include:

- Negative pledge clauses whereby the borrower undertakes not to grant any collateral to any third parties. These clauses nevertheless carry certain exceptions;
- “material adverse changes” clauses, which apply in the event of a major negative change in economic conditions;
- ”pari passu” clauses, which ensure that lenders enjoy at least the same treatment as other creditors;
- ”cross-default” clauses, whereby if one loan goes into default other loans become repayable immediately;
- clauses whereby the borrower undertakes to provide regular information to the lenders;
- clauses whereby the borrower undertakes to comply with applicable legislation;
- change of control clauses.

In addition, the European Investment Bank (EIB) loans are dependent on the Group carrying out the projects being financed.

All of these clauses were complied with in 2019.

Should Peugeot S.A. lose its “Investment Grade” rating, the drawing of the €3 billion syndicated credit facility established in April 2014 and amended in May 2018 will be subject to compliance with:

- a level of net debt of manufacturing and sales companies of less than of €6 billion;
- a ratio of the net debt of manufacturing and sales companies to consolidated equity of less than 1.

The €1,200 million syndicated line of credit arranged on 15 December 2014 by Faurecia and amended in June 2018, comprising only one €1,200 million tranche expiring in June 2024, contains only one covenant setting limits on debt.

Dette Nette* / EBITDA**	maximum	2,79 [(1)]

**Consolidated net debt*

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

[(1)] *In 2019, the ratio was adjusted to take into account the application of IFRS 16 (Leases). It was 2,50 in 2018.*

The compliance with this ratio is a condition to the availability of this credit facility. As of 31 December 2019, Faurecia complied with this ratio.

(2) Interest rate risks

Trade receivables and payables are due within one year and their value is not affected by the level of interest rates.

Cash reserves and short-term financing needs of manufacturing and sales companies - excluding Automotive Equipment companies - are mainly centralised at the level of GIE PSA Trésorerie, which invests net cash reserves on the financial markets. These short-term instruments are indexed to variable rates or at fixed rates.

The mid/long-term gross borrowings of manufacturing and sales companies - excluding Automotive Equipment companies - consist mainly of fixed-rate long-term loans. The proportion of the manufacturing and sales companies' borrowings - excluding Automotive Equipment companies - at variable rates of interest is now less than 1 %, based on the principal borrowed.

The PSA Group's interest rate risk management policy is designed to neutralize the impact of interest rate fluctuations on adjusted operating income. It is part of the PSA Group's overall risk management policy. The Management Board defines the governance rules. The Treasury and Foreign Exchange Committee, chaired monthly by the CFO, takes the decisions. PSA International (PSAI) implements and follows up the hedging.

The methodology used consists of comprehensive and systematic hedging of interest rate risk as soon as it is identified by using, where appropriate, appropriate financial instruments to ensure that the interest rate structure matches assets and liabilities. All these transactions are qualified as hedges under accounting standards. In 2019, the Group hedged the Schuldschein borrow.

Faurecia independently manages hedging of interest rate risks on a centralised basis. Such management is implemented through Faurecia's Finance and Treasury Department, which reports to its executive management. Hedging decisions are made by a Market Risk Committee that meets on a monthly basis. A significant part of the gross borrowings (syndicated credit facility for the drawn part, short-term loans and commercial paper as applicable) are at variable rates. The aim of the Faurecia group's interest rate hedging policy is to reduce the impact of changes in short-term rates on earnings. The hedges arranged comprise mainly euro-denominated interest rate swaps.

Some of Faurecia's derivative instruments have qualified for hedge accounting under IFRS 9 since 2008. The other derivative instruments purchased by Faurecia represent economic hedges of interest rate risks on borrowings but do not meet the criteria in IFRS 9 for the application of hedge accounting.

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

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

		31 December 2019			
(in million euros)		**Intraday to 1 year**	**2 to 5 years**	**Beyond 5 years**	**Total**
	Fixed rate	1 429	110	242	1 781
Total assets	Variable rate	17 268	1	-	17 269
	Fixed rate	(818)	(1 915)	(4 392)	(7 125)
Total liabilities	Variable rate	(1 379)	(935)	(92)	(2 406)
	Fixed rate	**611**	**(1 805)**	**(4 150)**	**(5 344)**
Net position before hedging	**Variable rate**	**15 889**	**(934)**	**(92)**	**14 863**
	Fixed rate	-	(763)	-	(763)
	Variable rate	-	763	-	763
	Fixed rate	**611**	**(2 568)**	**(4 150)**	**(6 107)**
Net position after hedging	**Variable rate**	**15 889**	**(171)**	**(92)**	**15 626**

		31 December 2018			
(in million euros)		**Intraday to 1 year**	**2 to 5 years**	**Beyond 5 years**	**Total**
	Fixed rate	939	135	235	1 309
Total assets+B36	Variable rate	14 908	-	47	14 955
	Fixed rate	(786)	(1 501)	(3 243)	(5 530)
Total liabilities	Variable rate	(1 346)	(575)	(10)	(1 931)
	Fixed rate	**153**	**(1 366)**	**(3 008)**	**(4 221)**
Net position before hedging	**Variable rate**	**13 562**	**(575)**	**37**	**13 024**
	Fixed rate	(4)	(157)	(25)	(186)
	Variable rate	4	157	25	186
	Fixed rate	**149**	**(1 523)**	**(3 033)**	**(4 407)**
Net position after hedging	**Variable rate**	**13 566**	**(418)**	**62**	**13 210**

		31/12/2017			
(in million euros)		**Intraday to 1 year**	**2 to 5 years**	**Beyond 5 years**	**Total**
	Fixed rate	1 484	90	241	1 815
Total assets	Variable rate	11 565	-	-	11 565
	Fixed rate	(2 405)	(1 403)	(3 015)	(6 823)
Total liabilities	Variable rate	-	(213)	-	(213)
	Fixed rate	**(921)**	**(1 313)**	**(2 774)**	**(5 008)**
Net position before hedging	**Variable rate**	**11 565**	**(213)**	**-**	**11 352**
	Fixed rate	(415)	383	-	(32)
	Variable rate	415	(383)	-	32
	Fixed rate	**(1 336)**	**(930)**	**(2 774)**	**(5 040)**
Net position after hedging	**Variable rate**	**11 980**	**(596)**	**-**	**11 384**

(3) Counterparty and credit risks

The Automotive Division places significant emphasis on guaranteeing the security of payments for the goods and services delivered to customers. Relations with Peugeot Citroën, DS, Opel and Vauxhall dealers are managed within the framework of the Banque PSA Finance sales financing system described below. Payments from other customers are secured by arrangements with leading counterparties that are validated by the Group Treasury Committee.

At Faurecia, the main counterparties are leading carmakers whose creditworthiness is tracked customer-by-customer.

Other counterparty risks concern investments of available cash and transactions involving currency, interest rate and commodity derivatives. These two types of transactions are carried out solely with leading financial partners approved by the Group Treasury Committee. The related counterparty risks are managed through a system of exposure limits by amount and by commitment duration. The limits are determined according to a range of criteria including the results of specific financial analyses by counterparty, the counterparty's credit rating and the amount of its equity capital.

Available cash is invested either in money market securities issued by approved counterparties, or in mutual funds or deposit accounts. The bulk of money market securities in the portfolio are issued by leading banks and the remainder by non-financial sector issuers. Mutual funds are selected according to guidelines specifying minimum fund credit ratings and maximum maturities of underlying assets. In addition, the amount invested in each fund is capped based on the fund's total managed assets.

Derivatives transactions are governed by standard ISDA or Fédération Bancaire Française (FBF) agreements and contracts with the most frequently used counterparties provide for weekly margin calls.

(4) Currency risk

The manufacturing and sales companies manage their foreign exchange positions on transactions denominated in foreign currencies with the objective of hedging the risk of fluctuations in exchange rates. Automotive Division currency risks are managed centrally, for the most part by PSA International S.A. (PSAI) under the supervision of executive management. All products used by PSAI are standard products covered by International Swaps and Derivatives Association (ISDA) master agreements.

The goal is to minimize Automotive Division exchange differences by hedging as soon as the foreign currency invoices are booked. This hedging policy is applied systematically in the Peugeot Citroën DS business segment and is being implementing in the Opel Vauxhall business segment.

Currency risks are managed by requiring manufacturing companies to bill sales companies in the latter's local currency (except in rare cases or where this is not allowed under local regulations). Currency risks on these intragroup billings are also hedged using forward foreign exchange contracts. In most cases, foreign currency intragroup loans of Automotive Division companies are also hedged.

The foreign currency policy includes the hedging of future flows for the Automotive Division. It consists of hedging the main net exposures to currencies of the Group, including Opel Vauxhall. The rules of governance of the cash flow hedging policy are defined by the Group's Management Board. Implementation is delegated to the Treasury and Foreign Exchange Committee chaired monthly by the CFO. They are classified as cash flow hedges under IFRS 9. The maximum horizon for these hedges is two years. The ratios are maximum 70% at 1 year and 40% at 2 years.

As at 31 December 2019, the hedge ratio are between 20 and 40% depending on the currency. The Automotive Division had cash flow hedges on the following currencies: GBP, JPY, PLN.

The Group does not hedge its net investment in foreign operations.

PSAI also carries out proprietary transactions involving currency instruments. These transactions are subject to very strict exposure limits and are closely monitored. They are the only non-hedging transactions carried out by companies in the PSA Group and have a very limited impact on consolidated profit.

The historical Value at Risk (VaR) method is used to identify and manage market risks. The historical VaR uses volatilities and exchange rates for the various currencies since the beginning of 2011. VaR represents the maximum possible loss on the portfolio, based on the confidence level. The confidence levels measured are 95% and 99%. For both of these confidence levels, applying historical VaR to the portfolio at 31 December 2019 would not have had a material impact on Group earnings. This method assumes that future VaR will follow the same trend as historical VaR. It does not provide an indication of the losses that would be incurred under an extreme stress scenario.

Currency risks relating to the commercial transactions of the Faurecia’s subsidiaries are managed independently and centrally by Faurecia using forward purchase and sale contracts and options as well as foreign currency financing. Faurecia manages the hedging of currency risks through its Group Finance and Treasury department, which reports to the executive management. Currency risks on forecasted transactions are hedged on the basis of estimated cash flows determined when budgets are prepared, validated by executive management. The related derivatives are classified as cash flow hedges when there is a hedging relationship that satisfies the IFRS 9 criteria. Subsidiaries located outside the euro zone are granted intragroup loans in their functional currency. These loans are refinanced in euros, and the related currency risk is hedged by swaps.

Futures operations and cash flow hedges

The net position being hedged in the foreign currencies versus the euro is €2,955 million as at December 31, 2019 (€2,811 million in 2018 and €3,340 million in 2017).

Net position of the manufacturing and sales companies in the main currencies (open positions at 31 December)

The net position, after fair value hedging, of the manufacturing and sales companies in the main foreign currencies versus the euro is as follows:

	31 December 2019								
(in million euros)	**RUB**	**GBP**	**JPY**	**USD**	**PLN**	**CHF**	**CZK**	**Autres**	**Total**
Total assets	35	950	136	338	75	209	172	157	2 072
Total liabilities	(36)	(821)	(162)	(234)	(17)	(3)	(173)	(288)	(1 734)
Net position before hedging	**(1)**	**129**	**(26)**	**104**	**58**	**206**	**(1)**	**(131)**	**338**
Derivative financial instruments	1	(470)	13	(57)	(25)	(206)	-	(19)	(763)
Net position after hedging	**-**	**(341)**	**(13)**	**47**	**33**	**-**	**(1)**	**(150)**	**(425)**

	31 December 2018								
(in million euros)	**RUB**	**GBP**	**JPY**	**USD**	**PLN**	**CHF**	**CZK**	**Autres**	**Total**
Total assets	59	732	101	454	132	248	200	678	2 604
Total liabilities	(7)	(725)	(210)	(315)	(174)	(136)	(260)	(364)	(2 191)
Net position before hedging	**52**	**7**	**(109)**	**139**	**(42)**	**112**	**(60)**	**314**	**413**
Derivative financial instruments	(48)	(127)	101	(350)	70	(220)	83	(40)	(531)
Net position after hedging	**4**	**(120)**	**(8)**	**(211)**	**28**	**(108)**	**23**	**274**	**(118)**

	31 December 2017								
(in million euros)	**RUB**	**GBP**	**JPY**	**USD**	**PLN**	**CHF**	**CZK**	**Autres**	**Total**
Total assets	93	225	81	917	43	243	140	580	2 322
Total liabilities	(23)	(90)	(42)	(37)	(7)	(3)	(215)	(42)	(459)
Net position before hedging	**70**	**135**	**39**	**880**	**36**	**240**	**(75)**	**538**	**1 863**
Derivative financial instruments	(88)	(127)	(41)	(832)	50	(240)	67	(420)	(1 631)
Net position after hedging	**(18)**	**8**	**(2)**	**48**	**86**	**-**	**(8)**	**118**	**232**

A 5% increase in the year-end exchange rate of the main currencies in which the manufacturing and sales companies had open balance sheet positions at 31 December 2019 (see table below) would have the following direct impact on income before tax and equity :

(in million euros)	**JPY/EUR**	**USD/EUR**	**PLN/EUR**	**MEX/EUR**	**CZK/EUR**	**GBP/EUR**	**TRY/EUR**	**RUB/EUR**	**Others**
Hypothetical fluctuation against the euro	5%	5%	5%	5%	5%	5%	5%	5%	5%
Impact on income before tax	0,57	(1,94)	(1,51)	5,40	0,04	16,44	(0,14)	0,09	1,73
Impact on equity	(16,43)	5,02	(15,78)	(0,16)	(2,71)	(111,81)	-	-	(1,67)

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

	31 December 2019				
(in million euros)	UAH/USD	USD/BRL	USD/ARS	USD/GBP	CNY/USD
Total assets	-	5	11	-	-
Total liabilities	(25)	(38)	(13)	-	-
Net position before hedging	**(25)**	**(33)**	**(2)**	**-**	**-**
Derivative financial instruments	-	37	4	-	-
Net position after hedging	**(25)**	**4**	**2**	**-**	**-**

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

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

(5) Commodity risk

The Automotive Division's exposure to commodity risks is tracked jointly by the Purchasing Department and PSA International S.A. (PSAI), which is responsible for hedging the Group's currency, rate and commodity risks, while Faurecia's risks are managed independently.

The risk of changes in certain raw materials prices expose the production costs of the Automotive Division and Faurecia to either as a result of their direct purchases or indirectly through the impact of these changes on their suppliers' costs. These raw materials are either industrial products such as steel and plastics whose prices and related adjustments are negotiated between buyers and vendors, or commodities directly traded on organised markets, such as aluminium, copper, lead or precious metals, for which the transaction price of the commodities or components is determined by direct reference to the prices quoted on the commodity market.
Part of the Automotive Division's exposure to fluctuations in commodity prices is hedged using derivative instruments traded on regulated markets. The aim of these hedges is to minimize the impact of changes in commodity prices on physical deliveries for the Group's production needs.

The Group Management Board defines the rules of governance (scope, responsibilities, maturities, ratios, etc.). The Metals Committee, chaired by the Chief Financial Officer of the Group, reviews the Automotive Division’s commodity risks at quarterly intervals. This Committee monitors hedging ratios, hedging gains and losses, reviews each quoted commodity that may have a material impact on the Group’s operating income and sets hedging targets in terms of volumes and prices over periods of up to three years on metals and two years on energy. The maximum ratios are: 80% at 1 year, 60% at 2 years and 40% at 3 years. The hedging ratios depend on the maturity. The Cash flow hedges must qualify for hedge accounting under IFRS 9. In 2019, Opel Vauxhall is fully integrated in the scope of the hedging transactions. The commodity hedges concerned purchases of aluminium, copper, lead, platinum and palladium. Hedging for electricity and gas purchases was also established in 2019. The Group was well hedged on precious metals.

For the Automotive segment, in the event of a 19% rise (fall) in base metals' prices (aluminium, copper and lead), a 21% rise (fall) in precious metals' prices (platinum and palladium), and a 29% rise (fall) in energy prices (electricity, gas), the impact of the commodity hedges held at 31 December 2019 would have been a decrease/increase of €180 in consolidated equity at 31 December 2018 (versus €71 million in 2018 and €59 million in 2017). As all commodity hedges qualified as cash flow hedges under IFRS 9, changes in the fair value of these instruments resulting from changes in the prices of the hedged commodities would not have had any impact on 2019 profit.
The commodity price trend assumptions were determined based on the average historical and implicit volatilities observed on the relevant commodity markets in the reporting year.
To the extent that Faurecia's sales contracts with customers do not include any systematic indexation clause based on commodity prices. The risk of an unfavourable change in commodity prices is attenuated through a policy of permanent price negotiations with customers and tight inventory management. Faurecia does not use derivative instruments to hedge its commodity and energy purchases.

B. Hedging instruments

In IFRS 9, as in IAS 39, derivative instruments are recognised at their fair value on the statement of financial position. They may be classified as hedging instruments if:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- the effectiveness of the hedging relationship is demonstrated at inception. If the hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, this ratio must then be rebalanced. Rebalancing consists in adjusting either the designated quantities of the hedged item or the hedging instrument of an already existing hedging relationship.

The Group uses two hedging relationships:

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

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

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

Manufacturing and sales companies

	31 December 2019					
	Carrying amount		Notional	Maturity		
(in million euros)	Assets	Liabilities	amount	< 1 year	2 to 5 years	> 5 years
Currency risk						
Fair value hedges	30	(104)	3 612	3 423	189	-
Cash flow hedges	9	(1)	3 550	2 647	903	-
Total currency risks	**39**	**(105)**	**7 162**	**6 070**	**1 092**	**-**
Interest rate risk	-	-	-	-	-	-
Fair value hedges	-	-	62	-	62	-
Cash flow hedges	-	(12)	745	31	714	-
Total interest rate risks	**-**	**(12)**	**807**	**31**	**776**	**-**
Commodity risk	-	-	-	-	-	-
Cash flow hedges	68	(35)	910	429	481	-
Total commodity risks	**68**	**(35)**	**910**	**429**	**481**	**-**
TOTAL	**107**	**(152)**	**8 879**	**6 530**	**2 349**	**-**
Of which:	-	-	-	-	-	-
Total fair value hedges	**30**	**(104)**	**3 674**	**3 423**	**251**	**-**
Total cash flow hedges	**77**	**(48)**	**5 205**	**3 107**	**2 098**	**-**

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

	31 December 2018					
	Carrying amount		Notional	Maturity		
(in million euros)	Assets	Liabilities	amount	< 1 year	2 to 5 years	> 5 years
Currency risk						
Fair value hedges:	69	(30)	4 517	4 410	107	-
Cash flow hedges:	30	(18)	4 788	4 278	510	-
Total currency risks	**99**	**(48)**	**9 305**	**8 688**	**617**	**-**
Interest rate risk						
Fair value hedges:	-	(3)	53	-	53	-
Cash flow hedges:	-	-	-	-	-	-
Total interest rate risks	**-**	**(3)**	**53**	**-**	**53**	**-**
Commodity risk						
Cash flow hedges:	23	(30)	389	212	177	-
Total commodity risks	**23**	**(30)**	**389**	**212**	**177**	**-**
TOTAL	**122**	**(81)**	**9 747**	**8 900**	**847**	**-**
Of which:	-	-	-	-	-	-
Total fair value hedges	**69**	**(33)**	**4 570**	**4 410**	**160**	**-**
Total cash flow hedges	**53**	**(48)**	**5 177**	**4 490**	**687**	**-**

(in million euros)	31 December 2017 Carrying amount Assets	Liabilities	Notional amount	Maturity < 1 year	2 to 5 years	> 5 years
Currency risk						
Fair value hedges:	62	(26)	2 542	2 495	47	-
Cash flow hedges:	194	(176)	3 179	2 516	663	-
Total currency risks	**256**	**(202)**	**5 721**	**5 011**	**710**	**-**
Interest rate risk						
Fair value hedges:	-	-	-	-	-	-
Cash flow hedges:	-	-	2	-	2	-
Total interest rate risks	**-**	**-**	**2**	**-**	**2**	**-**
Commodity risk						
Cash flow hedges:	41	(8)	254	173	81	-
Total commodity risks	**41**	**(8)**	**254**	**173**	**81**	**-**
TOTAL	**297**	**(210)**	**5 977**	**5 184**	**793**	**-**
Of which:						
Total fair value hedges	**62**	**(26)**	**2 542**	**2 495**	**47**	**-**
Total cash flow hedges	**235**	**(184)**	**3 435**	**2 689**	**746**	**-**

(2) Impact of hedging instruments on income and equity

(a) Impact of cash flow hedges

(in million euros)	**2019**	**2018**	**2017**
Change in effective portion recognised in equity	(59)	26	39
Change in ineffective portion recognised in profit or loss	3	15	(5)
Effective portion reclassified to the income statement under "Cost of goods and services sold"	-	(5)	(13)
Effective portion reclassified to the income statement under "Finance costs"	-	(5)	(9)

(b) Impact of fair value hedges

(in million euros)	**2019**	**2018**	**2017**
Change in ineffective portion recognised in profit or loss	(65)	112	(23)
Net impact on income	**(65)**	**112**	**(23)**

The “Net gain (loss) on hedges of borrowings” presented in Note 12.2.A also includes gains and losses on economic hedges that do not qualify for hedge accounting under IFRS 9.

12.7. FINANCIAL INSTRUMENTS

A. Financial assets and liabilities - definitions

Financial assets and liabilities within the meaning of IFRS 9 include the items listed in the table in Note 12.7.E.
The event generating the statement of financial position recognition is the transaction (i.e. commitment) date, and not the settlement date.

B. Translation of transactions in foreign currencies

In compliance with IAS 21, transactions in foreign currencies are translated into the subsidiary's functional currency at the exchange rate on the transaction date. At each statement of financial position date, monetary items are translated at the closing rate and the resulting exchange rate difference is recognised in profit or loss, as follows:

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

C. Recognition and measurement of financial assets

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

(1) Financial assets as "at amortised cost"

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

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

Measurement of trade receivables

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

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

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

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

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

"Other non-current assets" correspond to units in Fonds d'Avenir Automobile (FAA). FAA is a fund to support automotive equipment manufacturers set up at the French government's initiative under France's Automotive Industry Pact signed on 9 February 2009. The FAA units were classified as "assets available-for-sale" according to IAS 39 and are now classified as "at fair value through profit or loss", which brought about a reclassification in reserves of amounts classified in "other amounts of comprehensive income (loss)" at the date of the transition. The units are measured at fair value. This corresponds to their net asset value at the statement of financial position date.

D. Recognition and measurement of financial liabilities

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

Borrowings and other financial liabilities are generally stated at amortised cost measured using the effective interest method.

When the Group obtains government loans at below-market interest rates, the loans' amortised cost is calculated through an effective interest rate based on market rates. The subsidy is recognised in accordance with IAS 20 as related either to assets or to income, depending on the purpose for which the funds are used.

E. Financial instruments reported in the statement of financial position

(in million euros)	31 December 2019 Carrying amount	Fair value	Analysis by class of instrument: Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
Equity Investments	193	193	193	-	-
Other non-current financial assets	652	652	411	-	241
Other non-current assets [(1)]	490	490	490	-	-
Trade receivables	2 526	2 526	-	-	2 526
Other receivables	2 827	2 827	39	-	2 788
Derivative financial instruments on operating - assets	95	95	95	-	-
Current financial assets	1 269	1 269	2	-	1 267
Financial investments	50	50	-	-	50
Cash and cash equivalents	17 379	17 379	14 534	-	2 845
Assets	**25 481**	**25 481**	**15 764**	**-**	**9 717**
Non-current financial liabilities	8 915	9 284	13	-	8 902
Other non-current liabilities [(2)]	241	241	15	-	226
Trade payables	14 505	14 505	-	-	14 505
Other payables	8 840	8 840	-	-	8 840
Derivative financial instruments on operating - liabilitie	124	124	124	-	-
Current financial liabilities	2 520	2 520	2	-	2 518
Liabilities	**35 145**	**35 514**	**154**	**-**	**34 991**

[(1)] Other non-current assets exclude the amount of pension plan surpluses (see Note 9.1), which are not financial assets as defined by IFRS 9.
[(2)] Excluding liabilities related to vehicles sold with a buyback commitment.

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

[(1)] Other non-current assets exclude the amount of pension plan surpluses (see Note 8.1), which are not financial assets as defined by IFRS 9.
[(2)] Excluding liabilities related to vehicles sold with a buyback commitment.

(in million euros)	31 December 2017		Analysis by class of instrument		
	Carrying amount	Fair value	Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
Equity Investments	391	391	391	-	-
Other non-current financial assets	487	487	232	-	255
Other non-current assets [(1)]	581	581	75	-	506
Trade receivables	2 454	2 454	-	-	2 454
Other receivables	2 413	2 413	-	-	2 413
Derivative financial instruments on operating - assets	274	274	274	-	-
Current financial assets	1 269	1 269	8	-	1 261
Financial investments	165	165	165	-	-
Cash and cash equivalents	11 582	11 582	11 582	-	-
Assets	**19 616**	**19 616**	**12 727**	**-**	**6 889**
Non-current financial liabilities	4 778	4 906	-	-	4 778
Other non-current liabilities [(2)]	100	100	5	-	95
Trade payables	13 362	13 362	-	-	13 362
Other payables	8 094	8 094	-	-	8 094
Derivative financial instruments on operating - liabilitie	203	203	203	-	-
Current financial liabilities	2 531	2 505	2	-	2 529
Liabilities	**29 068**	**29 170**	**210**	**-**	**28 858**

[(1)] *Other non-current assets exclude the amount of pension plan surpluses (see Note 8.1), which are not financial assets as defined by IFRS 9.*
[(2)] *Excluding liabilities related to vehicles sold with a buyback commitment.*

The fair value of financial instruments held by the Group is calculated whenever it can be estimated reliably based on market data for assets considering that they are not intended to be sold. The fair value of financial instruments traded on an active market is based on the market price at the statement of financial position date. The market price used for financial assets held by the Group is the bid price on the market at the measurement date.

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

(en millions d'euros)	31 December 2019		31 December 2018		31 December 2017	
	At fair value through profit or loss	At fair value through other comprehensive income	At fair value through profit or loss	At fair value through other comprehensive income	At fair value through profit or loss	At fair value through other comprehensive income
Level 1 fair value inputs: quoted prices in active markets						
Other non-current financial assets	411	-	422	-	223	-
Financial investments	-	-	-	-	165	-
Cash and cash equivalents	14 534	-	12 718	-	11 582	-
Level 2 fair value inputs: based on observable market data						
Other non-current financial assets	-	-	3	-	9	-
Other non-current assets	11	-	8	-	6	-
Derivative financial instruments on operating - assets	134	-	110	-	274	-
Current financial assets	2	-	1	-	8	-
Level 3 fair value inputs: not based on observable market data						
Investments in non-consolidated companies	193	-	397	-	391	-
Other non-current assets	479	-	495	-	69	-
Total financial assets measured at fair value	**15 763**	**-**	**14 154**	**-**	**12 727**	**-**

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

(in million euros)	31 December 2019 At fair value through profit or loss	31 December 2019 At fair value through other comprehensive income	31 December 2018 At fair value through profit or loss	31 December 2018 At fair value through other comprehensive income	31 December 2017 At fair value through profit or loss	31 December 2017 At fair value through other comprehensive income
Level 1 fair value inputs: quoted prices in active markets						
Level 2 fair value inputs: based on observable market data						
Non-current financial liabilities	(13)	-	(1)	-	-	-
Other non-current liabilities	(15)	-	(10)	-	(5)	-
Derivative financial instruments on operating - liabilities	(124)	-	(59)	-	(203)	-
Current financial liabilities	(2)	-	(11)	-	(2)	-
Level 3 fair value inputs: not based on observable market data						
Total financial liabilities measured at fair value	**(154)**	**-**	**(81)**	**-**	**(210)**	**-**

G. Information about financial liabilities not measured at fair value

(in million euros)	31 December 2019 Carrying amount	31 December 2019 Fair value	Fair value level Level 1	Fair value level Level 2	Fair value level Level 3
Liabilities					
Non-current financial liabilities	8 902	9 270	6 210	3 060	-
Current financial liabilities	2 518	2 518	47	2 471	-

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

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

H. Effect of financial instruments on profit or loss

	2019	Analysis by class of instrument			
(in million euros)	Statement Impact	at fair value through	At fair value through other comprehensive income		Instruments at amortised cost
Manufacturing and sales companies					
Total interest income	22	-	-	-	22
Total interest expense	(247)	-	-	-	(247)
Remeasurement	(36)	(33)	-	-	(3)
Disposal gains and dividends	23	23	-	-	-
Net impairment	11	(30)	-	-	41
Total - manufacturing and sales companies	**(227)**	**(40)**	**-**	**-**	**(187)**

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

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

12.8. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

(in million euros)	**31 December 2019**	**31 December 2018**		**31 December 2017**
Guarantees given	724	610	-	406
Pledged or mortgaged assets	177	228	-	478
	901	**838**		**884**

- **Pledged or mortgaged assets**

This item notably includes OATs as collateral for loans from the European Investment Bank (EIB).

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

(in million euros)	**31/12/2019**	**31/12/2018**	**31/12/2017**
2018	-	-	391
2019	-	153	6
2020	131	-	38
2021	-	32	-
2022	-	-	-
2023	-	-	-
Total pledged or mortgaged assets	46	43	43
Total assets	**177**	**228**	**478**
Percentage of total assets	69 766	61 952	57 915
Pourcentage	0,3%	0,4%	0,8%

NOTE 13 - FINANCING AND FINANCIAL INSTRUMENTS – FINANCE COMPANIES

13.1. ACCOUNTING POLICIES

A. Financial assets and liabilities - definitions

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

B. Recognition and measurement of financial assets

(1) Financial assets as "at amortised cost"

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

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

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

In general, the outstanding principal is hedged for interest rate risk. Application of hedge accounting brings about the remeasurement at fair value of the hedged portion of outstandings. Gains and losses arising from remeasurement at fair value are recognised in profit or loss and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument. (see Note 12.6.B).

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

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

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

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

Equity investments in nonconsolidated 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 31 December 2019.

C. Recognition and measurement of financial liabilities

See Note 12.7.D.

13.2. CURRENT FINANCIAL ASSETS

A. Loans and receivables - finance companies

(1) Analysis

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Total net "Retail, Corporate and Equivalent"	10	115	270
Total net "Corporate Dealers"	75	64	61
TOTAL	**85**	**179**	**331**

Retail, Corporate and Equivalent finance receivables represent loans provided by the finance companies to Peugeot, Citroën and DS customers to purchase or lease vehicles.

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

(2) Maturities of loans and receivables

(in million euros)	31 December 2019		
	Net "Retail, Corporate and Equivalent"	'Net "Corporate Dealers"	Total
Unallocated	-	-	-
Less than one year	4	75	79
Two to five years	6	-	6
Beyond five years	-	-	-
Total gross loans and receivables outstanding	**10**	**75**	**85**
Guarantee deposits on leases	-	-	-
Depreciation	-	-	-
Total net loans and receivables outstanding	**10**	**75**	**85**

Allowances for credit losses

(in million euros)	31/12/2019		31/12/2018		31/12/2017	
	Retail, Corporate and Equivalent	Corporate Dealer	Retail, Corporate and Equivalent	Corporate Dealer	Retail, Corporate and Equivalent	Corporate Dealer
Performing loans with no past due balances	9	74	126	62	288	64
Performing loans with past due balances and non-performing loans	1	3	5	4	17	2
Total gross loans and receivables outstanding	**10**	**77**	**131**	**66**	**305**	**66**
Items taken into account in amortised cost calculations and guarantee deposits	-	-	(14)	-	(28)	-
Depreciation	-	(2)	(2)	(2)	(7)	(5)
Total net loans and receivables outstanding	**10**	**75**	**115**	**64**	**270**	**61**

B. Short-term investments – Finance companies

Short-term investments consist primarily of certificates of deposit held by the securitization funds. As at 31 December 2019, there is no certificate of deposit.

C. Cash and cash equivalents

Cash and cash equivalents amounted to €454 million at 31 December 2019 (€466 million at 31 December 2018 and €320 million at 31 December 2017), including term loans, central bank deposits, French treasury bonds and investments in mutual funds.

13.3. FINANCING LIABILITIES – FINANCE COMPANIES

(in million euros)	31/12/2019	31/12/2018	31/12/2017
Other debt securities and bond debt	231	253	257
Bank borrowings	40	72	150
	271	**325**	**407**
Customer deposits	1	3	8
	272	**328**	**415**
companies	-	*(1)*	*(8)*
Total	**272**	**327**	**407**

A. Analysis by maturity

(in million euros)	31/12/2019	31/12/2018	31/12/2017
• Less than one year	40	95	150
• Two to five years	226	230	257
• Beyond five years	-	-	-
Total	**266**	**325**	**407**

B. Analysis by repayment currency

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

(in million euros)	31/12/2019	31/12/2018	31/12/2017
EUR	-	-	2
USD	223	218	209
ARS	-	66	142
Other currencies	43	41	54
TOTAL	**266**	**325**	**407**

C. Credit lines

	31/12/2019	31/12/2018	31/12/2017
LIGNES DE CRÉDITS CONFIRMÉES NON TIRÉES	**150**	**235**	**301**

At 31 December 2019, the credit lines totalling €150 million are detailed as follows:

- €150 million in undrawn revolving bilateral lines.

13.4. MANAGEMENT OF FINANCIAL RISKS

A. Financial risk management policy

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

(1) Liquidity risk

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

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

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

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

Financing strategy implemented in 2019

At 31 December 2019, the only financing of Banque PSA Finance is derived from the bond issues.
The bank also has liquidity reserves of €454 million.

Renewal of bank facilities

Details of bank facilities are provided in Note 13.3.C.

Covenants

The revolving bilateral lines of credit (for a total outstanding amount of €150 million) signed by Banque PSA Finance have the customary acceleration clauses for such arrangements.

In addition to these covenants representing market practices, these credit facilities continue to require retention of banking status, and the compliance with a "Common Equity Tier One" capital ratio of at least 11%.

(2) Interest rate risk

Banque PSA Finance's policy aims to measure, ring fence in the context of stress scenarios and if necessary reduce the impact of changes in interest rates using appropriate financial instruments to match interest rates on the loans and the related refinancing.

The implementation of this policy is monitored by the ALM Committee and the Risk Management Committee of Banque PSA Finance.

(3) Counterparty and credit risks

Banque PSA Finance's exposure to credit risk corresponds to the risk of losses due to borrower default or borrower failure to fulfill their contractual obligations. The counterparties concerned are Peugeot, Citroën and DS dealers and the dealers' retail customers. In the event of default, Banque PSA Finance generally has the right to repossess the vehicle and sell it on the used vehicle market. The risk that the vehicle's selling price on the used vehicle market will be less than the outstanding debt is taken into account in determining the amount of the related impairment (see Note 13.1.B).

Wholesale lending decisions for fleet customers and dealers are made based on a detailed risk assessment in accordance with strict rules on lending limits, either by the local Banque PSA Finance credit committees, or by the Group credit committee. The level of credit lines is dependent on the item to be financed, the client’s risk rating and lastly the general level of risk borne by the approving Credit Committee. For its companies operated jointly with a partner, Banque PSA Finance has contractual mechanisms to ensure that it is properly involved in the decision-making and risk-monitoring process.

Retail loan acceptance processes are based on a local credit scoring system. To enhance its effectiveness, the scoring system is adapted according to the specific characteristics of each local market. For partnership subsidiaries, customer selection is the responsibility of the partner which uses the decision-making tools that it has developed. In both cases, the teams at Banque PSA Finance’s headquarters monitor the level of risk of requests and acceptance closely on an on-going basis, as well as the characteristics of files with past due instalments.

Defaults with no impairment concern only corporate loans.

Corporate loans with one or more installments that are over 90 days past due and loans to local administrations with one or more installments that are over 270 days past due are not classified as non-performing when the delays are due to payment incidents or claims, and do not reflect a default risk.

Concerning concentration of credit risks, Banque PSA Finance continually monitors its largest exposures to ensure that they remain at reasonable levels and do not exceed the limits set in banking regulations.

Banque PSA Finance’s exposure to financial counterparties is limited to (i) the investment of funds corresponding to the liquidity reserve and of any excess cash, and (ii) the use of derivatives (swaps and options) to hedge currency and interest rate risks.

Available cash is invested in money market securities issued by leading banks, in deposit accounts with leading banks or in monetary mutual funds.

(4) Currency risk

Group policy consists of not entering into any operational currency positions. Liabilities are matched with assets in the same currency, entity-by-entity, using appropriate financial instruments if necessary. The hedging is achieved using cross currency swaps, currency swaps and forward foreign exchange contracts.

The Group does not hedge its net investment in foreign operations.

In view of the Group's hedging policy of the operational currency positions, a change in exchange rates at the level of the finance companies would not have any material impact on consolidated profit or equity.

B. Hedging instruments: Finance companies

The different types of hedges and their accounting treatment are described in Note 12.6.B.

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

Impact of fair value hedges

(in million euros)	**2019**	**2018**	**2017**
Gains and losses on remeasurement of financial liabilities recognised in profit or loss	(1)	4	6
Gains and losses on remeasurement of hedges of financial liabilities recognised in profit or loss	(1)	7	(12)
Net impact on income	**(2)**	**11**	**(6)**

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

13.5. FINANCIAL INSTRUMENTS

A. Financial instruments reported in the statement of financial position

(in million euros)	31 December 2019 Carrying amount	Fair value	Analysis by class of instrument: Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
Investments in unconsolidated companies	3	3	3	-	-
Other non-current financial assets	11	11	11	-	-
Other non-current assets	196	196	196	-	-
Loans and receivables - finance companies	85	85	-	-	85
Short-term investments - finance companies	78	78	78	-	-
Other receivables	96	96	1	-	95
Cash and cash equivalents	454	454	454	-	-
Assets	**923**	**923**	**743**	**-**	**180**
Non current financial liabilities	2	2	-	-	2
Financing liabilities - finance companies	272	276	-	-	272
Other payables	53	53	1	-	52
Liabilities	**327**	**331**	**1**	**-**	**326**

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

The fair values of the marketable securities held by finance companies are at level 2, except for investments in mutal funds revalued at the published liquidation value (level 1).

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

(in million euros)	31 December 2019 Carrying amount	Fair value	Fair value level: Level 1	Level 2	Level 3
Assets					
Loans and receivables - finance companies	85	85	-	-	85
Liabilities					
Financing liabilities - finance companies	271	275	235	-	40

D. Effect of financial instruments on profit or loss

(in million euros)	2019 Income Statement Impact	Analysis by class of instrument: Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
Finance companies				
Total interest income	26	-	26	-
Total interest expense	(14)	-	-	(14)
Remeasurement [(1)]	10	12	(2)	-
Total - finance companies	**22**	**12**	**24**	**(14)**

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

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

13.6. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Financing commitments to customers	-	-	12

NOTE 14 - INCOME TAXES

In accordance with ***IAS 12 - Income Taxes***, deferred taxes are calculated for all temporary differences between the tax base of assets and liabilities and their carrying amount. Deferred tax liabilities are systematically recognised, while deferred tax assets are recognised only when there is a reasonable expectation that they will be recovered.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and equity method investments for the variance between their tax and accounting value, except to the extent that both of the following conditions are satisfied:

- the Group is able to control the timing of the reversal of the temporary difference;
- and it is probable that the temporary difference will not reverse in the foreseeable future.

In practice:

- for subsidiaries fully consolidated, a deferred tax liability is recognised only in respect of distribution taxes on dividends that will be paid by the subsidiary in the following year by decision of the Group;
- for equity method investments, a deferred tax liability on dividend distributions is recognised for all differences between the tax base of the shares and their carrying amount;
- current tax benefits generated by intragroup provisions and sales are not cancelled by recognising deferred tax liabilities, except when the difference is considered to be temporary, for example, when the Group plans to divest the subsidiary.

14.1. INCOME TAXES OF CONSOLIDATED COMPANIES

(in million euros)	2019	2018	2017
Current taxes			
Corporate income taxes	(816)	(1 008)	(565)
Deferred taxes			
Deferred taxes arising in the year	100	393	(134)
Total	**(716)**	**(615)**	**(699)**

A. Current taxes

Current taxes represent the amounts paid or currently due to the tax authorities for the year, calculated in accordance with the tax regulations and rates in effect in the various countries.

In France, Peugeot S.A. and its French subsidiaries that are at least 95%-owned maintained their election to determine French income taxes on a consolidated basis in accordance with Article 223 A of the French Tax Code.

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

When withholding taxes on management fees are used by the recipients to pay tax, income is recognised appropriately in current taxes.

B. Tax rate in France

The French statutory income tax rate is 34.43%, including the additional contribution.

The cap on offsetting tax loss carryforwards against taxable profit for the year is maintained at 50% in 2019.

The Finance Acts for 2018 and 2020 changed the income tax rate in France : From January 1st 2022, the normal tax rate will be 25.83% (including the additional contribution).

C. Deferred taxes

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

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

14.2. RECONCILIATION BETWEEN THEORETICAL INCOME TAX IN FRANCE AND INCOME TAX IN THE CONSOLIDATED STATEMENT OF INCOME

This reconciliation covers the full results of consolidated companies regardless of their classification in the statement of income.

(in million euros)	2019	2018	2017
Income (loss) before tax of fully-consolidated companies	**4 324**	**3 954**	**2 836**
French statutory income tax rate for the period	*34,4%*	*34,4%*	*34,4%*
Theoretical tax expense for the period based on the French statutory income tax rate	**(1 489)**	**(1 361)**	**(976)**
Tax effect of the following items :			-
• Permanent differences	97	(202)	116
• Income taxable at reduced rates	4	77	80
• Tax credits	16	21	27
• Effect of differences in foreign tax rates and other	251	202	133
Income tax before impairment losses on the French tax group	**(1 121)**	**(1 263)**	**(620)**
Effective tax rate applicable to the Group	*25,9%*	*31,9%*	*21,9%*
• French tax group of Peugeot S.A.			
– Utilisation during the fiscal year of previously unrecognised losses	90	171	52
– Capitalisation of deferred taxes on previously unrecognised tax loss carryforwards	254	390	82
• Deferred taxes on tax loss carryforwards outside of the Peugeot S.A. French tax group	61	87	(213)
Income tax expense	**(716)**	**(615)**	**(699)**
Effective tax rate applicable to the Group after recognition of deferred taxes losses	*16,6%*	*15,6%*	*24,6%*

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

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

A. Analysis by nature

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Current taxes			
Assets	221	376	353
Liabilities	(469)	(525)	(234)
Net current taxes	**(248)**	**(149)**	**119**
Deferred taxes			
Tax credits	**12**	**12**	**13**
Gross value - excluding Faurecia	**3 896**	**4 136**	**4 274**
Impairment of assets originally recognized - excluding Faurecia	**(3 062)**	**(3 256)**	**(3 719)**
Gross amount - Faurecia	**734**	**703**	**733**
Impairment of assets originally recognized - Faurecia	**(569)**	**(564)**	**(671)**
Total deferred tax assets on net deficit	**999**	**1 019**	**617**
Research and development costs	*(1 204)*	*(1 092)*	*(979)*
Amortization (regulated depreciation excluded)	*(7)*	*81*	*(11)*
Regulated provisions and special amortization	*(759)*	*(739)*	*(677)*
Provisions for pensions	*130*	*159*	*21*
Inventories	*95*	*91*	*72*
Provisions for risks and charges net	*692*	*794*	*782*
Other	*142*	*(256)*	*(80)*
Other deferred tax assets and liabilities (excluding Faurecia)	**(911)**	**(962)**	**(872)**
Research and development costs	*(464)*	*(367)*	*(292)*
Amortization (regulated depreciation excluded)	*338*	*234*	*120*
Provisions for pensions	*90*	*66*	*75*
Inventories	*129*	*98*	*80*
Other	*175*	*155*	*171*
Other deferred tax assets and liabilities (Faurecia)	**268**	**186**	**154**
Other deferred tax assets and liabilities	**(643)**	**(776)**	**(718)**
Total deferred tax assets, net of liabilities	**368**	**255**	**(88)**
Defered tax assets	1 198	1 036	809
Deferred tax liabilities	(830)	(781)	(897)
Total deferred tax assets and liabilities net in the statements of financial postion	**368**	**255**	**(88)**

B. Changes in deferred tax positions by nature

(in million euros) **Deferred taxes**	1 January 2019	Recognized in consolidated Income Statement	Recognized in Other Comprehensive Income	Transferred to Assets/(Liabilities) Held for Sale	Translation differences and other changes	31 December 2019
Tax credits	**12**	**(1)**	**-**	**-**	**1**	**12**
Total deferred tax assets on tax losses carry forward - Excluding Faurecia	880	(42)	-	-	(4)	834
Total deferred tax assets on tax losses carry forward - Faurecia	139	25	-	-	1	165
Total deferred tax assets on tax losses carry forward	**1 019**	**(17)**	**-**	**-**	**(3)**	**999**
Research and development costs	(1 092)	(124)	-	-	12	(1 204)
Amortization	(739)	(26)	-	-	6	(759)
Provisions for pensions	159	69	-	-	(98)	130
Inventories	91	3	-	-	1	95
Provisions for risks and charges net	794	(130)	-	-	28	692
Others	*(175)*	*272*	*(4)*	-	*42*	*135*
Other deferred tax assets and liabilities (excluding Faurecia)	**(962)**	**64**	**(4)**	**-**	**(9)**	**(911)**
Research and development costs	(367)	(97)	-	-	-	(464)
Amortization	234	103	-	-	1	338
Provisions for pensions	66	8	16	-	-	90
Inventories	98	32	-	-	(1)	129
Others	155	8	8	-	4	175
Other deferred tax assets and liabilities (Faurecia)	**186**	**54**	**24**	**-**	**4**	**268**
Total other deferred tax assets and liabilities	**(776)**	**118**	**20**	**-**	**(5)**	**(643)**
Deferred tax assets net	**255**	**100**	**20**	**-**	**(7)**	**368**

(in millions euros) Deferred taxes	1 January 2018	Recognized in consolidated Income Statement	Recognized in Other Comprehensive Income	Transferred to Assets/(Liabilities) Held for Sale	Translation differences and other changes	31 December 2018
Tax credits	**13**	**-**	**-**	**-**	**(1)**	**12**
Total deferred tax assets on tax losses carry forward - Excluding Faurecia	555	325	-	-	-	880
Total deferred tax assets on tax losses carry forward - Faurecia	62	77	-	-	-	139
Total deferred tax assets on tax losses carry forward	**617**	**402**	**-**	**-**	**-**	**1 019**
Research and development costs	(979)	(86)	-	-	(27)	(1 092)
Amortization	(677)	(48)	-	-	(14)	(739)
Provisions for pensions	21	151	(38)	-	25	159
Inventories	72	15	-	-	4	91
Provisions for risks and charges net	782	28	-	-	(16)	794
Others	*(91)*	*(103)*	*(27)*	-	*46*	*(175)*
Other deferred tax assets and liabilities (excluding Faurecia)	**(872)**	**(43)**	**(65)**	**-**	**18**	**(962)**
Research and development costs	(292)	(75)	-	-	-	(367)
Amortization	120	114	-	-	-	234
Provisions for pensions	75	(7)	(2)	-	-	66
Inventories	80	17	-	-	1	98
Others	171	(15)	(8)	-	7	155
Other deferred tax assets and liabilities (Faurecia)	**154**	**34**	**(10)**	**-**	**8**	**186**
Total other deferred tax assets and liabilities	**(718)**	**(9)**	**(75)**	**-**	**26**	**(776)**
Deferred tax assets net	**(88)**	**393**	**(75)**	**-**	**25**	**255**

C. Tax carry forward losses

Tax carry forward losses as at 31 December 2019

(in million euros, measured by current actual tax rates)	Tax integration France	Tax integration Germany	Opel Spain	Others	Total
Tax losses carry forward	2 677	287	454	478	3 896
Tax losses carry forward recognized	(821)	-	-	(13)	(834)
Tax carry forward losses non recognized as at 31 December 2019	**1 856**	**287**	**454**	**465**	**3 062**
Tax carry forward losses non recognized as at 31 December 2018	**2 066**	**271**	**484**	**435**	**3 256**
Tax carry forward losses non recognized as at 31 December 2017	**2 511**	**316**	**491**	**401**	**3 719**

NOTE 15 - EQUITY AND EARNINGS PER SHARE

15.1. EQUITY

A. Capital management policy

The capital management policy relates to equity as defined under IFRS. It is designed to ensure that it has secure long-term capital resources and optimise the Group's cost of capital. Managing capital essentially involves deciding the level of capital to be held currently or in the future and setting dividend policies.

Equity breaks down into portions attributable to minority interests and to equity holders of the parent company.

Equity attributable to equity holders of the parent company is equal to the share capital of Peugeot S.A. less any treasury stock, plus reserves and retained earnings of the Group's various business segments.

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

There are no financial covenants based on consolidated equity. The drawdown on the confirmed credit facilities of Peugeot S.A. and GIE PSA Trésorerie is subject to compliance with an equity-based financial ratio (see Note 12.4).

Banque PSA Finance complies with the capital adequacy ratio and other capital requirements imposed under banking regulations.

Peugeot S.A. shares are held in treasury for the following purposes:

- to award shares to employees, directors and officers of the Company or of companies or groupings that are affiliated with it when the stock options are exercised or when performance plans’ shares are allocated ;
- to reduce the company's share capital.

B. Analysis of share capital and changes in the year

Rights issues

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

The performance share plans established in 2015, 2016, 2017, 2018 and 2019 are described in Note 7.2.B.

Analysis of share capital

(in euros)	31 December 2019	31 December 2018	31 December 2017
Share capital at beginning of period	904 828 213	904 828 213	859 924 895
Equity warrants converted into shares			44 903 318
Share capital at end of period	**904 828 213**	**904 828 213**	**904 828 213**

Situation at 31 December 2019

Share capital amounted to €904,828,213 at 31 December 2019, divided into shares with a par value of €1 each. It is fully paid-up. Shares may be held in registered or bearer form, at the shareholder's discretion. The stakes of Lions Participation (BPI France), Dongfeng Motor Group and the Peugeot family (FFP and Etablissements Peugeot Frères) each stood at 12.23% (12.23 % at 31 December 2018) i.e. 110,622,220 shares each. For Dongfeng Motor Group, this stake accounted for 17.73% of the voting right, including treasury stock, and for 17.59% of the voting rights, excluding treasury stock. For the Peugeot family, this stake accounted for 17.73% of the voting right, including treasury stock, and for 17.59% of the voting rights, excluding treasury stock. For Lion Participation, this stake accounted for 17.73% of the voting right, including treasury stock, and for 17.59% of the voting rights, excluding treasury stock.

The share price on 31 December 2019 was €21.30.

C. Treasury stock

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

The Group may use the buyback authorisations given at Shareholders' Meetings to buy back Peugeot S.A. shares.

Changes in treasury stock are presented in the following table:

(1) Number of shares held

(number of shares)		2019 Transactions	2018 Transactions	2017 Transactions
At beginning of period		**11 315 735**	**11 315 735**	**9 113 263**
Purchases (sales) of treasury shares		(65 328)	-	5 729 987
Shares delivered under the 2015 free share plan		(325 792)	-	(2 019 000)
Shares delivered under the 2016 free share plan		(980 880)		
Shares delivered as part of the employees' shareholding plan		-	-	(1 508 515)
At period-end		**9 943 735**	**11 315 735**	**11 315 735**
Allocation				
• Shares held for allocation on exercise of future performance share or stock options plans		871 735	3 333 735	6 033 735
• Coverage of the 2015 performance share plan		-	389 000	389 000
• Coverage of the 2016 performance share plan	7.2.B	1 014 000	2 200 000	2 200 000
• Coverage of the 2017 performance share plan	7.2.B	2 452 000	2 693 000	2 693 000
• Coverage of the 2018 performance share plan	7.2.B	2 524 500	2 700 000	-
• Coverage of the 2019 performance share plan	7.2.B	3 081 500	-	-
		9 943 735	**11 315 735**	**11 315 735**

No cancellation of shares was made neither in 2017, in 2018 nor in 2019. No purchases were made in 2019.

(2) Change in value

(in million euros)	2019	2018	2017
At beginning of period	**(270)**	**(270)**	**(238)**
Purchases (sales) during the period	2	-	(116)
Shares delivered under the 2015 free share plan	10	-	53
Shares delivered under the 2016 free share plan	13	-	-
Shares delivered as part of the employees' shareholding plan	-	-	31
Others	5		
At period-end	**(240)**	**(270)**	**(270)**
Average price per share (in euros)	24,14	23,86	23,86

The purchase price of treasury shares is deducted from equity.
The share price on 31 December 2019 was €21.30.

D. Reserves and retained earnings, excluding minority interests

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

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Peugeot S.A. legal reserve	90	90	86
Other Peugeot S.A. statutory reserves and retained earnings	14 522	13 631	13 631
Reserves and retained earnings of subsidiaries, excluding minority interests	3 797	2 729	212
Total	**18 409**	**16 450**	**13 929**

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

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Reserves available for distribution:			
Without any additional corporate tax being due	13 453	12 562	12 562
After deduction of additional tax (1)	1 069	1 069	1 069
Total	**14 522**	**13 631**	**13 631**
Tax on distributed earnings	**149**	**149**	**149**

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

E. Minority interests

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

15.2. BASIC EARNINGS PER SHARE

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

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

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

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

	2019	2018	2017
Consolidated basic earnings of continuing operations - attributable to the Owners of the parent (in million euros)	3 201	2 827	1 931
Consolidated basic earnings - attributable to the Owners of the parent (in million euros)	3 201	2 827	1 924
Average number of €1 par value shares outstanding	894 402 311	893 512 478	886 113 459
'Basic earnings per €1 par value share of continuing operations - attributable to the Owners of the parent (in euros)	**3,58**	**3,16**	**2,18**
Basic earnings per €1 par value share (in euros) - attributable to the Owners of the parent	**3,58**	**3,16**	**2,17**

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

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

The performance share grants (see Note 7.2.B) and the equity warrants (see Note 15.1.B) had a potential dilutive effect on 31 December 2019.

The following tables show the effects of the calculation:

(1) Effect on the average number of shares

	Notes	2019	2018	2017
Average number of €1 par value shares outstanding		894 402 311	893 512 478	886 113 459
Dilutive effect, calculated by the treasury stock method, of:				-
• Equity warrants (2014 capital increases)		-		10 763 952
• Equity warrants delivered to General Motors Group		39 727 324	39 727 324	39 727 324
• Performance share grants	*7.2.A*	7 602 712	6 252 094	4 350 427
Diluted average number of shares		**941 732 347**	**939 491 896**	**940 955 162**

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

(in million euros)	2019	2018	2017
Consolidated profit (loss) from continuing operations - attributable to the Owners of the parent	3 201	2 827	1 931
'Dilutive effect of Faurecia (performance share grants)	(1)	-	-
Consolidated profit (loss) from continuing operations (after Faurecia dilution effect)	**3 200**	**2 827**	**1 931**
Diluted earnings of continuing operations - attributable to the Owners of the parent per €1 par value share (in euros)	3,40	3,01	2,05

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

Consolidated profit (loss) from continuing operations - attributable to the Owners of the parent	3 201	2 827	1 924
Dilutive effect of Faurecia (performance share grants)	(1)	-	-
Consolidated profit (loss) from continuing operations (after Faurecia dilution effect)	**3 200**	**2 827**	**1 924**
Diluted earnings of continuing operations - attributable to the Owners of the parent per €1 par value share (in euros)	3,40	3,01	2,04

The performance share grants of Faurecia have a potential impact on the total number of Faurecia shares outstanding without affecting the number of shares held by the PSA Group. Consequently, they have a potential dilutive effect on consolidated profit attributable to the PSA Group.

Due to their terms, the Faurecia performance share plans do not have any material dilutive impact in 2017, 2018, nor in 2019.

NOTE 16 - NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The statement of cash flows is partitioned into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities depending on the nature of the transactions.

The Group’s main choices as regards presentation were as follows:

- Interest flows were kept under cash flows from operating activities;
- Payments received in connection with grants were allocated by function to cash flows from investing activities or cash flows from operating activities depending on the nature of the grant;
- The conversion options of convertible bonds (involving both optional and mandatory conversion) are presented on a capital increase line under cash flows from financing activities;
- Voluntary contributions paid into pension funds are recognised under cash flows from operating activities;
- Payments made on the deferred portion of a fixed asset purchase are presented under cash flows from investing activities for the period (“Change in amounts payable on fixed assets”);
- Tax payments are classified under cash flows from operating activities;
- Bonds’ redemptions are classified under cash flows from financing activities.

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

(in million euros)	Notes	31 December 2019	31 December 2018	31 December 2017
Cash and cash equivalents	*11.4.C*	17 379	14 961	11 582
Payments issued	*11.5.C*	(26)	(23)	(93)
Other		1	3	2
Net cash and cash equivalents - manufacturing and sales companies		**17 354**	**14 941**	**11 491**
Cash and cash equivalents	*12.2.C*	454	466	320
Other		(3)	(4)	(6)
Net cash and cash equivalents - finance companies		**451**	**462**	**314**
Elimination of intragroup transactions		-	*(1)*	*(8)*
Total		**17 805**	**15 402**	**11 797**

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

(in million euros)	Notes	2019	2018	2017
Depreciation and amortisation expense	*5,2*	(3 388)	(2 815)	(2 710)
Impairment of:				
• capitalised development costs	*8.1.B*	(160)	(102)	(80)
• property, plant and equipment	*8.2.B*	(135)	(38)	43
Depreciation of equity invesments		2	(33)	(7)
Other		(36)	(7)	-
TOTAL		**(3 717)**	**(2 995)**	**(2 754)**

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

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

(in million euros)	2019	2018	2017
Interest received	53	15	32
Interest paid	(278)	(292)	(287)
Net interest received (paid)	**(225)**	**(277)**	**(255)**

16.4. CHANGES IN OTHER FINANCIAL ASSETS AND LIABILITIES FOR THE MANUFACTURING AND SALES COMPANIES

(in million euros)	2019	2018	2017
Increase in borrowings	2 512	1 647	1 046
Repayment of borrowings and conversion of bonds	(1 079)	(1 258)	(731)
(Increase) decrease in non-current financial assets	17	(232)	169
(Increase) decrease in current financial assets	(475)	557	(548)
Increase (decrease) in current financial liabilities	(52)	(83)	107
	923	**631**	**43**
Net cash flows with Group finance companies	-	-	*(1)*
TOTAL	**923**	**631**	**42**

Increase in borrowings in the amount of €2,512million notably includes:

- €522 million raised by Peugeot S.A. using a private investment under German law, Schuldscheindarlehen;
- €500 million and €250 million from the Faurecia bond issues, both due in June 2026;
- €600 million from Peugeot S.A. bond issue maturing in September 2029;

Debt repayments in the amount of €1079 million include notably the repayment by Peugeot S.A. of €430 million in 2013 bonds upon maturity in January 2019.

NOTE 17 - OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

Off-balance sheet commitments given in the normal course of business were as follows at 31 December 2019:

(in million euros)	Notes	31 December 2019	31 December 2018	31 December 2017
● Financing commitments	*12.8*	901	838	884
● Operating commitments	*8.4*	1 717	3 169	3 346
Manufacturing and sales companies		**2 618**	**4 007**	**4 230**
Finance companies	***13.6***	**16**	**-**	**12**

In 2019, the decrease in operating commitments results from the effect of the application of IFRS 16 Leases (see Note 2.2 and 2.3).

17.1. CONTINGENT LIABILITIES

- **Automotive equipment**

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

On the status of these inquiries :

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

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

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

The consequences of still on-going procedures and above mentioned can not be predicted. Therefore, no accruals were accounted for as of December 31, 2019.

In 2014, the Alliance of Artists and Recording Companies, Inc. (AARC) filed two consolidated cases in the United States District Court for the District of Columbia seeking damages and an injunction against a group of automotive manufacturers and suppliers, including Clarion Corporation of America. AARC alleged that the defendants were distributing in-vehicle navigation systems in violation of the Audio Home Recording Act of 1992, in part, because no royalties were paid pursuant to the Act. The case centers on whether the systems are “digital audio recording devices” that are capable of making “digital audio copied recordings” as defined by the statute. On March 23, 2018, the District Court issued summary judgment in favor of Clarion and ruled that Clarion’s navigation systems are not “digital audio recording devices” because they are not capable of producing a “digital audio copied recording” under the statute’s definitions. The District Court entered final judgment in favor of Clarion and the other defendants and there are no additional claims against Clarion that remain pending at the District Court level. AARC appealed the District Court’s summary judgment opinion to the United States Court of Appeals for the District of Columbia Circuit (“D.C.Circuit”) on similar grounds argued at the District Court.

On January 28, 2020, the D.C. Circuit’s three-judge panel unanimously affirmed the District Court’s summary judgment in Clarion’s favor, ruling that automakers and manufacturers of certain onboard vehicle systems (which include Clarion’s systems), comprised of hard drives, computer programs and databases, were not liable for damages or royalty payments under the Audio Home Recording Act of 1992, 17 U.S.C. §1001, et. Seq. Plaintiffs may petition the D.C. Court for rehearing or request an appeal from the U.S. Supreme Court.

There are no other claims or litigation in progress or pending that are likely to have a material impact on the Group's consolidated financial position.

- **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 2015–2029 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 2029 and the steps that the Group could take.

17.2. COMMITMENTS CONNECTED WITH THE GEFCO GROUP

Representations and warranties were made to JSC Russian Railways (RZD) as part of its acquisition of the Gefco Group from PSA in December 2012. At 31 December 2019, the Group had not identified any material risks associated with these representations and warranties.

Under the logistics and transportation service agreements entered into by the PSA and Gefco groups, the Group gave guarantees regarding the satisfactory performance of the logistics contracts and a five-year exclusivity clause. An amendment signed in November 2016 supplemented these logistics and transportation service agreements. This amendment, which came into effect on 1 January 2017, extends the exclusivity clause until the end of 2021 and confirms the guarantees regarding the satisfactory performance of the logistics contracts given by PSA Group. At 31 December 2019, the Group had not identified any material risks associated with these guarantees.

NOTE 18 - RELATED PARTY TRANSACTIONS

Details of transactions with related parties, as referred to in the standards adopted in accordance with European Regulation (EC) 1606/2002, concluded by Group companies during the years 2017, 2018 and 2019 are disclosed in Note 11.6 in the notes to the consolidated financial statements. These transactions concern the equity method companies. Other than these transactions, there were no significant transactions with other related parties.

NOTE 19 - SUBSEQUENT EVENTS

Between December 31, 2019, the closing date, and February 25, 2020, the date of review of the accounts by the Supervisory Board, the **coronavirus health crisis** occurred.

The situation in China in the current epidemic context remains uncertain. At this stage, it is difficult to measure the impacts on the activity; the Group implements the appropriate measures for its employees and to meet the needs of its customers.

NOTE 20 - FEES PAID TO THE AUDITORS

	Mazars			EY			PWC		
(in million euros)	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Audit									
Statutory and contractual audit services									
• Peugeot S.A.	0,5	0,6	0,7	0,6	0,6	0,7	-	-	-
• Fully-consolidated subsidiaries	7,6	3,7	2,1	10,6	9,7	7,6	0,1	4,1	4,4
o/w France	*2,1*	*1,4*	*1,9*	*3,5*	*5,3*	*2,5*	-	*4,1*	*1,1*
o/w International	*5,5*	*2,3*	*0,2*	*7,1*	*4,4*	*5,1*	*0,1*	-	*3,3*
Sub-total	**8,1**	**4,3**	**2,8**	**11,2**	**10,3**	**8,3**	**0,1**	**4,1**	**4,4**
o/w Faurecia	3,9	-	-	4,8	3,9	4,1	-	4,1	4,4
Excluding Faurecia	4,2	4,3	2,8	6,4	6,4	4,2	0,1	-	-
	93%	*98%*	*97%*	*93%*	*89%*	*89%*	*50%*	*80%*	*83%*
Other services provided to subsidiaries									
• Peugeot S.A.	-	-	-	-	-	-	-	-	-
• Fully-consolidated subsidiaries	0,6	0,1	0,1	0,8	1,3	1,0	0,1	1,0	0,9
o/w France	*0,2*	*0,1*	*0,1*	*0,5*	*0,9*	*0,8*	*0,1*	*0,8*	*0,9*
o/w International	*0,4*	-	-	*0,3*	*0,4*	*0,2*	-	*0,2*	-
Sub-total	**0,6**	**0,1**	**0,1**	**0,8**	**1,3**	**1,0**	**0,1**	**1,0**	**0,9**
o/w Faurecia	0,1	-	-	0,4	0,8	0,5	-	0,8	0,9
Excluding Faurecia	0,5	0,1	0,1	0,4	0,5	0,5	0,1	0,2	-
	7%	*2%*	*3%*	*7%*	*11%*	*11%*	*50%*	*20%*	*17%*
TOTAL	**8,7**	**4,4**	**2,9**	**12,0**	**11,6**	**9,3**	**0,2**	**5,1**	**5,3**
o/w Faurecia	4,0	-	-	5,2	4,7	4,6	-	4,9	5,3
Excluding Faurecia	4,7	4,4	2,9	6,8	6,9	4,7	0,2	0,2	-

Faurecia's Statutory Auditors are EY and Mazars since 2019.

NOTE 21 - CONSOLIDATED COMPANIES AT 31 DECEMBER 2019

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

Companies	Country	% share	
Holding et autres activités			
Peugeot S.A.	France	100	
Financière Pergolèse	France	100	
GIE PSA Trésorerie	France	100	
Grande Armée Participations	France	100	
PSA Ventures	France	100	
Sté Anonyme de Réassurance Luxembourgeoise - SARAL	Luxembourg	100	
PSA International S.A.	Switzerland	100	
Groupe Gefco	France	25	*
Automobile Peugeot Citroën DS			
PSA Automobiles SA	France	100	
Peugeot Citroën South-Africa	South Africa	100	
Peugeot Algérie S.p.A.	Algeria	100	
Peugeot Citroën Production Algérie Spa	Algeria	49	
Peugeot Deutschland GmbH	Germany	100	
Citroën Deutschland AG	Germany	100	
PSA Services Deutschland GmbH - DFCA	Germany	100	
PSA Retail GmbH	Germany	100	
Circulo de Inversiones S.A. - CISA	Argentina	100	
Peugeot-Citroën Argentina S.A.	Argentina	100	
PCA Asesores de seguros S.A.	Argentina	98	
Citroën Österreich GmbH	Autria	100	
Peugeot Austria GmbH	Autria	100	
PSA Retail Austria GmbH	Autria	100	
Peugeot Belgique Luxembourg	Belgium	100	
S.A. Peugeot Distribution Service	Belgium	100	
Citroën Belux	Belgium	100	
Datosco	Belgium	67	
DATOS	Belgium	67	
PCI do Brasil Limitada	Brazil	100	
Peugeot Citroen do Brasil Automoveis	Brazil	100	
PSA Ventures Serviços de Mobilidade Urbana Ltda	Brazil	100	
PSA Chile S.A.	Chile	100	
Automotores Franco Chilena S.A.	Chile	100	
PSA Management Co Ltd (Shanghai)	China	100	
Peugeot Citroën (CHINA) Automotive Trade Co	China	100	
PSA (Wuhan) Management Co., Ltd.	China	100	
Shanghaï Jianxin Enterprise Management Co. Ltd	China	67	
PSAG Automóviles Comercial España, S.A.	Spain	100	
Peugeot Citroën Automóviles España	Spain	100	
Placas de Piezas y Componentes de Recambios (PPCR)	Spain	100	
Plataforma Comercial de Retail, S.A.U.	Spain	97	
Clicars Spain SL	Spain	64	
Conception d'Equipement Peugeot Citroën - CEPC	France	100	
Automobiles Peugeot	France	100	
Française de Mécanique	France	100	
Mister AUTO	France	100	
Automobiles Citroën	France	100	
SNC - Société Mécanique Automobile de l'Est - SMAE	France	100	
PSA VO France	France	100	
SNC Peugeot Poissy	France	100	
PSA Retail France SAS	France	100	
SEVELNORD	France	100	
GEIE Sevelind	France	100	
Citroën Dunkerque	France	100	
Société Lyonnaise de Pièces et Services Automobile	France	100	
Est PR	France	100	
Mhiri Innovation	France	100	
Autobiz	France	71	
CELOR	France	71	
ARAMIS SAS	France	71	
Peugeot Citroën Sochaux	France	100	
Peugeot Citroën Mulhouse	France	100	
Peugeot Citroën Rennes	France	100	
Mecaniques et Bruts du Nord-Ouest	France	100	
Mecaniques et Bruts du Grand est	France	100	

Companies	Country	% share	
Peugeot Media Production	France	100	
SNC PC PR	France	100	
SCDPRS (Société Commerciale de Distribution Pièces de Rechange et Services)	France	100	
SPSAO (Société de Pièces et Services Automobile de l'Ouest)	France	100	
D.J. - 56	France	100	
Société Lilloise de Services et de Distribution Automobile de Pièces de Rechange	France	100	
Pièces et Entretien Automobile Bordelais	France	100	
PSA ID	France	100	
PCA Motors Private Ltd	India	100	
PCA Automobiles India Private Limited	India	87	
PSA AVTEC Powertrain Private Ltd	India	57	
Peugeot Citroën Retail Italia S.p.A.	Italy	100	
Peugeot Automobili Italia	Italy	100	
Citroën Italia Spa	Italy	100	
PSA Services SRL - DFCI	Italy	100	
Peugeot Citroën Japan K.K.	Japan	100	
Peugeot Tokyo	Japan	100	
NAZA Automotive Manufacturing Sdn Bhd	Malaya	61	
Peugeot Citroën Automobiles Maroc	Morocco	95	
Peugeot Citroën DS Maroc	Morocco	100	
Peugeot Mexico	Mexico	100	
Servicios Automotores Franco-Mexicana	Mexico	100	
Citroën Nederland B.V.	The Netherlands	100	
Peugeot Nederland N.V.	The Netherlands	100	
PCMA Holding	The Netherlands	70	
PSA Retail Nederland BV	The Netherlands	100	
Citroën Polska Sp. z.o.o.	Poland	100	
Peugeot Polska Sp.Zo.O.	Poland	100	
PSA Retail Rent Poland SP Z.O.O	Poland	100	
PSA Manufacturing Poland Sp. z o.o.	Poland	100	
Peugeot Portugal Automoveis S.A.	Portugal	100	
Peugeot-Citroën Automoveis Portugal	Portugal	99	
Automoveis Citroën S.A.	Portugal	100	
PSAR Portugal S.A.	Portugal	100	
Citroën UK Ltd	United Kingdom	100	
Peugeot Motor Company PLC	United Kingdom	100	
Peugeot Citroën Retail UK Ltd	United Kingdom	100	
Peugeot-Citroën Automobiles UK	United Kingdom	100	
Robins and Day Ltd	United Kingdom	100	
Melvin Motors (Bishopbriggs) Ltd	United Kingdom	100	
WarWick Wright Motors Chiswick Ltd	United Kingdom	100	
Rootes Ltd	United Kingdom	100	
Go Motor Retailing Ltd	United Kingdom	100	
Peugeot Citroën Rus	Russia	100	
PSA Automobile International Pte. Ltd	Singapour	100	
PSA Services Centre Europe S r o	Slovakia	100	
Peugeot Citroen Gestion Internationale	Switzerland	100	
PCA Logistika Cz S.r.o.	Czech Republic	100	
Groupe PSA Automotiv Pazarlama AS	Turkey	100	
Peugeot Citroën Ukraine	Ukraine	100	
Auto Avaliar	Brazil	41	*
Shandong UAP Auto Union E-Commerce Co. Ltd	China	15	*
Dongfeng Peugeot-Citroën Automobile Ltd - DPCA	China	50	*
Wuhan Shenlong Hongtai Automotiv	China	10	*
Dongfeng Peugeot Citroën Automobiles Sales Company Ltd	China	50	*
CHANGAN PSA AUTOMOBILE Co Ltd	China	50	*
Nidec PSA emotors	France	50	*
Iran Khodro Automobiles Peugeot	Iran	50	*
Saipa Citroën Automobiles Company	Iran	50	*
STAFIM	Tunisia	34	*
STAFIM-GROS	Tunisia	34	*
Societa Europea Veicoli Leggeri S.p.A. - SEVEL	Italy	50	**
PCMA Automotiv RUS	Russia	70	**
Toyota Peugeot-Citroën Automobile Czech	Czech Republic	50	**
Automobile Opel Vauxhall			
Opel Automobile GmbH	Germany	100	
Opel Wien GmbH	Autria	100	

Companies	Country	% share
Opel South Africa PTY Ltd	South Africa	100
Opel Group Warehousing GmbH	Germany	100
Opel Austria GmbH	Autria	100
Opel Belgium NV	Belgium	100
Opel Automotive Services Belgium NV	Belgium	100
Opel España , SLU	Spain	100
Opel Europe Holdings, SLU	Spain	100
Opel France S.A.S.	France	100
Opel Hellas S.A.	Greece	100
Opel Szentgotthard Automotive Manufacturing Ltd	Hungary	100
Opel Southeast Europe Ltd	Hungary	100
Opel Italia S.r.l.	Italy	100
Opel Nederland B.V.	The Netherlands	100
Opel Manufacturing Poland Sp.z o.o.	Poland	100
Opel Poland Sp.z o.o.	Poland	100
Opel Portugal, Lda	Portugal	100
Opel Sibiu SRL	Roumania	100
IBC Vehicles LTD	United Kingdom	100
Vauxhall Motors Limited	United Kingdom	100
Opel Türkiye Otomotiv Ltd. Sirketi	Turkey	100

Equipement automobile

Companies	Country	% share
Faurecia (société)	France	46,34
Faurecia Interior Systems South Africa(Pty) Ltd	South Africa	46,34
Faurecia Interior Systems Pretoria (Pty) Ltd	South Africa	46,34
Faurecia Emission Control Technologies South Africa (Cape Town) (Pty) Ltd	South Africa	46,34
Faurecia Autositze GmbH	Germany	46,34
Faurecia Automotive GmbH	Germany	46,34
Faurecia Innenraum Systeme GmbH	Germany	46,34
Faurecia Abgastechnik GmbH	Germany	46,34
Hug Engineering GmbH	Germany	46,34
Faurecia Emissions Control Technologies, Germany GmbH	Germany	46,34
Clarion Europa GmbH	Germany	46,34
Faurecia Sistemas de Escape Argentina	Argentina	46,34
Faurecia Argentina SA	Argentina	46,34
Faurecia Angell Demmel Ges.m.b.H.	Autria	46,34
Faurecia Automotive Belgium	Belgium	46,34
Faurecia Industrie NV	Belgium	46,34
Faurecia Automotive do Brasil	Brazil	46,34
FMM Pernambuco Componentes Automotivos, Ltda	Brazil	23,63
Clarion do Brasil Ltda.	Brazil	46,34
Faurecia Emissions Control Technologies Canada Ltd	Canada	46,34
Clarion Canada Inc.	Canada	46,34
Faurecia Tongda Exhaust System (Wuhan) Co Ltd	China	23,17
Faurecia Exhaust Systems Changchun Co Ltd	China	23,63
Faurecia Honghu Exhaust Systems Shanghai Co Ltd	China	30,58
Faurecia PowerGreen Emissions Control Technologies Co. Ltd	China	46,34
Faurecia Emissions Control Technologies (Ningbo Hangzhou Bay New District) Co. Ltd	China	30,58
Faurecia (Wuxi) Seatings Components Co Ltd	China	46,34
Changchun Faurecia Xuyang Automotive Seatings (CFXAS)	China	27,80
Faurecia GSK (Wuhan) Automotive Seating Co Ltd	China	23,63
Faurecia (Changchun) Automotive Systems Co	China	46,34
Faurecia Emissions Control Technologies Development (Shanghai) Co Ltd	China	46,34
Faurecia (Quigdao) Exhaust Systems Co Ltd	China	46,34
Faurecia (Shanghai) Automlotive Systems Co Ltd	China	46,34
Faurecia (China) Holding Co	China	46,34
DONGFENG FAURECIA AUTOMOTIVE INTERIOR SYSTEMS CO. LTD	China	23,17
Faurecia (Guangzhou) Automotive Systems Co Ltd	China	46,34
Faurecia Emissions Control Technologies (Chengdu) Co Ltd	China	23,63
Faurecia (Nanjing) Automotive Systems Co Ltd	China	46,34
Faurecia (Wuhan) Automotive Components Systems Co Ltd	China	46,34
Changchung Faurecia Xuyang Interiors Systems Co Ltd	China	27,80
Faurecia (Shenyang) Automotive Systems Co Ltd	China	46,34
Zhesiang Faurecia Limin Interior & Exterior Systems Co Ltd	China	46,34
Chengdu Faurecia Limin Automotive Systems Co Ltd	China	41,79
Faurecia (Yancheng) Automotive Systems Co Ltd	China	46,34
Faurecia Emissions Control Technologies (Beijing) Co Ltd	China	46,34
Faurecia Emissions Control Technologies (Nanchang) Co Ltd	China	23,63
Faurecia Emissions Control Technologies (Ningbo) Co Ltd	China	46,34
Faurecia NHK (Xingyang) Automotive Seating Co Ltd	China	23,63
Foshan Faurecia Xuyang Interior Systems Co Ltd	China	27,80
CSM Faurecia Automotive Parts Co Ltd	China	23,17
Faurecia Emissions Control Technologies (Foshan) Co Ltd	China	23,63

Companies	Country	% share
Shanghai Faurecia Automotive Seating Co Ltd	China	25,48
Changsha Faurecia Emissions Control Technologies Co Ltd	China	46,34
Faurecia (Tianjin) Automotive Systems Co., Ltd.	China	23,63
Faurecia Exhaust Systems Qingpu Co., Ltd.	China	46,34
Faurecia (Jimo) Emissions Control Technologies Co., Ltd.	China	46,34
Faurecia Yinlun Emissions Control Technology (Weifang) Co. Ltd	China	24,09
Faurecia (Tianjin) Emission Control Technology Co Ltd	China	23,63
Tianjin Faurecia Xuyang Automotive Seat Co Ltd	China	27,80
Faurecia (Changshu) Automotive Systems Co., Ltd	China	25,48
Faurecia Liuzhou Automotive Seating Co., Ltd	China	23,17
Dongfeng Faurecia Emissions Control Technologies Co., Ltd	China	23,17
Jiangxi Faurecia Coagent Electronics Co., Ltd	China	46,34
Faurecia (Hangzhou) Automotive Systems Co., Ltd	China	46,34
Faurecia (Liuzhou) Automotive Interior Systems Co., Ltd	China	23,17
Shenzhen Faurecia Automotive Parts Co., Ltd	China	32,44
Guangdong Coagent Global S&T Co., Ltd	China	46,34
Faurecia Emissions Control Technologies (Chongqing) Co Ltd	China	33,59
Faurecia Emissions Control Technologies (Yantai) Co Ltd	China	46,34
Faurecia Chongqing Zhuotong Automotive Interior System Co., Lt	China	23,17
Shanghai Faurecia Automotive Seating component Co., Ltd	China	25,48
Parrot Automotive Shenzhen	China	46,34
HUG Engineering Shanghai Co., Ltd	China	46,34
Dongguan Clarion Orient Electronics Co., Ltd.	China	46,34
Xiamen Clarion Electrical Enterprise Co., Ltd.	China	46,34
Chengdu Faurecia Xuyang Automotive Seat Co. Ltd	China	27,80
Faurecia Emissions Control Systems Korea Ltd	Korean	46,34
FCM Yeongcheon	Korean	46,34
FAS Yeongcheon	Korean	46,34
Amminex Emissions Technology AS	Danemark	42,40
Faurecia Sistemas de Escape España SA	Spain	46,34
Faurecia Asientos para Automovil España SA	Spain	46,34
Asientos del Norte SA	Spain	46,34
Asientos de Castilla Leon SA	Spain	46,34
Tecnoconfort	Spain	23,17
Asientos de Galicia SL	Spain	46,34
Faurecia Automotive España SL	Spain	46,34
Faurecia Interior Systems España SA	Spain	46,34
Faurecia Interior Systems SALC España SL	Spain	46,34
Valencia Modulos de Puertas SL	Spain	46,34
Faurecia Holding España S.L.	Spain	46,34
Faurecia Acoustic Spain, S.A.	Spain	46,34
Faurecia Emissions Control Technologies Pamplona SL	Spain	46,34
Incalplas S. L.	Spain	46,34
Faurecia Automotive Seating LLC	United States	46,34
Faurecia Madison Automotive Seating INC	United States	46,34
Faurecia USA Holdings Inc	United States	46,34
Faurecia Emissions Control Systems Inc	United States	46,34
Faurecia Mexico Holdings LLC	United States	46,34
Faurecia Interior Systems Inc	United States	46,34
Faurecia Interiors Louisville LLC	United States	46,34
Faurecia Interior Systems Saline LLC	United States	46,34
FKN North America Inc	United States	46,34
FAURECIA North America Holdings LLC	United States	46,34
Hug Engineering Inc.	United States	46,34
Faurecia DMS	United States	46,34
Faurecia Emissions Control Technologies, USA, LLC	United States	46,34
Clarion Corporation of America	United States	46,34
ECSA - Etudes et Construction de Sièges pour l'Automobile	France	46,34
Faurecia Industries	France	46,34
Faurecia Systèmes d'Echappements	France	46,34
TRECIA	France	46,34
Faurecia Ventures	France	46,34
Faurecia Investments	France	46,34
Faurecia Sièges d'Automobile	France	46,34
Faurecia Seating Flers	France	46,34
SIEMAR	France	46,34
SIEDOUBS	France	46,34
SIELEST	France	46,34
Faurecia Services Groupe	France	46,34
Faurecia Automotive Holdings	France	46,34
Faurecia Automotive Industrie SNC	France	46,34
Faurecia Intérieur Industrie SNC	France	46,34
Faurecia Intérieurs Mornac - France	France	46,34
Faurecia Intérieurs Saint Quentin	France	46,34
Faurecia Exhaust International	France	46,34

Companies	Country	% share
Faurecia Exhaust International	France	32,44
Faurecia Automotives Composites	France	46,34
Hanbach Automotive Exteriors	France	46,34
Hennape six	France	46,34
Parrot Faurecia Automotive	France	46,34
Faurecia Smart Surfaces	France	46,34
Clarion Europe S.A.S.	France	46,34
Coagent Global Limited	Hong-Kong	46,34
Parrot Automotive Asia Pacific LTD	Hong-Kong	46,34
Clarion (H.K.) Industries Co., Ltd.	Hong-Kong	46,34
Chang Ming Company Limited	Hong-Kong	38,00
Faurecia Emissions Control Technologies Hungary KFT	Hungary	46,34
Clarion Hungary Electronics Kft.	Hungary	46,34
Faurecia Automotive Seating India Private	India	46,34
Faurecia Interior Systems India Private Ltd	India	46,34
Faurecia Emission Control Technologies India Private Ltd	India	34,29
Clarion India Pvt, Ltd.	India	46,34
Faurecia Security Technologies	Israel	46,34
Hug Engineering Italia S.r.l.	Italy	46,34
Faurecia Emissions Control Technologies, Italy Srl	Italy	46,34
Faurecia Japan K.K.	Japan	46,34
Faurecia Howa Interiors Co Ltd	Japan	23,17
Clarion Co., Ltd.	Japan	46,34
Clarion Sales and Marketing Co., Ltd.	Japan	46,34
Clarion Manufacturing and Service Co., Ltd.	Japan	46,34
Faurecia AST Luxembourg SA	Luxembourg	46,34
Faurecia Acoustic Luxembourg SARL	Luxembourg	46,34
Faurecia Holdings AST Sarl	Luxembourg	46,34
Crystal Precision (M) Sdn. Bhd.	Malaya	46,34
Faurecia Equipements Automobiles Maroc	Morocco	46,34
Faurecia Automotive Systems Technologies	Morocco	46,34
Faurecia Automotive Industries Morocco	Morocco	46,34
Faurecia Sistemas Automotrices de Mexico SA de CV	Mexico	46,34
Servicios Corporativos de Personal Especializado SA de CV	Mexico	46,34
Exhaust Services Mexicana SA de CV	Mexico	46,34
Faurecia Howa Interiors de Mexico SA de CV	Mexico	23,63
ET Mexico Holdings II, S de RL de CV	Mexico	46,34
Electronica Clarion, S.A. de C.V.	Mexico	46,34
Ultra Industrial, S.A. de C.V.	Mexico	46,34
Hug Engineering B.V.	The Netherlands	46,34
ET Dutch Holdings BV	The Netherlands	46,34
Faurecia Emissions Control Technologies Netherlands BV	The Netherlands	46,34
Faurecia Legnica SA	Poland	46,34
Faurecia Grojec R&D Center SA	Poland	46,34
Faurecia Walbrzych SA	Poland	46,34
Faurecia Automotive Polska SA	Poland	46,34
Faurecia Gorzow SA	Poland	46,34
Faurecia Assentos de Automoveis Ltda	Portugal	46,34
SASAL	Portugal	46,34
EDA - Estofagem de Assentos Ltda	Portugal	46,34
Faurecia Sistemas de Escape Portugal Ltda	Portugal	46,34
Faurecia Sistemas de Interior de Portugal, Componentes Para Automoveis SA	Portugal	46,34
Euro Auto Plastic Systems SRL	Roumania	23,17
Faurecia Romania Srl	Roumania	46,34
Faurecia Midlands Ltd	United Kingdom	46,34
Faurecia Automotiv Seating UK ltd	United Kingdom	46,34
SAI Automotive Fradley	United Kingdom	46,34
SAI Automotive Washington Ltd	United Kingdom	46,34
EMCON Technologies UK Ltd	United Kingdom	46,34
OOO Faurecia Interior Luga	Russia	46,34
OOO Faurecia Automotive Development	Russia	46,34
OOO Faurecia Metalloprodukcia Exhaust Systems	Russia	32,44
OOO Faurecia Automotive Exterior Bumpers	Russia	46,34
Clarion RUS LLC	Russia	46,34
Faurecia Automotive Slovakia Sro	Slovakia	46,34
Faurecia Interior Systems Sweden AB	Sweden	46,34
Faurecia CREO	Sweden	33,36
Hug Engineering AG	Switzerland	46,34
Faurecia Switzerland Sàrl	Switzerland	46,34
Clarion (Taiwan) Manufacturing Co., Ltd.	Taïwan	46,34
Covatech Inc.	Taïwan	38,00
Faurecia Exhaust Systems S.r.o.	Czech Republic	46,34
Faurecia Components Pisek Sro	Czech Republic	46,34
Faurecia Interiors Pardubice S.R.O	Czech Republic	46,34
Faurecia Plzen	Czech Republic	46,34

Companies	Country	% share
Faurecia Interior Systems Bohemia S.R.O	Czech Republic	46,34
Faurecia Automotive Czech Republic S.R.O	Czech Republic	46,34
Faurecia Emissions Control Technologies Mlada Boleslav S.R.O	Czech Republic	46,34
Faurecia Interior Systems (Thailand) Co Ltd	Thailand	46,34
Faurecia & Summit Interior Systems (Thailand) Co Ltd	Thailand	23,17
Faurecia Emission Control Technologies, Thailand Co Ltd	Thailand	46,34
Clarion Asia (Thailand) Co., Ltd.	Thailand	46,34
Société Tunisienne d'Equipements d'Automobile	Tunisia	46,34
Faurecia Informatique Tunisie	Tunisia	46,34
Faurecia Polifleks Otomotiv Sanayi Ve Ticaret Anonim Sirketi	Turkey	46,34
Faurecia Automotive de Uruguay	Uruguay	46,34
Faurecia Vietnam HAIPHONG	Vietnam	46,34
SAS Autosystemtechnik GmbH & Co KG	Germany	23,17 *
DONGFENG FAURECIA AUTOMOTIVE PARTS SALES COMPANY LIMITED	China	23,17 *
Chongqing Guangneng Faurecia Interior Systems Co Ltd	China	23,17 *
Jinan Jidao Automotive Parts Co Ltd	China	23,17 *
Changchun Xuyang Acoustics & Soft Trim Co Ltd	China	18,55 *
Changchun Faurecia Xuyang Automotive Components Technologies R&D Co Ltd	China	20,87 *
Beijing WKW-FAD Automotive Parts Co., Ltd	China	23,17 *
Faurecia Liuzhou Automotive Seating Sales Co., Ltd	China	23,17 *
Dongfeng Faurecia (Xiangyang) Emissions Systems Co., Ltd	China	23,17 *
Hongtai Faurecia Composite (Wuhan) Co., Ltd.	China	23,17 *
Wuhan Clarion Kotei Software Technology Co., Ltd.	China	11,58 *
Faurecia (Liuzhou) Emissions Control Technologies Co., Ltd.	China	23,17 *
Copo Iberica SA	Spain	23,17 *
Componentes de Vehiculos de Galicia SA	Spain	23,17 *
INDUSTRIAS COUSIN FRERES, S.L.	Spain	23,17 *
Detroit Manufacturing Systems, LLC	United States	22,70 *
DMS LEVERAGE LENDER (LLC)	United States	22,70 *
DMS Toledo, LLC	United States	22,70 *
Total Network Manufacturing, LLC	United States	22,70 *
AUTOMOTIVE PERFORMANCE MATERIALS (APM)	France	23,17 *
Symbio	France	23,17 *
NHK F. Krishna India Automotive Seating Private Limited	India	8,81 *
Basis Mold India Private Limited	India	17,61 *
LIGNEOS Srl	Italy	23,17 *
Faurecia NHK Co Ltd	Japan	23,19 *
Clarion (Malaysia) Sdn. Bhd.	Malaya	20,85 *
Steva Mexico SLP, S.A. de C.V.	Mexico	22,70 *
Hitachi Automotive Systems San Juan Del Rio, S.A. de C.V.	Mexico	9,27 *
Vanpro Assentos Ltda	Portugal	23,17 *
Teknik Malzeme Ticaret ve Sanayi A.S.	Turkey	23,17 *

Financement Peugeot Citroën DS

Companies	Country	% share
Banque PSA Finance	France	100
BPF Algérie	Algeria	100
PCA Compañía de Seguros S.A	Argentina	70
PSA Recupero S.R.L. in liquidazione	Italy	100
PSA Insurance Solutions Ltd.	Malta	100
PSA Services ltd	Malta	100
PSA Life Insurance Ltd	Malta	100
PSA Insurance Ltd	Malta	100
PSA Insurance Manager Ltd	Malta	100
Banque PSA Finance Mexico SA de CV SOFOM ENR	Mexico	100
PSA Finance Nederland B.V.	The Netherlands	100
PSA Financial Holding B.V.	The Netherlands	100
Economy Drive Cars Ltd	United Kingdom	100
Vernon Wholesale Investments Company Ltd	United Kingdom	100
Bank PSA Finance Rus	Russia	100
Peugeot Citroen Leasing Russie	Russia	100
BPF Pazarlama A.H.A.S.	Turkey	100
PSA Bank Deutschland GmbH	Germany	50 *
Auto ABS German Lease Master 2019	Germany	50 *
PSA Finance Argentina	Argentina	50 *
PSA Finance Belux	Belgium	50 *
Auto ABS Belgium Loans 2019 SA	Belgium	50 *
Banco PSA Finance Brasil SA	Brazil	50 *
PSA Corretora de Seguros e Serviços Ltda. (PFBR)	Brazil	50 *
Dongfeng Peugeot Citroën Automobile Finance Company	China	25 *
Dongfeng Peugeot Citroen Financial Leasing Co.	China	25 *
PSA Financial Services Spain E.F.C S.A.	Spain	50 *
FCT Auto ABS Spanish Loans 2016	Spain	50 *
FCT Auto ABS Spanish Loans 2018	Spain	50 *

Companies	Country	% share	
CREDIPAR	France	50	*
Compagnie pour la Location de Véhicules - CLV	France	50	*
PSA Banque France	France	50	*
Auto ABS DFP Master Compartment France 2013	France	50	*
FCT Auto ABS French Loans Master	France	50	*
FCT Auto ABS French Leases Master	France	50	*
FCT Auto ABS LT Leases Master	France	50	*
FCT Auto ABS German Loans 2018	France	50	*
FCT Auto ABS French Leases 2018 - Fonds E	France	50	*
PSA Renting Italia	Italy	50	*
Banca Italia S.P.A	Italy	50	*
FCT Auto ABS Italian Loans 2018	Italy	50	*
Auto ABS Italian Loans 2019	Italy	50	*
PSA Insurance Europe Ltd	Malta	50	*
PSA Life Insurance Europe Ltd	Malta	50	*
PSA Financial Services Nederland BV	The Netherlands	50	*
PSA Finance Polska	Poland	50	*
PSA Consumer Finance Polska Sp. Z o.o.	Poland	50	*
PSA Finance UK Ltd.	United Kingdom	50	*
Auto ABS UK Loans PLC - Compartiment 2012-5	United Kingdom	50	*
FCT Auto ABS UK Loans 2017	United Kingdom	50	*
Auto ABS UK Loans 2019 – Fonds 4	United Kingdom	50	*
PSA Finance Suisse S.A.	Switzerland	50	*
Finacement Opel Vauxhall			
Opel Bank S.A	France	50	*
Opel Leasing GmbH	Germany	50	*
Opel Finance BVBA	Belgium	50	*
ECARAT 10 Germany	France	50	*
Opel Finance International B.V.	The Netherlands	50	*
Opel Finance N.V.	The Netherlands	50	*
Vauxhall Finance plc	United Kingdom	50	*
Ecarat 10 PLC	United Kingdom	50	*
Opel Finance SA	Switzerland	50	*

IV – STATUTORY AUDITORS’ REPORT ON THE 2019 CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Peugeot S.A. for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Audit Framework

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

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

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics for Statutory Auditors (*Code de déontologie*).

Emphasis of Matter

We draw attention to Notes 2.2 and 2.3 to the consolidated financial statements, which describe the impacts of first-time application of IFRS 16 « Leases ». Our opinion is not modified in respect of this matter.

Justification of Assessments – Key Audit Matters

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

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

Recoverable amount of goodwill and brands

Risk identified	Our response
The net carrying amount of goodwill and brands is respectively M€ 4,312m and M€ 2,034 as at 31 December 2019. These assets are allocated to cash generating units (CGUs). As stated in Note 8.3 to the consolidated financial statements, in accordance with IAS 36 - Impairment of Assets, goodwill and brands are not amortized but are subject to impairment tests at each annual close or more frequently when there is an indication of impairment. Impairment is recognized when the recoverable amount of these assets is less than their net carrying amount. The recoverable amount is the higher of value in use and market value. Value in use is determined by reference to discounted future cash flows and requires a high degree of judgment on the part of management, in particular to determine forecasts, discount rates and perpetuity growth rates. Given the significance of these assets in the Group's consolidated financial statements, and the degree of management's judgment inherent in the estimates and assumptions used, we consider the measurement of the recoverable amount of the Group's goodwill and brands as a key audit matter.	We assessed, with our valuation experts, the methods used by management to determine the recoverable amount of goodwill and brands of the Group. For each of the CGUs to which these assets are allocated, we obtained Management's latest Medium-Term Plans and the impairment test results prepared by Management. On the basis of this information, our work consisted in: ► reconciling the net carrying amounts of the assets tested with the accounting records; ► analyzing the future cash flow projections, in particular the consistency of the margin rates and volumes used for the tests with external sources or Management's latest estimates presented to the Group's governance bodies; ► assessing the projections by comparing them with the data used for the previous impairment tests and the Group's historical performance; ► analyzing the consistency of the discount rates used, notably by comparing them with the available market data; ► verifying, by sampling, the arithmetical accuracy of the valuation model used by Management; ► analyzing the sensitivity of the recoverable amount of the CGUs tested to a variation in the main assumptions used (long-term growth rate, operating margin rate used for terminal value, discount rates); ► assessing the appropriateness of the information disclosed in the notes to the consolidated financial statements.

Capitalization and valuation of development costs

Risk identified	Our response
Development costs are recognized under intangible assets on the balance sheet according to the conditions described in Note 5.3 to the consolidated financial statements and in accordance with IAS 38 - Intangible Assets. The amount capitalized in 2019 was M€ 2,179. Capitalized development costs are amortized on a straight-line basis for the assets allocated to the Peugeot – Citroën – DS Automotive division and the Opel – Vauxhall Automotive division, based on the mass production agreement and on their useful life capped at seven years for vehicles and ten years for sub-assemblies and modules. For the Automotive Equipment business, development costs incurred for specific orders received from customers are amortized on a straight-line basis in line with the parts delivery cycle, with a minimum accumulated each year corresponding to straight-line amortization over 5 years. Capitalized development costs are subject to an impairment test when there is an indication of impairment. The Group recognizes impairment when the recoverable amount of the asset is less than its net carrying amount. The recoverable amount is the higher of value in use and market value. Value in use is determined by reference to discounted future cash flows and requires a high degree of judgment on the part of Management, in particular to determine forecasts, discount rates and perpetuity growth rates. We identified the capitalization and valuation of development costs as a key audit matter due to the significance of these intangible assets in the Group's consolidated balance sheet and the judgment exercised by Management upon their initial capitalization and the performance of impairment tests, if any.	Within the framework of our audit of the consolidated financial statements, our work consisted in: ► analyzing the Group rules relating to the initial recognition of development costs based on the accounting standards in force, and assessing compliance with these rules; ► reconciling the net carrying amounts of the assets dedicated, subject to an impairment test carried out by Management; ► testing, by sampling, the compliance of the amounts capitalized at December 31, 2019 with the underlying documented evidence; ► holding discussions with Management to identify any indications of impairment; ► analyzing the cash flow projections, in particular the consistency of the margin rates and volumes used for the tests with external sources or Management's latest estimates presented to the governance bodies; ► assessing projections by comparing them with the data used for the previous impairment tests and the Group's historical performance; ► assessing the appropriateness of the information provided in the notes to the consolidated financial statements.

Recoverability of the French tax group's deferred tax assets

Risk identified	Our response
As stated in Note 14 to the consolidated financial statements, the Group's deferred tax assets on loss carryforwards amount to M€ 999 as at 31 December 2019, including M€ 821 of deferred tax assets on losses within the French tax group of Peugeot S.A. The tax assets on loss carryforwards of the tax group in France that may be offset against net deferred tax liabilities (up to a maximum of 50%) are recognized on the balance sheet. In addition, deferred tax assets are recognized if they have a reasonable chance of being realized given the taxable income projections. Deferred taxes are tested for impairment on the basis of tax projections that are consistent with the assumptions of the Group's Medium-Term Plan and established over the period during which the Group estimates their recoverability to be probable. Given the significant amount of these assets and the degree of Management's judgment inherent in the estimates and assumptions used, we considered the recoverability of the deferred tax assets recognized in respect of the tax loss carryforwards of the tax group in France as a key audit matter.	Within the framework of our audit of the consolidated financial statements, our work consisted in: ► for deferred tax assets on loss carryforwards whose recoverability is justified by the existence of deferred tax liabilities, assessing whether the principle of recognition of deferred tax assets for 50% of net deferred tax liabilities has been correctly applied; ► for deferred tax assets on loss carryforwards whose recoverability is justified by taxable income projections, assessing the consistency of the tax projections with the assumptions of the Group's Medium-Term Plan approved by the governance bodies; ► assessing the appropriateness of the disclosures in Note 14 to the consolidated financial statements.

Valuation of equity-accounted investments relating to the automotive activities

Risk identified	Our response
As stated in Note 11.2 to the consolidated financial statements, as at 31 December 2019, the equity-accounted investments relating to the Group's automotive activities are recognized on the balance sheet for the amount of M€ 195. These investments mainly include the Group's share in joint ventures with the Dong Feng Motor Company Group for the activities located in China. The results of the equity-accounted companies include the depreciation of assets resulting from impairment tests performed according to the same principles as those applied to test the fixed assets of the PSA Group's automotive activities. When there is an indication of impairment, the assets dedicated to specific vehicle models are tested, and the total assets (including those not allocated to a specific vehicle model) are also tested at the level of each joint venture, as stated in Note 8.3.B to the consolidated financial statements. Furthermore, the PSA Group performs an additional impairment test at its level when there is an indication of impairment. Given the significance of these equity-accounted investments in the Group's accounts, the volatility of the Chinese market, and the degree of judgement that Management is required to exercise concerning the assumptions underlying the valuation of the assets of these companies, we considered the valuation of the equity-accounted investments relating to the automotive activities as a key audit matter.	Within the framework of our audit of the consolidated financial statements, our work consisted in: ► analyzing the existence of impairment indicators within these equity-accounted companies, such as a significant decrease in volumes and a deterioration in profitability; ► assessing the consistency and relevance of the main assumptions used for the impairment tests performed on the assets of the joint ventures with the Dong Feng Motor Company Group, notably by reference to the Medium-Term Plan approved by the governance bodies of these joint ventures; ► assessing the appropriateness of the information disclosed in Note 10 to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of Group's information given in the Managing Board's management report.

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

We attest that the consolidated non-financial statement required by article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the Group's information given in the management report, it being specified that, in accordance with article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

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

As at December 31, 2019, MAZARS and ERNST & YOUNG et Autres were in the fifteenth year and in the ninth year of total uninterrupted engagement, respectively.

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

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

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

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

The consolidated financial statements were approved by the Managing Board.

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

Objectives and audit approach

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

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

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

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

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

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

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

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

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

Report to the Finance and Audit Committee

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

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

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

Courbevoie and Paris-La Défense, 12 March 2020

The Statutory Auditors

French original signed by:

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Charles Desvernois	Laurent Miannay	Ioulia Vermelle

IMPORTANT NOTICE

By reading the following communication, you agree to be bound by the following limitations and qualifications:

This communication is for informational purposes only and is not intended to and does not constitute an offer or invitation to exchange or sell or solicitation of an offer to subscribe for or buy, or an invitation to exchange, purchase or subscribe for, any securities, any part of the business or assets described herein, or any other interests or the solicitation of any vote or approval in any jurisdiction in connection with the proposed transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. This communication should not be construed in any manner as a recommendation to any reader of this document.

This communication is not a prospectus, product disclosure statement or other offering document for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14th 2017.

An offer of securities in the United States pursuant to a business combination transaction will only be made, as may be required, through a prospectus which is part of an effective registration statement filed with the U.S. Securities and Exchange Commission ("SEC"). Shareholders of Peugeot S.A. ("PSA") and Fiat Chrysler Automobiles N.V. ("FCA") who are U.S. persons or are located in the United States are advised to read the registration statement when and if it is declared effective by the SEC because it will contain important information relating to the proposed transaction. You may obtain copies of all documents filed with the SEC regarding the proposed transaction, documents incorporated by reference, and FCA's SEC filings at the SEC's website at http://www.sec.gov. In addition, the effective registration statement will be made available for free to shareholders in the United States.

FORWARD-LOOKING STATEMENTS

This communication contains forward-looking statements. In particular, these forward-looking statements include statements regarding future financial performance and the expectations of FCA and PSA (the "Parties") as to the achievement of certain targeted metrics at any future date or for any future period are forward-looking statements. These statements may include terms such as "may", "will", "expect", "could", "should", "intend", "estimate", "anticipate", "believe", "remain", "on track", "design", "target", "objective", "goal", "forecast", "projection", "outlook", "prospects", "plan", or similar terms. Forward-looking statements are not guarantees of future performance. Rather, they are based on the Parties' current state of knowledge, future expectations and projections about future events and are by their nature, subject to inherent risks and uncertainties. They relate to events and depend on circumstances that may or may not occur or exist in the future and, as such, undue reliance should not be placed on them.

Actual results may differ materially from those expressed in forward-looking statements as a result of a variety of factors, including: the ability of PSA and FCA and/or the combined group resulting from the proposed transaction (together with the Parties, the "Companies") to launch new products successfully and to maintain vehicle shipment volumes; changes in the global financial markets, general economic environment and changes in demand for automotive products, which is subject to cyclicality; changes in local economic and political conditions, changes in trade policy and the imposition of global and regional tariffs or tariffs targeted to the automotive industry, the enactment of tax reforms or other changes in tax laws and regulations; the Companies' ability to expand certain of their brands globally; the Companies' ability to offer innovative, attractive products; the Companies' ability to develop, manufacture and sell vehicles with advanced features including enhanced electrification, connectivity and autonomous-driving characteristics; various types of claims, lawsuits, governmental investigations and other contingencies, including product liability and warranty claims and environmental claims, investigations and lawsuits; material operating expenditures in relation to compliance with environmental, health and safety regulations; the intense level of competition in the automotive industry, which may increase due to consolidation; exposure to shortfalls in the funding of the Parties' defined benefit pension plans; the ability to provide or arrange for access to adequate financing for dealers and retail customers and associated risks related to the establishment and operations of financial services companies; the ability to access funding to execute the Companies' business plans and improve their businesses, financial condition and results of operations; a significant malfunction, disruption or security breach compromising information technology systems or the electronic control systems contained in the Companies' vehicles; the Companies' ability to realize anticipated benefits from joint venture arrangements; disruptions arising from political, social and economic instability; risks associated with our relationships with employees, dealers and suppliers; increases in costs, disruptions of supply or shortages of raw materials; developments in labor and industrial relations and developments in applicable labor laws; exchange rate fluctuations, interest rate changes, credit risk and other market risks; political and civil unrest; earthquakes or other disasters; uncertainties as to whether the proposed business combination discussed in this document will be consummated or as to the timing thereof; the risk that the announcement of the proposed business combination may make it more difficult for the Parties to establish or maintain relationships with their employees, suppliers and other business partners or governmental entities; the risk that the businesses of the Parties will be adversely impacted during the pendency of the proposed business combination; risks related to the regulatory approvals necessary for the combination; the risk that the operations of PSA and FCA will not be integrated successfully and other risks and uncertainties.

Any forward-looking statements contained in this communication speak only as of the date of this document and the Parties disclaim any obligation to update or revise publicly forward-looking statements. Further information concerning the Parties and their businesses, including other risk factors associated with the business combination, will be more fully discussed in the prospectus that will be included in the registration statement on Form F-4 that will be filed with the SEC.

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