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HALF-YEAR FINANCIAL REPORT



19

2019 Interim results

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I. MANAGEMENT AND SUPERVISORY BODIES

AT 30 JUNE 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)

Mrs Helle KRISTOFFERSEN

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

Mr AN Tiecheng

Lion Participations, représentée par 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. Maxime PICAT

Mr. Jean-Christophe QUEMARD

II. INTERIM MANAGEMENT REPORT

1. THE GROUP'S OPERATIONS

1.1. Overview of sales activities

Worldwide sales at 1.9M units in the first half of 2019

- Strengthened position in Europe with an increased market share of +0.3pt
- Start of production at the Kenitra ¹ plant to support commercial offensive in Middle East & Africa
- Ongoing electrification on the launch pad with 9 ² electrified models

Electrification offensive is mastered with the aim to have a 100% electrified ³ range from 2025

Groupe PSA aims to be a major player in electrified mobility with all new models coming in a hybrid plug-in or an all-electric version : DS 3 CROSSBACK E-TENSE, Peugeot e-208, e-2008 and Opel Corsa-e in 100% electric version, and DS 7 CROSSBACK E-TENSE 4x4, Peugeot 3008 HYbrid & HYbrid4, Peugeot 508 & 508 SW HYbrid, Opel Grandland X Hybrid4 and Citroën C5 Aircross SUV Hybrid in hybrid plug-in version.

Groupe PSA is also preparing a full electrified LCV range by 2025, starting with Citroën Berlingo and Peugeot Partner, already available in an electric version. The new electrified generation of these vehicles for Peugeot, Citroën and Opel/Vauxhall will be available by 2021. The group presented last April a preview of the electrified versions of Peugeot Boxer and Citroën Jumper at the Birmingham Commercial Vehicle Show. It also announced an electrified version for 2020 in the medium van segment.

Fourteen new electrified vehicles will be launched in just two years.

Europe: profitable growth

In a declining market over the first half year (-2.4%), the Group strengthened its position by achieving a 17.4% market share, growing in all main markets, particularly in Italy (+1.1pts), France (+0.7pt), the United Kingdom (+0.2pt), Germany (+0.1pt), and Spain (+0.1pt).

This performance is driven by the excellent results of Citroën, which has achieved an eight-year sales record with the strongest growth within the Top 12 brands. As a result, the brand has gained 0.3 point in market share in Europe, thanks in particular to the success of its SUV range (C5 Aircross and C3 Aircross).

Opel Vauxhall has continued its development since last autumn and grew slightly its market share. This market share grew among other markets in France (0.2 pt), UK (+0.2 pt) and Italy (+0.7 pt), while the brand at the same time kept its focus on the deployment of profitable sales. Combo, Crossland X, Grandland X carry most of this performance and Opel Vauxhall will benefit from the launch of the new Corsa in the second half of the year.

The Peugeot market share is stable in Europe. Beyond the continuous success of its SUVs 3008/5008, Peugeot is also progressing well thanks to the award-winning 508 family with the launch of the new 508 SW: the 508 sedan is 1st in France since its launch. Peugeot also beats its previous LCV sales record in the 1st semester.

DS Automobiles confirms the brand's sustainable growth (+1.7% vs 2018 H1, and +16% in Q2 vs 2018 Q2) with DS 7 CROSSBACK - leader in SUV Premium in France during the first half - and DS 3 CROSSBACK, launched in May in France and number 1 in terms of registrations of premium SUVs in June in France.

Groupe PSA is also maintaining its leadership in LCVs with a 24.7% market share.

Middle East – Africa: operational industrial footprint

Groupe PSA market share increased in its main markets: Morocco (+4.7pts), Egypt (+3.5pts), Algeria (+2.7pts) and Turkey (+0.5pt). The evolution of sales is impacted by the wind down from Iran ⁴ and the Turkish market (-44.8%) downturn.

With the start of production at the Kenitra plant in Morocco, the Group will be able to produce models that meet customers' expectations and achieve its commercial ambitions in the region.

¹ In Morocco

² 4 BEV : DS 3 CROSSBACK E-TENSE + e-208 + e-2008 + Corsa-e and 5 PHEV : 3008 HYbrid & HYbrid4 + 508 & 508 SW HYbrid + Grandland Hybrid4 + DS 7 CROSSBACK E-TENSE 4x4, Citroën C5 Aircross SUV Hybrid in hybrid plug-in version

³ Full Electric or plug-in hybrid

⁴ Volumes industrialized in Iran are no longer recorded in consolidated sales since May 1st 2018

China & South East Asia: improving business model in China

In a declining Chinese market, sales are down 62.1%. DS maintained its market shares. The Group is working on action plans with its partners to tackle current issues and lower the breakeven point of the JVs.

Electric offensive is underway with the launch of Peugeot 508L PHEV, as well as BEV Peugeot 2008 and DS 3 CROSSBACK in 2020.

The exports from the Malaysian hub NAM⁵ are now starting for Peugeot 3008 and 5008.

Latin America: headwinds in Argentina

Group sales have decreased by 29.3% in Latin America with a strong hit of Argentinean market downturn (-50.3%). However, the group stabilized its market share in Brazil driven by the success of the SUV C4 Cactus and the LCV offensive. It has maintained its position in Chile and improved in Mexico in decreasing markets. Opel made a strong progress in the region increasing its market share.

Some encouraging trend results from the success of SUV models and recent launches: Citroën C5 Aircross and Peugeot 2008 and completed by Citroën C4, Peugeot Rifter and soon DS 3 CROSSBACK. The LCV offensive is also ongoing with the recent launches of the new Peugeot Partner, Citroën Berlingo and Opel Combo.

India-Pacific: sales growth (+2.3%)

In Japan, sales are up 16%. Groupe PSA achieved another milestone by announcing in April the launch of the Citroën brand in India and starting the production of gearboxes (Hosur plant) with its partner AVTEC Ltd (a CK Birla Group Co.).

Eurasia: prepare the relaunch of the Opel brand

Facing a downward trend of the Russian market (-2.4%), Groupe PSA market share is slightly declining (-0.2pt). The Group is launching DS Automobiles in Ukraine with the first DS Store to open in July. The Group is also preparing the relaunch of the Opel brand in Russia starting with the Zafira Life and the Grandland X, first models to be available in few months.

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 2 to the consolidated financial statements at 30 June 2019. Subsequent events are presented in Note 17 to the financial statements.

2.1. Group profit (loss) for the period

<i>(in million euros)</i>	30 June 2018	30 June 2019	Change
Revenue	38,595	38,340	(255)
Recurring operating income	3,017	3,338	321
As a % of Revenue	7.8%	8.7%	
Non-recurring operating income and expenses	(750)	(847)	(97)
Operating income (loss)	2,267	2,491	224
Net financial income (expense)	(218)	(166)	52
Income taxes	(409)	(325)	84
Share in net earnings of companies at equity	73	48	(25)
Consolidated profit (loss) for the period	1,713	2,048	335
Profit (loss) for the period attributable to owners of the parent	1,481	1,832	351

⁵ Naza Automotive Manufacturing

2.2. Group Revenue

The table below shows consolidated revenue by division:

<i>(in million euros)</i>	30 June 2018	30 June 2019	Change
Automotive	30,712	30,378	(334)
Faurecia	8,991	8,972	(19)
Other businesses and eliminations*	(1,108)	(1,010)	98
Revenue	38,595	38,340	(255)

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

Automotive revenues were down 1.1% compared to the first half of 2018 mainly driven by product mix (+2.9%) and price (+1.3%), which partially offset the decrease of sales to partners (-2.2%), the negative impact of exchange rates (-0.8%), volumes and country mix (-1.4%) as well as others (-0.9%).

2.3. Group Recurring Operating Income (loss)

The following table shows Recurring Operating Income by business segment:

<i>(in million euros)</i>	30 June 2018	30 June 2019	Change
Automotive	2,359	2,657	298
Faurecia	642	634	(8)
Other businesses and eliminations*	16	47	31
Recurring operating income	3,017	3,338	321

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

In the first half of 2019, the **Automotive recurring operating margin**, which corresponds to the ratio of the Automotive recurring operating income to the Automotive revenues, stood at 8.7% compared to 7.7% in the first half of 2018.

Group recurring operating margin stood at 8.7% compared to 7.8% in the first half of 2018.

The 12.6% increase in the **Automotive recurring operating income** was due to the company's improved performance (+€819 million), despite an unfavourable operating environment (-€521 million):

- the negative effect of the **Automotive division's operating environment** stemmed from a (€255) million effect of weaker markets and from a (€194) 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 (€72) million;
- the improved **performance of the Automotive business** was due essentially to a positive effect of product mix amounting to +€330 million and pricing amounting to +€133 million, as well as lower production and fixed costs amounting to +€235 million, and improved market share and country mix for +€71 million.

Faurecia's recurring operating income was €634 million, down €8 million.

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

Non-recurring operating income and expenses represented a net expense of €(847) million. They primarily included Automotive division restructuring costs totalling €(579) million and Faurecia Group for €(71) million. Besides, the Group has impaired assets used in business in China with a total amount in the profit of €(139) million.

The Group's net financial expenses stood at €(166) million, an improvement of €52 million compared to the first half of 2018. Net financial income and expenses are set out in Note 10 to the consolidated financial statements at 30 June 2019.

The **Income tax expense** amounted to €(325) million in the first half of 2019 compared with €(409) million in the first half of 2018. See Note 12 to the consolidated financial statements at 30 June 2019.

The **share in net earnings of companies at equity** totalled €48 million in the first half of 2019, compared to €73 million in the first half of 2018.

The contribution of the Dongfeng joint ventures (DPCA and DPCS) represented €(163) million, down €175 million including impairments for a total impact of €(113) million. The one of Changan PSA Automobiles Co., Ltd (CAPSA) was null in the first half of 2019. See Note 9.3 to the consolidated financial statements at 30 June 2019.

The contribution of the joint ventures under the partnership between Banque PSA Finance and Santander Consumer Finance amounted to €132 million, up €13 million. See Note 9.3 to the consolidated financial statements at 30 June 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 €43 million in the first half of 2019, down €29 million. See Note 9.3 to the consolidated financial statements at 30 June 2019.

The **net income, Group share** of €1,832 million was up €351 million. **Earnings per share** came to €2.05 per share compared to €1.66 per share in the first half of 2018.

2.5. Banque PSA Finance

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

<i>(in million euros)</i>	30 June 2018	30 June 2019	Change
Revenue	1,022	1,071	49
Cost of risk*	0.12%	0.14%	+0.02 pts
Recurring operating income	510	513	3
Penetration rate	27.0%	27.5%	+0.5 pts
Number of new contracts (leasing and financing)	555,500	585,400	+ 29,900

* As a percentage of net average net outstandings

2.6. Faurecia*

The results of Faurecia are the following :

<i>(in million euros)</i>	30 June 2018	30 June 2019	Change
Revenue	8,991	8,972	(19)
Recurring operating income	642	634	(8)
As a % of revenue	7.1%	7.1%	
Operating income (loss)	578	541	(37)
Net financial income (expense)	(68)	(95)	(27)
Consolidated profit (loss) for the period	391	378	(13)
Free cash flow**	165	(688)	(853)
Net financial position**	(545)	(2,551)	(2,006)

* Including Clarion consolidated in the first half of 2019 for two months (April and May 2019)

** Including the acquisition of Clarion in the first half of 2019; NFP is 30/06/2019 vs 31/12/2018.

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

2.7. Outlook

Market outlook:

In 2019, the Group anticipates a decrease by 1% of the automotive market in Europe, by 4% in Latin America and by 7% in China and growth of 3% in Russia.

Operational outlook:

Groupe PSA has set the target to deliver over 4.5% Automotive recurring operating margin⁶ on average for the period 2019-2021.

⁶ Automotive Division (PCDOV) recurring operating income related to revenue

3. FINANCIAL POSITION AND CASH

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

The net financial position of manufacturing and sales companies are set out and described in Note 10 to the Group's consolidated financial statements at 30 June 2019.

The **net financial position of manufacturing and sales companies** at 30 June 2019 consists of net cash of €7,906 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 €10,457 million and Faurecia has a net debt of €2,551 million at 30 June 2019, compared to a net debt of €545 million at the end of December 2018.

The Group continued to actively manage its debt in the first half of 2019. Peugeot S.A. issued a Schuldscheindarlehen of €522 million maturing in October 2023, April 2026 and April 2027. Faurecia issued a bond of 500 M€ maturing in June 2026.

Liquidity reserves for the manufacturing and sales companies amounted to €21,938 million at 30 June 2019, versus €21,371 million at 31 December 2018, with €17,738 million in cash and cash equivalents, financial investments and current & non-current financial assets, and €4,200 million in undrawn lines of credit (see Note 10.3 to the consolidated financial statements at 30 June 2019).

3.2. Free cash flow from manufacturing and sales operations

Details of the free cash flow of manufacturing and sales companies can be found in Note 14 to the consolidated financial statements at 30 June 2019.

The **free cash flow** generated over the period stood at €1,599 million, €2,287 million of which was contributed by the Automotive division. The free cash flow over the period mainly stemmed from:

- €4,819 million in cash flows generated by recurring operations of which a contribution of €3,821 million of the Automotive division;
- €(545) million in cash flows related to restructuring plans including €(467) million for the Automotive division;
- €586 million improvement in the working capital requirement, including €958 million in trade payables, €(895) million in trade receivables, €166 million in inventories and €357 million of other variations;
- €(3,358) million in capitalised capital expenditure and research & development, of which the Automotive division's share which represented €(1,738) million and €(1,046) million in exceptional investments/asset disposals, mainly linked to the acquisition of Clarion by Faurecia for €(1,054) million. Total research and development expenses incurred increased at the end of June 2019 compared to end of June 2018 and are presented in Note 4 to the consolidated financial statements at 30 June 2019.
- €97 million of dividends received from Banque PSA Finance.

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

<i>(in thousands of new vehicles)</i>	30 June 2019	30 June 2018
Group	210	165
Independent dealer network*	449	494
TOTAL	659	659

*including importers

Excluding Free Cash Flow, the changes in net financial position represented €(1,337) 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 €(111) million, to the debt situation of Clarion following its acquisition by Faurecia for €(240) million and finally to the new leasing debt under IFRS 16 for €(146) million.

3.3. Liquidity and funding of finance companies

The liquidity and funding of finance companies are discussed in Note 11.1 and 11.2 to the consolidated financial statements at 30 June 2019.

4. FACTORS AND UNCERTAINTIES

Main risk factors specific to the Group and its business

The Group operates in a profoundly changing environment not only in terms of technology, but also as regards modes of consumption and new entrants into the automotive industry. It is therefore exposed to risks that, if materialised, could have a significant adverse effect on its business, financial position, results or outlook. PSA Group pays close attention to ensuring that the risks inherent in its business lines are effectively managed across its various businesses. The Group's various operating units identify and assess risks and evaluate the related internal controls on an ongoing basis, in France and abroad, with annual reporting to the Executive Committee. (Faurecia has its own process). The principal specific risk factors to which the Group may be exposed are described in depth in the 2018 Registration Document (Chapter 1.5)⁷ and include notably:

- **Operational risks**

They include risks related to the Group's economic and geopolitical environment, particularly in the United Kingdom where the Group is exposed to free trade agreements and currency movements (in 2018, Group sales in the UK represent up to 400,000 vehicles). A one per cent gross change in the pound sterling euro exchange rate has an impact of around €42 million on the Automotive recurring operating income. The long-term impact of the UK's exit from the European Union will depend on the exit terms and their consequences, which are not currently known. There are also risks on margins linked to the European regulation on CO₂ 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, risks related to the non-execution of the PACE plan, information system risks as well as the risks related to climate change.

- **Financial market risks**

The Group is exposed to liquidity risk, interest rate risk, exchange rate risk, counterparty risk, credit risk and other market risks related in particular to fluctuations in commodity prices. Note 11.7 to the consolidated financial statements at 31 December 2018 and Note 10.2 to the consolidated financial statements at 30 June 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 11 to the consolidated financial statements at 30 June 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 15 to the consolidated financial statements at 30 June 2019).

5. RELATED PARTY TRANSACTIONS

The Group's related party transactions are described in Notes 16 and 9.5 to the consolidated financial statements at 30 June 2019. Related parties are companies subject to significant influence consolidated by the equity method, members of the managing bodies and shareholders holding more than 10% of Peugeot S.A. capital.

⁷ 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.

III. CONDENSED INTERIM CONSOLIDATED STATEMENTS AT 30 JUNE 2019

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ITERIM CONSOLIDATED STATEMENTS OF INCOME

<i>(in million euros)</i>	Notes	First-half 2019	First-half 2018	2018
Continuing operations				
Revenue	3.1	38,340	38,595	74,027
Cost of goods and services sold		(30,250)	(30,890)	(59,233)
Selling, general and administrative expenses		(3,409)	(3,356)	(6,623)
Research and development expenses	4.1	(1,343)	(1,332)	(2,482)
Recurring operating income (loss)		3,338	3,017	5,689
Non-recurring operating income	4.2	14	49	332
Non-recurring operating expenses	4.2	(861)	(799)	(1,621)
Operating income (loss)		2,491	2,267	4,400
Financial income		104	64	188
Financial expenses		(270)	(282)	(634)
Net financial income (expense)		(166)	(218)	(446)
Income (loss) before tax of fully consolidated companies		2,325	2,049	3,954
Current taxes		(384)	(377)	(1,008)
Deferred taxes		59	(32)	393
Income taxes		(325)	(409)	(615)
Share in net earnings of companies at equity		48	73	(44)
Consolidated profit (loss) from continuing operations		2,048	1,713	3,295
<i>Attributable to equity holders of the parent</i>		1,832	1,481	2,827
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD		2,048	1,713	3,295
<i>Attributable to equity holders of the parent</i>		1,832	1,481	2,827
<i>Attributable to minority interests</i>		216	232	468
<i>(in euros)</i>				
Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent	13.2	2.05	1.66	3.16
Basic earnings per €1 par value share - attributable to equity holders of the parent	13.2	2.05	1.66	3.16
Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent	13.2	1.95	1.58	3.01
Diluted earnings per €1 par value share - attributable to equity holders of the parent	13.2	1.95	1.58	3.01

ITERIM CONSOLIDATED COMPREHENSIVE INCOME

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Consolidated profit (loss) for the period	2,048	1,713	3,295
Fair value adjustments to cash flow hedges	(26)	(16)	16
> of which, reclassified to the income statement	(6)	(7)	(10)
> of which, recognised in equity during the period	(20)	(9)	26
Gains and losses from remeasurement of financial assets	-	-	-
> of which, reclassified to the income statement	-	-	-
> of which, recognised in equity during the period	-	-	-
Exchange differences on translating foreign operations	6	(111)	(187)
Income tax benefit (expense)	6	2	-
Amounts to be potentially reclassified to profit or loss	(14)	(125)	(171)
Actuarial gains and losses on defined benefits' pension obligations	(40)	218	334
Income tax benefit (expense)	13	(57)	(68)
Amounts not to be reclassified to profit or loss	(27)	161	266
Total other amounts of comprehensive income (loss)	(41)	36	95
> of which, companies at equity	4	1	(27)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	2,007	1,749	3,390
> of which, attributable to equity holders of the parent	1,815	1,527	2,933
> of which, attributable to minority interests	192	222	457

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

INTERIM CONSOLIDATED BALANCE SHEETS

Assets (in million euros)	Notes	30 June 2019	31 December 2018
Goodwill		4,554	3,608
Intangible assets		9,586	9,201
Property, plant and equipment	7	17,381	14,136
Investments in companies at equity - manufacturing and sales companies	9	843	1,072
Investments in companies at equity - finance companies	9	2,368	2,372
Investments in non-consolidated companies		304	409
Other non-current financial assets - manufacturing and sales companies		688	684
Other non-current financial assets - finance companies		24	28
Other non-current assets		1,320	1,260
Deferred tax assets		1,052	1,036
Total non-current assets		38,120	33,806
Loans and receivables - finance companies	11.1.A	174	179
Short-term investments - finance companies		78	79
Inventories	5.1	6,703	6,710
Trade receivables - manufacturing and sales companies		2,420	1,904
Current taxes		278	376
Other receivables		3,228	2,580
Operating assets		12,881	11,828
Current financial assets		1,007	842
Financial investments		57	50
Cash and cash equivalents - manufacturing and sales companies	10.4.A	16,116	14,961
Cash and cash equivalents - finance companies	11.1.B	500	465
Total current assets		30,561	28,146
TOTAL ASSETS		68,681	61,952

Equity and liabilities (in million euros)	Notes	30 June 2019	31 December 2018
Share capital	13	905	905
Treasury shares		(240)	(270)
Retained earnings and other accumulated equity, excluding minority interests		17,575	16,450
Minority interests		2,538	2,509
Total equity		20,778	19,594
Non-current financial liabilities	10.4.B	7,878	5,257
Other non-current liabilities		6,406	4,926
Non-current provisions	8	1,548	1,392
Deferred tax liabilities		710	781
Total non-current liabilities		16,542	12,356
Financing liabilities - finance companies	11.2	334	327
Current provisions	8	4,984	5,065
Trade payables		14,759	13,551
Current taxes		596	525
Other payables		8,602	8,352
Operating liabilities		29,275	27,820
Current financial liabilities	10.4.B	2,086	2,182
Total current liabilities		31,361	30,002
TOTAL EQUITY AND LIABILITIES		68,681	61,952

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in million euros)</i>	Notes	First-half 2019	First-half 2018	2018
Consolidated profit (loss) from continuing operations		2,048	1,713	3,295
Adjustments for non-cash items:				
> depreciation, amortization and impairment		1,788	1,471	2,995
> provisions		(6)	162	304
> changes in deferred and current taxes		(84)	20	(142)
> (gains) losses on disposals and other		39	41	(205)
Share in net (earnings) losses of companies at equity, net of dividends received		170	32	189
Revaluation adjustments taken to equity and hedges of debt		43	(19)	72
Change in carrying amount of leased vehicles		424	371	226
Funds from operations		4,422	3,791	6,734
Changes in working capital		575	1,220	1,661
Net cash from (used in) operating activities of continuing operations		4,997	5,011	8,395
Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies		26	8	38
Capital increase and acquisitions of consolidated companies and equity interests		(1,153)	(244)	(713)
Proceeds from disposals of property, plant and equipment and of intangible fixed assets		82	122	509
Investments in property, plant and equipment	7	(1,401)	(1,300)	(2,510)
Investments in intangible fixed assets		(1,063)	(989)	(2,061)
Change in amounts payable on fixed assets		45	(63)	(198)
Other		99	153	196
Net cash from (used in) investing activities of continuing operations		(3,365)	(2,313)	(4,739)
Dividends paid:				
> to Peugeot S.A. shareholders		(697)	(474)	(474)
> to minority shareholders of subsidiaries		(111)	(94)	(143)
Proceeds from issuance of shares		-	25	27
(Purchases) Sales of treasury shares		(31)	(5)	(48)
Changes in other financial assets and liabilities	10.2.B	446	(27)	631
Payment of lease liabilities		(166)	-	-
Other		-	3	-
Net cash from (used in) financing activities of continuing operations		(559)	(572)	(7)
Impact of hyperinflation		(80)	-	22
Effect of changes in exchange rates		86	(37)	(66)
Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership		1,079	2,089	3,605
Net cash and cash equivalents at beginning of period		15,402	11,803	11,797
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	14.1	16,481	13,892	15,402

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in million euros)	Revaluations - excluding minority interests							Equity - Attributable to equity holders of the parent	Equity -Minority interests	Total equity
	Share capital	Treasury shares	Retained earnings excluding revaluations	Cash flow hedges	Remeasur ement of the fair value of financial assets	Actuarial gains and losses on pension obligations	Effect of changes in exchange rates			
At 31 December 2017										
restated ⁽¹⁾	905	(270)	14,357	28	23	(111)	(368)	14,564	2,142	16,706
1 st 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
Income and expenses recognised in equity for the period	-	-	1,481	(9)	-	148	(93)	1,527	222	1,749
Measurement of performance share grants	-	-	18	-	-	-	-	18	6	24
Dividends linked to equity warrants granted to General Motors	-	-	(18)	-	-	-	-	(18)	-	(18)
Effect of changes in scope of consolidation and other	-	-	(13)	-	-	-	-	(13)	58	45
Issuance of shares	-	-	-	-	-	-	-	-	25	25
(Purchases) sales of treasury shares	-	-	(2)	-	-	-	-	(2)	(3)	(5)
Dividends paid by Peugeot S.A.	-	-	(474)	-	-	-	-	(474)	-	(474)
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(118)	(118)
At 30 June 2018	905	(270)	15,409	19	-	37	(461)	15,639	2,334	17,973
Income and expenses recognised in equity for the period	-	-	1,346	18	-	109	(67)	1,406	235	1,641
Measurement of performance share grants	-	-	20	-	-	-	-	20	5	25
Dividends linked to equity warrants granted to General Motors	-	-	6	-	-	-	-	6	-	6
Effect of changes in scope of consolidation and other	-	-	34	-	-	-	-	34	(12)	22
Issuance of shares	-	-	-	-	-	-	-	-	-	-
(Purchases) sales of treasury shares	-	-	(20)	-	-	-	-	(20)	(22)	(42)
Dividends paid by Peugeot S.A.	-	-	-	-	-	-	-	-	-	-
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(31)	(31)
At 31 December 2018	905	(270)	16,795	37	-	146	(528)	17,085	2,509	19,594
1 st implementation of IFRS 16	-	-	2	-	-	-	-	2	-	2
At 1st January 2019 restated ⁽³⁾	905	(270)	16,797	37	-	146	(528)	17,087	2,509	19,596
Income and expenses recognised in equity for the period	-	-	1,832	(8)	-	(4)	(5)	1,815	192	2,007
Impact of hyperinflation	-	-	60	-	-	-	-	60	4	64
Measurement of performance share grants	-	-	21	-	-	-	-	21	6	27
Dividends linked to equity warrants granted to General Motors	-	-	(19)	-	-	-	-	(19)	-	(19)
Effect of changes in scope of consolidation and other	-	5	(20)	-	-	-	-	(15)	(22)	(37)
Treasury shares delivered to employees	-	23	(23)	-	-	-	-	-	-	-
(Purchases) sales of treasury shares	-	2	(14)	-	-	-	-	(12)	(16)	(28)
Dividends paid by Peugeot S.A.	-	-	(697)	-	-	-	-	(697)	-	(697)
Dividends paid by other Group companies	-	-	-	-	-	-	-	-	(135)	(135)
AT 30 JUNE 2019	905	(240)	17,937	29	-	142	(533)	18,240	2,538	20,778

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

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

⁽³⁾ Financial statements restated after the first application of IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2019

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PRELIMINARY NOTE

The interim consolidated financial statements for the six months ended 30 June 2019 and related notes were approved by the Managing Board of Peugeot S.A. on 23 July 2019.

NOTE 1 - ACCOUNTING POLICIES

1.1. STANDARDS APPLIED

The Groupe PSA's condensed interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with **IAS 34 – Interim Financial Reporting**, which provides for the presentation of a selected number of explanatory notes. These condensed interim consolidated financial statements should be read and understood in conjunction with the 2018 consolidated financial statements.

The interim consolidated financial statements for the period ended 30 June 2019 for the Groupe PSA have been prepared using the same accounting policies as those used for the financial year ended 31 December 2018, except for the new **IFRS 16 - Leases** applicable from 1 January 2019 (see Note 1.2) and the interpretation **IFRIC 23 - Uncertainty over Income Tax Treatments** which had no material impact on the condensed interim financial statements.

The financial statements for the first half of 2018 are those that were presented in July 2018 and are not intended as a restatement for hyperinflation, this having been fully recognized in the second half of 2018.

1.2. IMPACT OF THE FIRST-TIME APPLICATION 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 simplified retrospective approach. No restatement of the comparative periods. The cumulative impact of the first-time application of IFRS 16 is recognised as an adjustment to opening equity at 1 January 2019;
 - At 1 January 2019, old leases are exempt from re-assessment;
 - The lease liability is assessed at the present value of the rental payments remaining due. The Group makes use of knowledge acquired after the fact, for example, to determine the term of a lease that contains renewal or termination options;
 - The right-of-use as at the transition date is equal to the liability of the lease, adjusted for the amount of the rent payments paid in advance or to be paid. The initial direct costs are included in the valuation of the right-of-use on the transition date;
 - Exemption of old 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.

- 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, ESMA referred to the IFRS Interpretation Committee in order to obtain an opinion on the term to use in the case of leases with unlimited duration that can be terminated at any time;
 - **The discount rate** corresponds to the incremental borrowing rate determined on the remaining term of the leases for the entire Group;

On the date of their entry into force, 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, 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.

1.3. 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 half-year 2019 concerns:

- The recurring operating income for a negative impact of €147 million representing the amortization expense of the rights of use replacing the lease expense;
- The net financial income (expense) for a negative impact of €30 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 the intangible assets for an amount of €1,546 million of which €41 million relating to finance leases;
- For the liabilities, the lease liabilities are reported under:
 - The non-current financial liabilities for an amount of €1,276 million of which €81 million relating to finance leases;
 - The current financial liabilities for an amount of €314 million of which €12 million relating to finance leases.

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 half-year 2019 concerns:

- The net cash from (used in) operating activities of continuing operations for a positive amount of €173 million;
- The net cash from (used in) financing activities of continuing operations (payment of lease liabilities) for a negative amount of €166 million.

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

<i>(in million euros)</i>	At 1st January 2019
Non-cancellable lease commitments	1,809
Finance lease liabilities	115
Exemptions (less than twelve months and low-value)	(41)
Term	(28)
Discount rate	(265)
LEASE LIABILITIES	1,590

1.4. USE OF ESTIMATES AND ASSUMPTIONS

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

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

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

For the preparation of the 2019 interim financial statements, special attention was paid to the items identified in the Note 1.4 of the consolidated financial statements for the year ended 31 December 2018.

NOTE 2 - SCOPE OF CONSOLIDATION

The Group consists of the Peugeot S.A. holding company, listed on Euronext, and its affiliates consolidated in accordance with Note 2.1. of the consolidated financial statements for 2018.

	30 June 2019	31 December 2018
Fully consolidated companies		
Manufacturing and sales companies	351	325
Finance companies	18	18
	369	343
Joint operations		
Manufacturing and sales companies	3	3
Companies at equity		
Manufacturing and sales companies	45	38
Finance companies	40	43
	85	81
CONSOLIDATED COMPANIES AT PERIOD-END	457	427

▪ Business combinations: Acquisition of Clarion by Faurecia

Faurecia took control of Clarion from Hitachi at the beginning of March 2019. Clarion is specialized in the fields of electronics, software, digital sound, Human Machine Interfaces and image processing. This acquisition was financed by a Schuldscheindarlehen issue of €700 million in December 2018, and the conclusion of a bridge loan of 500 million euros, refinanced on 27 March 2019 by a bond issue of €500 million maturing in 2026 at 3.125%.

The work on the allocation of the purchase price is in progress. This business combination was recognised on a provisional basis and could be modified for a year, until March 2020. Clarion's consolidated data at 30 June 2019 are those from the period of 1 April to 31 May 2019.

At the date of the acquisition, the acquisition price of €1,108 million breaks down as follows:

<i>(in million euros)</i>	At acquisition date
Purchase price	1,108
Total non-current assets acquired	260
Other current assets acquired	394
Cash and cash equivalents acquired	132
Financial liabilities assumed	(233)
Non financial liabilities assumed	(326)
Assets acquired and liabilities assumed	227
GOODWILL (provisional)	881

NOTE 3 - SEGMENT INFORMATION

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

The Group's operations are organised around three main segments:

- The Automotive segment, covering mainly the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot, Citroën, DS, Opel and Vauxhall brands.

Starting in 2019, the automotive businesses of the Group comprised of Peugeot, Citroën, DS, Opel and Vauxhall are now presented only in the Automotive sector. The 2018 comparative information is presented at this same level.

Starting in the first half of 2019, the operational decisions concerning allocation of resources are taken by the Global Executive Committee for all of the brands. Operational integration of all of the brands in the automotive business drove the Group to develop its organisation, to combine management of production capacity, research and development activities, and to harmonise progressively the distribution channels.

- 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 30 June 2019, Peugeot S.A. holds 46.34% of Faurecia's capital and 63.11% of its voting rights which give exclusive control by the Group. The exercise of all the dilutive instruments issued by Faurecia would have no impact on the Group's exclusive control;

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

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

3.1. CONSOLIDATED STATEMENTS OF INCOME

The columns for each segment shown in the table below are on a stand-alone basis. All intersegment transactions are eliminated and, for the purposes of reconciliation with the Group's financial statements, are shown under the heading "Eliminations and unallocated" together with unallocated amounts. Faurecia and Banque PSA Finance publish consolidated financial statements and segment information for these two businesses is therefore presented down to the level of net profit (loss). For the other segments, as cash positions and taxes are managed jointly in some countries, only operating income and share in net earnings of equity-accounted companies are presented by segment.

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

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

<i>(in million euros)</i>	First-half 2019						
	Automotive	Automotive Equipment	Other Businesses	Finance companies		Eliminations and unallocated ⁽¹⁾	Total
				100%	Reconciliation		
Revenue							
> third parties	30,377	7,930	1	955	(923)		38,340
> intragroup, intersegment	1	1,042	71	116	-	(1,230)	-
Total	30,378	8,972	72	1,071	(923)	(1,230)	38,340
Recurring operating income (loss)	2,657	634	36	513	(500)	(2)	3,338
Non-recurring operating income	18	(4)	-	1	(1)	-	14
Restructuring costs	(579)	(71)	(6)	-	-	-	(656)
Impairment of CGUs, provisions for onerous contracts and other	(182)	-	-	-	-	-	(182)
Other non-recurring operating income and (expenses), net	(5)	(18)	-	(7)	7	-	(23)
Operating income (loss)	1,909	541	30	507	(494)	(2)	2,491
Net financial income (expense)		(95)		-	-	(71)	(166)
Income taxes expense		(93)		(151)	144	(225)	(325)
Share in net earnings of companies at equity	(175)	25	14	10	174		48
Consolidated profit (loss) from continuing operations		378		366	(176)		2,048
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD		378		366	(176)		2,048
Capital expenditure (excluding sales with a buyback commitment)	1,851	605	-	17	(9)	-	2,464

⁽¹⁾ The "Eliminations and unallocated" column includes eliminations of intersector sales between the Finance companies and the other sectors (€108 million).

<i>(in million euros)</i>	First-half 2018						Total
	Automotive ⁽²⁾	Automotive Equipment	Other Businesses	Finance companies		Eliminations and unallocated ⁽¹⁾⁽²⁾	
				100%	Reconciliation		
Revenue							
> third parties	30,712	7,833	-	928	(878)		38,595
> intragroup, intersegment	-	1,158	62	94	-	(1,314)	-
Total	30,712	8,991	62	1,022	(878)	(1,314)	38,595
Recurring operating income (loss)	2,359	642	5	510	(496)	(3)	3,017
Non-recurring operating income	49	-	-	-	-	-	49
Restructuring costs	(483)	(28)	(7)	(3)	3	-	(518)
Impairment of CGUs, provisions for onerous contracts and other	(168)	(17)	-	-	-	-	(185)
Other non-recurring operating income and (expenses), net	(77)	(19)	-	(1)	1	-	(96)
Operating income (loss)	1,680	578	(2)	506	(492)	(3)	2,267
Net financial income (expense)		(68)		19	(15)	(154)	(218)
Income taxes expense		(136)		(146)	141	(268)	(409)
Share in net earnings of companies at equity	(155)	17	13	7	191		73
Consolidated profit (loss) from continuing operations		391		386	(175)		1,713
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD		391		386	(175)		1,713
Capital expenditure (excluding sales with a buyback commitment)	1,693	590	-	14	(8)		2,289

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

⁽²⁾ The comparative information at 30 June 2018 is presented at the level of the entire Automotive segment.

<i>(in million euros)</i>	2018						Total
	Automotive ⁽²⁾	Automotive Equipment	Other Businesses	Finance companies		Eliminations and unallocated ⁽¹⁾⁽²⁾	
				100%	Reconciliation		
Revenue							
> third parties	58,551	15,418	3	1,807	(1,752)	-	74,027
> intragroup, intersegment	2	2,107	145	182	-	(2,436)	-
Total	58,553	17,525	148	1,989	(1,752)	(2,436)	74,027
Recurring operating income (loss)	4,466	1,263	(19)	939	(962)	2	5,689
Non-recurring operating income	328	4	-	-	-	-	332
Restructuring costs	(944)	(104)	(4)	(4)	4	-	(1,052)
Impairment of CGUs, provisions for onerous contracts and other	(277)	(21)	-	(1)	-	-	(299)
Other non-recurring operating income and (expenses), net	(243)	(27)	-	(7)	7	-	(270)
Operating income (loss)	3,330	1,115	(23)	927	(951)	2	4,400
Net financial income (expense)		(163)		24	(14)	(293)	(446)
Income taxes expense		(190)		(290)	288	(423)	(615)
Share in net earnings of companies at equity	(448)	31	13	13	347		(44)
Consolidated profit (loss) from continuing operations		793		674	(330)		3,295
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD		793		674	(330)		3,295
Capital expenditure (excluding sales with a buyback commitment)	3,287	1,269	-	40	(23)	-	4,573

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

⁽²⁾ The comparative information at 30 June 2018 is presented at the level of the entire Automotive segment.

3.2. CONSOLIDATED BALANCE SHEETS

The effect of French tax group, as well as the offsetting of deferred tax assets and liabilities is carried by the Peugeot S.A. holding company in the "Finance companies and other businesses" column.

The centralization of cash in the Group's businesses excluding Automotive Equipment is reported in the "Finance companies and other businesses" column. This causes reciprocal eliminations with the Automotive sector.

	30 June 2019				
	Automotive	Automotive Equipment	Finance companies and other businesses	Eliminations	Total
Assets (in million euros)					
Intangible assets, property, plant and equipment, and goodwill	23,036	8,413	103	(31)	31,521
Investments in companies at equity	538	150	2,523	-	3,211
Investments in non-consolidated companies	126	57	121	-	304
Other non-current financial assets	176	91	485	(40)	712
Deferred tax assets and other non-current assets	5,121	416	(3,155)	(10)	2,372
Total non-current assets	28,997	9,127	77	(81)	38,120
Inventories	5,053	1,650	-	-	6,703
Trade receivables	79	2,790	350	(547)	2,672
Current financial assets and financial investments	30	24	1,093	(83)	1,064
Current taxes and other receivables	2,211	1,158	2,108	(1,971)	3,506
Cash and cash equivalents	15,424	1,882	16,579	(17,269)	16,616
Total current assets	22,797	7,504	20,130	(19,870)	30,561
TOTAL ASSETS	51,794	16,631	20,207	(19,951)	68,681

	30 June 2019				
	Automotive	Automotive Equipment	Finance companies and other businesses	Eliminations	Total
Equity and liabilities (in million euros)					
Total equity					20,778
Non-current provisions	1,018	508	22	-	1,548
Non-current financial liabilities	1,300	3,364	3,254	(40)	7,878
Deferred tax liabilities and other non-current liabilities	8,300	25	(1,199)	(10)	7,116
Total non-current liabilities	10,618	3,897	2,077	(50)	16,542
Current provisions	4,621	193	170	-	4,984
Current financial liabilities	4,828	1,184	13,423	(17,349)	2,086
Trade payables and financing liabilities	10,012	5,220	386	(525)	15,093
Current taxes and other payables	8,801	1,846	578	(2,027)	9,198
Total current liabilities	28,262	8,443	14,557	(19,901)	31,361
TOTAL EQUITY AND LIABILITIES					68,681

Assets (in million euros)	31 December 2018				
	Automotive	Automotive Equipment	Finance companies and other businesses	Eliminations	Total
Intangible assets, property, plant and equipment, and goodwill	20,504	6,408	58	(25)	26,945
Investments in companies at equity	762	144	2,538	-	3,444
Investments in non-consolidated companies	250	61	98	-	409
Other non-current financial assets	208	90	450	(36)	712
Deferred tax assets and other non-current assets	4,955	404	(3,051)	(12)	2,296
Total non-current assets	26,679	7,107	93	(73)	33,806
Inventories	5,280	1,430	-	-	6,710
Trade receivables	131	2,169	434	(572)	2,162
Current financial assets and financial investments	49	67	977	(201)	892
Current taxes and other receivables	2,037	910	604	(595)	2,956
Cash and cash equivalents	13,841	2,105	16,190	(16,710)	15,426
Total current assets	21,338	6,681	18,205	(18,078)	28,146
TOTAL ASSETS	48,017	13,788	18,298	(18,151)	61,952

Equity and liabilities (in million euros)	31 December 2018				
	Automotive	Automotive Equipment	Finance companies and other businesses	Eliminations	Total
Total equity					19,594
Non-current provisions	964	409	19	-	1,392
Non-current financial liabilities	755	1,870	2,668	(36)	5,257
Deferred tax liabilities and other non-current liabilities	6,666	36	(983)	(12)	5,707
Total non-current liabilities	8,385	2,315	1,704	(48)	12,356
Current provisions	4,654	173	238	-	5,065
Current financial liabilities	5,003	936	13,153	(16,910)	2,182
Trade payables and financing liabilities	9,450	4,560	416	(548)	13,878
Current taxes and other payables	7,665	1,562	296	(646)	8,877
Total current liabilities	26,772	7,231	14,103	(18,104)	30,002
TOTAL EQUITY AND LIABILITIES					61,952

NOTE 4 - OPERATING INCOME

4.1. RESEARCH AND DEVELOPMENT EXPENSES

(in million euros)	First-half 2019	First-half 2018	2018
Total expenditure ⁽¹⁾	(2,064)	(2,000)	(3,914)
Capitalised development expenditure ⁽²⁾	1,087	1,006	2,099
Non-capitalised expenditure	(977)	(994)	(1,815)
Amortization of capitalised development expenditure	(366)	(338)	(667)
TOTAL	(1,343)	(1,332)	(2,482)

⁽¹⁾ Including €1,426 million for the Automotive segment (€1,446 million in first-half 2018 and €2,872 million in 2018).

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

4.2. NON-RECURRING OPERATING INCOME AND EXPENSES

<i>(in million euros)</i>	Notes	First-half 2019	First-half 2018	2018
Net gains on disposals of real estate assets		8	39	312
Reversal of impairment loss on CGUs, provisions for onerous contracts and other income of the Automotive CGU	4.2.A.(1)	10	10	18
Other non-recurring operating income on other CGUs		(4)	-	2
Total non-recurring operating income		14	49	332
Impairment loss on CGUs, provisions for onerous contracts and other income of the Automotive CGU	4.2.A.(1)	(187)	(245)	(520)
Impairment loss on Faurecia group's CGUs and other expenses	4.2.A.(2)	(18)	(36)	(48)
Restructuring costs	4.2.B	(656)	(518)	(1,052)
Other non-recurring operating expenses on other CGUs		-	-	(1)
Total non-recurring operating expenses		(861)	(799)	(1,621)

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

(1) Impairment test on CGUs and other depreciations of the Automotive segment

The assets of the Automotive division's CGU, as well as those of the assembly plants in Russia, Latin America, and the Vehicles CGUs were subject to impairment tests at 31 December 2018.

▪ Automotive segment CGU

Starting in the first half of 2019, the Peugeot Citroën DS and Opel Vauxhall Automotive segments were combined into a single Automotive segment (see Note 3). The Automotive segment now makes up a single CGU. This combination has no effect on the impairment tests carried out at the beginning of the period. There were no indications of impairment losses on this CGU during the half-year.

▪ Vehicle CGUs and other automotive assets

There were no indications of impairment losses on the vehicle CGUs and the other Automotive assets during the half-year, with the exception of a €139 million impaired vehicle CGU.

Risks of impairment losses were identified on the other automotive assets, and led to the identification of an impairment loss of 43 million euros.

(2) Impairment test on CGUs and other depreciations of the Faurecia group

There were no indications that the Faurecia CGUs might be impaired at 30 June 2019 and therefore no impairment tests were performed at that date.

The market value of Faurecia securities at 30 June 2019 covers the value of Faurecia's net assets in the Groupe PSA's financial statements.

B. Restructuring costs

Restructuring costs consist mainly of workforce reductions.

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Automotive segment	(579)	(483)	(944)
Automotive Equipment segment	(71)	(28)	(104)
Other businesses segment	(6)	(7)	(4)
TOTAL	(656)	(518)	(1,052)

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

5.1. INVENTORIES

<i>(in million euros)</i>	30 June 2019	30 June 2018	31 December 2018
Raw materials and supplies	1,344	1,196	1,126
Semi-finished products and work-in-progress	1,129	1,166	995
Goods for resale and used vehicles	820	898	954
Finished products and replacement parts	3,410	4,254	3,635
TOTAL, NET	6,703	7,514	6,710
<i>Gross value</i>	<i>7,207</i>	<i>8,009</i>	<i>7,197</i>
<i>Accumulated depreciation</i>	<i>(504)</i>	<i>(495)</i>	<i>(487)</i>

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

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
(Increase) Decrease in inventories	166	(225)	368
(Increase) Decrease in trade receivables	(895)	(257)	1,342
Increase (Decrease) in trade payables	958	1,553	294
Change in income taxes	56	(21)	(67)
Other changes	301	120	(330)
	586	1,170	1,607
<i>Net cash flows with Group Finance companies</i>	<i>(1)</i>	<i>(10)</i>	<i>(1)</i>
TOTAL	585	1,160	1,606

NOTE 6 - EMPLOYEE BENEFITS EXPENSE

6.1. PENSIONS

A. Assumptions

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

	Euro zone	United Kingdom
Discount Rate		
June 2019	1.20%	2.45%
December 2018	1.95%	2.95%
June 2018	1.85%	2.90%
Inflation Rate		
June 2019	1.80%	3.30%
December 2018	1.80%	3.30%
June 2018	1.80%	3.10%

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

B. Analysis at 30 June 2019

(in million euros)	30 June 2019					31 December 2018				
	France	United Kingdom	Germany	Other	Total	France	United Kingdom	Germany	Other	Total
Present value of projected benefit obligation	(1,456)	(2,300)	(3,321)	(626)	(7,703)	(1,357)	(2,136)	(2,847)	(505)	(6,845)
Fair value of external funds	778	2,778	3,030	465	7,051	789	2,567	2,602	381	6,339
NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET BEFORE MINIMUM FUNDING REQUIREMENT (IFRIC 14)	(678)	478	(291)	(161)	(652)	(568)	431	(245)	(124)	(506)
Minimum funding requirement liability (IFRIC 14)	-	(48)	-	-	(48)	-	(37)	-	-	(37)
NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET	(678)	430	(291)	(161)	(700)	(568)	394	(245)	(124)	(543)
Of which, liability (Note 8)	(702)	(175)	(294)	(195)	(1,366)	(592)	(159)	(273)	(159)	(1,183)
Of which, asset	24	605	3	34	666	24	553	28	35	640
Of which, unfunded plans	0.0%	0.0%	0.0%	8.0%	0.7%	0.0%	0.0%	0.0%	10.0%	0.7%

6.2. SHARE-BASED PAYMENT

A. Peugeot S.A. performance share plans

(1) Performance share plans 2016, 2017 et 2018

The personnel expense associated with the 2016, 2017 and 2018 plans, measured in accordance with IFRS 2, was €15.2 million for the first-half 2019, excluding payroll taxes.

(2) Performance share plan 2019

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 recurring operating income of the Automotive division;
- Quality through the Group World Automotive quality failure rate;
- Compliance with environmental requirements through the level of CO² 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. As of 30 June 2019, 2,354,683 shares are potentially attributable to the beneficiaries of the plan.

The personnel expense associated with the 2019 plan, measured in accordance with IFRS 2, was €1.4 million for the first-half 2019, excluding payroll taxes.

B. Faurecia performance share plan

At 30 June 2019, two performance share plans were in force, implemented by the Board of Directors at its meetings of dated 20 July 2017 and 19 July 2018.

The personnel expense associated with these plans, measured in accordance with IFRS 2, was €11.2 million for the first-half 2019, excluding payroll taxes.

The performance conditions of the plan awarded by the Board at its meeting of 23 July 2015 have been met. The corresponding 600,805 shares will be allocated in July 2019. The performance conditions of the plan awarded by the Board at its meeting of 25 July 2016 have been met. The corresponding 659,270 shares will be allocated in July 2020.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

7.1. DIRECTLY-OWNED PROPERTY, PLANT AND EQUIPMENT

(in million euros)	30 June 2019					
	Land and buildings	Plant and equipment	Leased vehicles ⁽¹⁾	Fixtures, fittings and other	Assets under construction	Total
Net						
At beginning of period	2,203	6,345	3,547	408	1,633	14,136
Reclassification of finance leases	(23)	(2)	-	(16)	-	(41)
At 1st January 2019	2,180	6,343	3,547	392	1,633	14,095
Purchases/additions	33	548	-	24	796	1,401
Depreciation for the year	(83)	(682)	-	(52)	-	(817)
Impairment losses	(2)	(40)	-	-	-	(42)
Disposals	(12)	(48)	-	(4)	-	(64)
Transfers and reclassifications	8	371	-	10	(389)	-
Change in scope of consolidation and other ⁽¹⁾	143	238	1,063	41	(230)	1,255
Translation adjustment	3	-	(2)	-	(5)	(4)
AT PERIOD-END	2,270	6,730	4,608	411	1,805	15,824
<i>Gross value</i>	<i>6,678</i>	<i>34,029</i>	<i>4,930</i>	<i>1,355</i>	<i>1,832</i>	<i>48,824</i>
<i>Accumulated depreciation and impairment</i>	<i>(4,408)</i>	<i>(27,299)</i>	<i>(322)</i>	<i>(944)</i>	<i>(27)</i>	<i>(33,000)</i>

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

(in million euros)	31 December 2018					
	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
<i>Gross value</i>	<i>6,570</i>	<i>33,014</i>	<i>3,841</i>	<i>1,165</i>	<i>1,657</i>	<i>46,247</i>
<i>Accumulated depreciation and impairment</i>	<i>(4,367)</i>	<i>(26,669)</i>	<i>(294)</i>	<i>(757)</i>	<i>(24)</i>	<i>(32,111)</i>

⁽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 €17 million.

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

7.2. RIGHTS OF USE

	30 June 2019			Total
	Land and buildings	Plant and equipment	Fixtures, fittings and other	
<i>(in million euros)</i>				
Net				
Reclassification of finance leases	23	2	16	41
1 st implementation of IFRS 16	1,306	88	111	1,505
At 1st January 2019	1,329	90	127	1,546
Purchases/additions	80	36	35	151
Depreciation for the year	(105)	(15)	(25)	(145)
Impairment losses	(2)	-	-	(2)
Disposals	(1)	-	(3)	(4)
Change in scope of consolidation and other	8	-	3	11
Translation adjustment	(2)	-	2	-
AT PERIOD-END	1,307	111	139	1,557
<i>Gross value</i>	<i>1,435</i>	<i>127</i>	<i>163</i>	<i>1,725</i>
<i>Accumulated depreciation and impairment</i>	<i>(128)</i>	<i>(16)</i>	<i>(24)</i>	<i>(168)</i>

NOTE 8 - CURRENT AND NON-CURRENT PROVISIONS

<i>(in million euros)</i>	Notes	31 December 2018	Additions	Releases (utilisations)	Releases (unused provisions)	Recognised in equity during the period	Change in scope of consolidation and other	30 June 2019
Pensions	6.1	1,183	103	(23)	(12)	124	(9)	1,366
Other employee benefit obligations and other		209	15	(20)	(3)	-	(19)	182
TOTAL NON-CURRENT PROVISIONS		1,392	118	(43)	(15)	124	(28)	1,548
Warranties		1,563	369	(435)	(1)	-	11	1,507
Commercial and tax claims and litigations		773	77	(172)	(56)	-	430	1,052
Restructuring plans		1,373	540	(327)	(29)	-	29	1,586
Long-term and operating contract losses		504	107	(179)	(4)	-	(197)	231
Other		852	58	(48)	(30)	-	(224)	608
TOTAL CURRENT PROVISIONS		5,065	1,151	(1,161)	(120)	-	49	4,984

NOTE 9 - INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Companies accounted for by the equity method include:

- Automotive joint ventures with Dongfeng Motor Group (see Note 9.4.A) and Changan (see Note 9.4.B), located in China;
- Finance companies in partnership with:
 - Santander Consumer Finance covering the financing of the Peugeot, Citroën and DS brands' operations in the following countries: Austria, Belgium, Brazil, France, Germany, Italy, Malta, the Netherlands, Poland, Spain, Switzerland and the United-Kingdom (see Note 9.4.C);
 - BNP Paribas covering the financing of the Opel and Vauxhall brands' operations in the following countries: Austria, Belgium, France, Germany, Italy, the Netherlands, Switzerland and the United-Kingdom (see Note 9.4.D);
 - as well as the joint company with Dongfeng Motor Group in China;
- The companies over which the Group has significant influence, mainly GEFCO and Peugeot Scooters.

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

<i>(in million euros)</i>	30 June 2019	31 December 2018
At beginning of period	3,444	3,472
Dividends and profit transfers	(218)	(145)
Share of net earnings	48	(44)
Newly consolidated companies	58	13
Capital increase (Reduction)	9	210
Changes in scope of consolidation and other	(140)	(37)
Translation adjustment	10	(25)
AT PERIOD-END	3,211	3,444
Of which Dongfeng Peugeot Citroën Automobile goodwill	81	76
Of which Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill	2	3
Of which GEFCO goodwill	57	57

9.2. SHARE IN NET ASSETS OF EQUITY-ACCOUNTED COMPANIES

<i>(in million euros)</i>	Latest % interest	30 June 2019	31 December 2018
Dongfeng Peugeot Citroën Automobiles ⁽¹⁾ and Dongfeng Peugeot Citroën Automobiles Sales Co	50%	493	645
Changan PSA Automobiles Co., Ltd	50%	(70)	(65)
Other		45	10
Automotive		468	590
Automotive equipment		150	144
> GEFCO ⁽¹⁾	25%	155	166
> Peugeot Scooters	49%	(19)	(11)
Other activities		136	155
Manufacturing and sales companies		754	889
Finance companies in partnership with Santander Consumer Finance	50%	1,708	1,685
Finance companies in partnership with BNP Paribas	50%	551	588
Dongfeng Peugeot Citroën Automobile Finance Company Ltd ⁽¹⁾	25%	109	99
Finance companies		2,368	2,372
TOTAL		3,122	3,261

⁽¹⁾ Including goodwill (see Note 9.1).

The Group's share of the net assets of equity-accounted companies breaks down into €3,211 million (€3,444 million at 31 December 2018) related to companies with positive net equity, reported under "Investments in companies at equity", less €89 million for companies with negative net equity (€188 million of negative equity at 31 December 2018).

9.3. SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES

(in million euros)	Latest % interest	First-half 2019	First-half 2018	2018
> Dongfeng Peugeot Citroën Automobiles ⁽¹⁾	50%	(138)	9	(110)
> Dongfeng Peugeot Citroën Automobiles Sales Co	50%	(25)	3	(124)
Dongfeng Motor Company cooperation agreement:		(163)	12	(234)
Changan PSA Automobiles Co., Ltd	50%	-	(9)	(68)
> Saïpa Citroën Company	50%	-	(148)	(148)
> Other companies		(13)	(10)	2
Other		(13)	(158)	(146)
Automotive		(176)	(155)	(448)
Automotive equipment		25	17	31
> GEFCO ⁽¹⁾	25%	18	15	24
> Peugeot Scooters	49%	(4)	(2)	(11)
Other activities		14	13	13
Manufacturing and sales companies		(137)	(125)	(404)
Finance companies in partnership with Santander				
Consumer Finance	50%	132	119	241
Finance companies in partnership with BNP Paribas	50%	43	72	106
Dongfeng Peugeot Citroën Automobile Finance Company Ltd ⁽¹⁾	25%	10	7	13
Finance companies		185	198	360
TOTAL		48	73	(44)

⁽¹⁾ Including goodwill (see Note 9.1).

9.4. KEY FINANCIAL DATA OF EQUITY-ACCOUNTED COMPANIES

The detailed data about the equity-accounted companies are the following.

A. Dongfeng Motor Group cooperation agreement in the Automotive activities

Groupe PSA and Dongfeng Motor Group have two joint ventures:

- Dongfeng Peugeot Citroën Automobile (DPCA), based in Wuhan, which is subject to joint control and is qualified for accounting purposes as a joint venture. It manufactures motor vehicles under the Dongfeng Peugeot, Dongfeng Citroën brands in China and Fengshen 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		
	First-half 2019	First-half 2018	2018	First-half 2019	First-half 2018	2018
Revenue	921	2,286	3,652	7,053	17,653	28,339
Recurring operating income (loss)	(110)	4	(244)	(853)	39	(1,918)
Operating income (loss) ⁽¹⁾	(129)	21	(490)	(1,004)	166	(3,858)
Of which depreciation and impairment	(197)	(145)	(550)	(1,517)	(1,116)	(4,314)
Net financial income (loss) ⁽¹⁾	(11)	9	10	(89)	72	75
Income taxes	(184)	(5)	12	(1,439)	(38)	96
PROFIT (LOSS) OF THE PERIOD	(325)	25	(468)	(2,532)	200	(3,687)
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	(163)	12	(234)			
Income and expenses recognised in equity, net	-	-	-			
Other information						
Net dividend received from the joint venture(s) by Groupe PSA	-	-	-			

⁽¹⁾ Impact relating to the implementation of IFRS 16 non-material.

Given the decline in sales volumes, the Group performed an impairment test on tangible and intangible fixed assets as well as on deferred tax assets on the deficit of DPCA. The necessary impairment losses have been taken into account in the net earnings of DPCA-DPCS accounted for under the equity method, for an amount of €113 million. In addition, investments accounted for under the equity method were subject to impairment tests, which did not lead to the recognition of additional impairment loss.

B. Changan cooperation agreement

Since 2011, Groupe PSA and Changan have owned a joint venture known as Changan PSA Automobile (CAPSA), based in Shenzhen, subject to joint control and classified for accounting purposes as a joint venture. It manufactures and markets motor vehicles under the DS brand in China.

The securities accounted for using the equity method were fully impaired as at 31 December 2018. The Group did not commit to new financing, thus no additional provision was made.

C. Santander agreement in the financing activities

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

At 30 June 2019, the scope of the partnership with Santander includes eleven European countries as well as Brazil.

EARNINGS ITEMS AT 100%

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Net banking revenue	597	550	1,121
General operating expenses and others	(198)	(191)	(384)
Gross operating income	399	359	737
Cost of risk	(24)	(14)	(23)
Operating income ⁽¹⁾	375	345	714
Non operating items	-	(3)	(11)
Income taxes	(112)	(105)	(219)
PROFIT (LOSS) FOR THE PERIOD	263	237	484
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	132	118	242
Income and expenses recognised in equity, net	(2)	(9)	(15)
Other information			
Net dividend received from the joint venture(s) by Groupe PSA	108	69	105

⁽¹⁾ Of which €3 million relating to IFRS 16.

STATEMENT OF FINANCIAL POSITION'S AT 100%

<i>(in million euros)</i>	30 June 2019	31 December 2018
Customer loans and receivables	29,475	27,940
Other assets	3,342	2,916
TOTAL ASSETS	32,817	30,856
Financing liabilities ⁽¹⁾	23,064	22,038
Other liabilities	6,345	5,455
Equity	3,408	3,363
TOTAL LIABILITIES	32,817	30,856

⁽¹⁾ Of which €25 million relating to IFRS 16.

D. BNP Paribas agreement in the financing activities

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

At 30 June 2019, the scope of the partnership with BNP Paribas includes eight European countries.

EARNINGS ITEMS AT 100%

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Net banking revenue	244	282	515
General operating expenses and others	(117)	(123)	(249)
Gross operating income	127	159	266
Cost of risk	(2)	(6)	(15)
Operating income ⁽¹⁾	125	153	251
Non operating items	(7)	26	28
Income taxes	(32)	(36)	(68)
PROFIT (LOSS) FOR THE PERIOD	86	143	211
Group's share in the profit (loss) of the period (Share in net earnings of companies at equity)	43	72	106
Income and expenses recognised in equity, net	(10)	1	(2)
Other information			
Net dividend received from the joint venture(s) by Groupe PSA	74	-	-

⁽¹⁾ Impact relating to IFRS 16 non-material.

STATEMENT OF FINANCIAL POSITION'S ITEMS AT 100%

<i>(in million euros)</i>	30 June 2019	31 December 2018
Customer loans and receivables	10,654	9,817
Other assets	692	551
TOTAL ASSETS	11,346	10,368
Financing liabilities ⁽¹⁾	8,397	7,549
Other liabilities	1,845	1,641
Equity	1,104	1,178
TOTAL LIABILITIES	11,346	10,368

⁽¹⁾ O/w €8 million relating to IFRS 16.

9.5. RELATED PARTIES TRANSACTIONS – EQUITY-ACCOUNTED COMPANIES

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

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

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Sales to manufacturing and sales companies ⁽¹⁾	769	215	364
Sales and assignments to companies in partnership with Santander	2,478	2,796	5,404
Purchases ⁽²⁾	(1,355)	(1,427)	(2,630)

⁽¹⁾ of which €102 million in sales to companies in partnership with Dongfeng Motor Group (€174 million in first-half 2018 and €294 million in 2018).

⁽²⁾ of which €984 million in purchases from Gefco (€1,029 million in first-half 2018 and €1,942 million in 2018).

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

<i>(in million euros)</i>	30 June 2019	31 December 2018
Long-term loans	-	-
Loans - due within one year	31	16
Accounts receivable	269	147
Accounts payable	(248)	(176)

NOTE 10 - FINANCING AND FINANCIAL INSTRUMENTS – MANUFACTURING AND SALES COMPANIES

10.1. NET FINANCIAL INCOME (EXPENSE)

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Interest income	45	14	19
Finance costs	(150)	(122)	(288)
Other financial income	59	47	159
Other financial expenses	(120)	(161)	(346)
NET FINANCIAL INCOME (EXPENSE)	(166)	(222)	(456)

▪ Finance costs

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

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Interest expenses	(130)	(160)	(293)
Interest expenses on lease liabilities ⁽¹⁾	(33)	-	(8)
Foreign exchange gain (loss) on financial transactions and other	(23)	(13)	(72)
Finance costs incurred	(186)	(173)	(373)
<i>Of which Automotive Division and Other businesses</i>	<i>(101)</i>	<i>(111)</i>	<i>(249)</i>
Capitalised borrowing costs	36	51	85
TOTAL	(150)	(122)	(288)

⁽¹⁾ In 2018 the interest expenses relate to the finance leases.

FINANCE COSTS INCURRED, NET OF INTEREST INCOME

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Finance costs incurred	(186)	(173)	(373)
<i>Of which Automotive Division and Other businesses</i>	<i>(101)</i>	<i>(111)</i>	<i>(249)</i>
Interest income	45	14	19
<i>Of which Automotive Division and Other businesses</i>	<i>35</i>	<i>8</i>	<i>9</i>
TOTAL	(141)	(159)	(354)
<i>Of which Automotive Division and Other businesses</i>	<i>(66)</i>	<i>(103)</i>	<i>(240)</i>

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

A. Composition of net financial position (net debt)

<i>(in million euros)</i>	31 December 2018	Change in cash and cash equivalents	Change in scope of consolidation	Remeasurement of equity	Exchange rate fluctuations	Other changes	30 June 2019
Non-current financial liabilities	(5,257)	(1,548)	(65)	(4)	(8)	(994)	(7,876)
Current financial liabilities	(2,182)	841	(132)	-	5	(618)	(2,086)
Other non-current financial assets	684	(19)	(2)	(4)	4	25	688
Current financial assets	842	175	(14)	-	4	-	1,007
Financial investments	50	7	-	-	-	-	57
Cash and cash equivalents	14,961	1,155	-	-	-	-	16,116
(NET DEBT) NET FINANCIAL POSITION ⁽¹⁾	9,098	611	(213)	(8)	5	(1,587)	7,906
Of which external loans and borrowings	9,097						7,903
Of which financial assets and liabilities with finance companies	1						3
⁽¹⁾ Of which Automotive and Other Businesses	9,643						10,457

B. Change in net financial position (net debt)

The Group kept up the proactive refinancing strategy and conservative liquidity policy described in Note 11.7.A of the consolidated financial statements for 2018.

The manufacturing and sales companies have maintained the level of their net financial position during the first-half 2019, excluding the impact of the application of IFRS 16.

Net cash from operating activities for the half-year totalled positive €4,860 million, representing funds from operations of €4,274 million plus the positive impact of €586 million in working capital. Changes in working capital are discussed in Note 5.2.

Investments for the period in property, plant and equipment and intangible fixed assets amounted to €2,329 million. Other net investment and financing needs for the half-year stood at €1,837 million. This amount includes in particular €1,153 million in capital increases and acquisitions of consolidated companies and equity investments, mainly the acquisition of Clarion by Faurecia, as well as the payment of €697 million in dividends to Peugeot S.A. shareholders and of €111 million to minority interests of the fully integrated affiliates.

These various cash inflows and outflows have resulted in a decrease in the net financial position of €1,192 million, which breaks down as follows:

- cash and cash equivalents increased by €1,040 million;
- net debt before cash and cash equivalents increased by €446 million as a result of the following variations:

<i>(in million euros)</i>	30 June 2019	30 June 2018	31 December 2018
Increase in borrowings	1,468	898	1,647
Repayment of borrowings and conversion of bonds	(809)	(932)	(1,258)
(Increase) Decrease in non-current financial assets	8	(161)	(232)
(Increase) Decrease in current financial assets	(180)	170	557
Increase (Decrease) in current financial liabilities	(41)	(2)	(83)
	446	(27)	631
<i>Net cash flows with Group finance companies</i>	-	-	-
TOTAL	446	(27)	631

Increase in borrowings in the amount of €1,468 million notably includes (see Note 10.4.B) :

- €522 million raised by Peugeot S.A. using a private investment under German law, *Schuldscheindarlehen*;
- €500 million from the Faurecia bond issue, due in June 2016.

Debt repayments in the amount of €809 million include notably the repayment by Peugeot S.A. of €430 million in 2013 bonds upon maturity in March 2019.

Furthermore, the non-cash changes represented a decrease of €1,786 million in the net debt of the Group, of which €1,454 million related to the recognition, on 1 January 2019, of the lease liabilities.

10.3. FINANCIAL SECURITY

€1,007 million (€842 million at 31 December 2018) and €558 million (€568 million at 31 December 2018) in current and non-current financial assets respectively were included in the calculation of financial security, representing a total of €1,565 million (€1,410 million at 31 December 2018).

<i>(in million euros)</i>	Notes	30 June 2019	31 December 2018
Cash and cash equivalents	10.4.A	16,116	14,961
Financial investments		57	50
Current & non-current financial assets		1,565	1,410
Total		17,738	16,421
Lines of credit (undrawn) – excluding Faurecia		3,000	3,000
Lines of credit (undrawn) – Faurecia		1,200	1,950
TOTAL FINANCIAL SECURITY		21,938	21,371
<i>of which Faurecia</i>		3,197	4,211

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:

<i>(in million euros)</i>	30 June 2019	31 December 2018
Peugeot S.A. and GIE PSA Trésorerie	3,000	3,000
Faurecia	1,200	1,950
UNDRAWN CONFIRMED LINES OF CREDIT	4,200	4,950

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), via banks. This credit facility was undrawn at the period-end.

Should Peugeot S.A. lose its "Investment Grade" rating, the drawing of this line will be subject to:

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

The net debt (net financial position) of manufacturing and sales companies is defined and disclosed in Note 10.2. The Group's equity is that listed under "Total Equity" in liabilities.

Both covenants were complied at 30 June 2019.

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.

10.4. BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES

A. Cash and cash equivalents

Cash and cash equivalents include the following items:

<i>(in million euros)</i>	30 June 2019	31 December 2018
Mutual fund units and money market securities	11,564	11,537
Cash and current account balances	4,552	3,424
Total - manufacturing and sales companies	16,116	14,961
<i>of which deposits with finance companies</i>	<i>(3)</i>	<i>(1)</i>
TOTAL	16,113	14,960

B. BREAKDOWN OF FINANCIAL LIABILITIES

<i>(in million euros)</i>	Carrying amount at 30 June 2019		Carrying amount at 31 December 2018	
	Amortised cost or fair value		Amortised cost or fair value	
	Non-current	Current	Non-current	Current
Bonds	5,034	43	4,021	499
Other long-term borrowings	1,579	222	1,144	408
Other short-term financing and overdraft facilities	-	1,440	-	1,239
Derivative instruments and other	17	19	2	11
Financial liabilities excluding lease liabilities	6,630	1,724	5,167	2,157
Lease liabilities ⁽¹⁾	1,246	362	90	25
TOTAL FINANCIAL LIABILITIES	7,876	2,086	5,257	2,182

⁽¹⁾ In 2018, relating to finance lease liabilities.

(1) Main financing transactions during the first-half 2019

The main transactions during the first-half 2019 were as follows:

- On 13 March 2019, Faurecia carried out a bond issue of €500 million due in June 2026, with an 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 30 April 2019, Peugeot S.A. raised 522 million euros using a private investment under German law, *Schuldscheindarlehen*. This transaction is structured in several tranches denominated in euros, with maturities of 4.5, 7, and 8 years;
- In March 2019 upon maturity, Peugeot S.A. repaid the 2013 bonds for €430 million.

(2) Financing by the assignment of receivables

The Automotive division and Faurecia meet part of their financing needs by selling receivables to financial institutions. The financing of receivables in the Automotive segment's dealer networks by financing companies in partnership with Santander and BNP Paribas totalled €7,854 million (€7,331 million at 31 December 2018).

Other financing through the sale of receivables is as follows:

	30 June 2019		31 December 2018	
	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
<i>(in million euros)</i>				
Portion financed by third party financial institution ⁽¹⁾	3,705	249	3,591	239
> of which Faurecia Group	887	54	825	69

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

(3) Lease liabilities

<i>(in million euros)</i>	30 June 2019
2019	-
2020	363
2021	239
2022	199
2023	168
2024	136
2025	120
Subsequent years	383
TOTAL LEASE LIABILITIES	1,608

NOTE 11 - FINANCING AND FINANCIAL INSTRUMENTS – FINANCE COMPANIES

11.1. CURRENT FINANCIAL ASSETS

A. Loans and receivables - finance companies

<i>(in million euros)</i>	30 June 2019	31 December 2018
Total net "Retail, Corporate and Equivalent"	100	115
Total net "Corporate Dealers" wholesale financing	74	64
TOTAL	174	179

B. Cash and cash equivalents

Cash and cash equivalents amounted to €503 million at 30 June 2019 (€466 million at 31 December 2018), including term loans, central bank deposits, French treasury bonds and investments in mutual funds.

11.2. FINANCING LIABILITIES – FINANCE COMPANIES

<i>(in million euros)</i>	30 June 2019	31 December 2018
Other debt securities and bond debt	254	253
Bank borrowings	79	72
	333	325
Customer deposits	4	3
	337	328
<i>Amounts due to Group manufacturing and sales companies</i>	<i>(3)</i>	<i>(1)</i>
TOTAL	334	327

Undrawn syndicated lines of credit

At 30 June 2019, the credit lines totalling €192 million are detailed as follows:

- €150 million in undrawn revolving bilateral lines;
- €42 million in undrawn various bank lines of credit.

NOTE 12 - INCOME TAXES

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

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

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Income (loss) before tax of fully-consolidated companies	2,325	2,049	3,954
<i>French statutory income tax rate for the period</i>	<i>32.0%</i>	<i>34.4%</i>	<i>34.4%</i>
Theoretical tax expense for the period based on the French statutory income tax rate	(744)	(705)	(1,361)
Tax effect of the following items:			
> Permanent differences and tax loss carryforwards of the period, not capitalized	78	(179)	(202)
> Income taxable at reduced rates	11	42	77
> Tax credits	11	27	21
> Effect of differences in foreign tax rates and other	102	122	202
Income tax before impairment losses on the French tax group	(542)	(693)	(1,263)
<i>Effective tax rate applicable to the Group</i>	<i>23.3%</i>	<i>33.8%</i>	<i>31.9%</i>
> French tax group of Peugeot S.A.			
- Utilization during the fiscal year of previously unrecognised losses	87	113	171
- Capitalisation of deferred taxes on previously unrecognised tax loss carryforwards	118	174	390
> Deferred taxes on tax loss carryforwards outside of the Peugeot S.A. French tax group	12	(3)	87
INCOME TAX EXPENSE	(325)	(409)	(615)
<i>Effective tax rate applicable to the Group after recognition of deferred taxes losses</i>	<i>14.0%</i>	<i>20.0%</i>	<i>15.6%</i>

NOTE 13 - EQUITY AND EARNINGS PER SHARE

13.1. EQUITY

A. Analysis of share capital

<i>(in euros)</i>	30 June 2019	31 December 2018
Share capital at beginning of period	904,828,213	904,828,213
SHARE CAPITAL AT END OF PERIOD	904,828,213	904,828,213

Situation at 30 June 2019

Share capital amounted to €904,828,213 at 30 June 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 Dongfeng Motor Group, the Peugeot family (FFP and Établissements Peugeot Frères) and Lions Participation (BPI France) each stood at 12.23% (12.23% at 31 December 2018) i.e. 110,622,220 shares each. For these three shareholders, their stake accounted for 17.72% of the voting right, including treasury shares, and for 17.58% of the voting rights, excluding treasury shares. The share price on 30 June 2019 was €21.67.

B. Treasury shares

The Group may use the buyback authorisations given at Shareholders' Meetings to buy back Peugeot S.A. shares. No shares were bought back during the first-half of 2019.

Changes in treasury shares are presented in the following table:

<i>(number of shares)</i>	First-half 2019	2018
	Transactions	Transactions
At beginning of period	11,315,735	11,315,735
Sales of treasury shares	(65,328)	-
Shares delivered under the 2015 performance share plan	(325,792)	-
Shares delivered under the 2016 performance share plan	(980,880)	-
AT PERIOD-END	9,943,735	11,315,735
Allocation		
> Shares held for allocation on exercise of future performance share or stock options plans	3,821,735	3,333,735
> Coverage of the 2015 performance share plan	-	389,000
> Coverage of the 2016 performance share plan	1,021,000	2,200,000
> Coverage of the 2017 performance share plan	2,519,000	2,693,000
> Coverage of the 2018 performance share plan	2,582,000	2,700,000
	9,943,735	11,315,735

13.2. BASIC EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share attributable to equity holders of the parent 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 first-half of 2019.

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 shares.

	First-half 2019	First-half 2018	2018
Consolidated profit (loss) from continuing operations - attributable to equity holders of the parent <i>(in million euros)</i>	1,832	1,481	2,827
Consolidated profit (loss) for the period - attributable to equity holders of the parent <i>(in million euros)</i>	1,832	1,481	2,827
Average number of €1 par value shares outstanding	893,920,145	893,512,478	893,512,478
Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent <i>(in euros)</i>	2.05	1.66	3.16
BASIC EARNINGS PER €1 PAR VALUE SHARE <i>(IN EUROS)</i> - ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	2.05	1.66	3.16

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

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

The performance share grants (see Note 6.2) and the equity warrants had a potential dilutive effect on 30 June 2019.

The following tables show the effects of the calculation:

(1) Effect on the average number of shares

	Notes	First-half 2019	First-half 2018	2018
Average number of €1 par value shares outstanding		893,920,145	893,512,478	893,512,478
Dilutive effect, calculated by the treasury shares method, of:		-	-	-
> Equity warrants delivered to General Motors Group		39,727,324	39,727,324	39,727,324
> Performance share grants	6.2.A	6,976,692	5,534,739	6,252,094
Diluted average number of shares		940,624,161	938,774,541	939,491,896

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

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Consolidated profit (loss) from continuing operations - attributable to equity holders of the parent	1,832	1,481	2,827
Dilutive effect of Faurecia (performance share grants)	-	-	-
CONSOLIDATED PROFIT (LOSS) FROM CONTINUING OPERATIONS (AFTER FAURECIA DILUTION EFFECT)	1,832	1,481	2,827
Diluted earnings of continuing operations - attributable to equity holders of the parent per €1 par value share <i>(in euros)</i>	1.95	1.58	3.01

(3) Effect of Faurecia dilution on consolidated profit (loss) for the period - attributable to equity holders of the parent

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Consolidated profit (loss) for the period - attributable to equity holders of the parent	1,832	1,481	2,827
Dilutive effect of Faurecia (performance share grants)	-	-	-
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD (AFTER FAURECIA DILUTION)	1,832	1,481	2,827
Diluted earnings attributable to equity holders of the parent per €1 par value share <i>(in euros)</i>	1.95	1.58	3.01

NOTE 14 - EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

<i>(in million euros)</i>	Notes	30 June 2019	30 June 2018	31 December 2018
Cash and cash equivalents	10.4.A	16,116	13,608	14,961
Payments issued		(132)	(150)	(23)
Other		3	3	3
Net cash and cash equivalents - manufacturing and sales companies		15,987	13,461	14,941
Cash and cash equivalents	11.1.B	503	440	466
Other		(6)	-	(4)
Net cash and cash equivalents - finance companies		497	440	462
<i>Elimination of intragroup transactions</i>		(3)	(9)	(1)
TOTAL		16,481	13,892	15,402

14.2. STATEMENTS OF CASH FLOWS – MANUFACTURING AND SALES COMPANIES

<i>(in million euros)</i>	Notes	First-half 2019	First-half 2018	2018
Consolidated profit (loss) from continuing operations		1,858	1,502	2,951
Adjustments for non-cash items:				
> depreciation, amortization and impairment		1,782	1,468	2,983
> provisions		42	164	271
> changes in deferred and current taxes		(86)	18	(143)
> (gains) losses on disposals and other		39	44	(196)
Share in net (earnings) losses of companies at equity, net of dividends received		172	161	445
Revaluation adjustments taken to equity and hedges of debt		43	(13)	78
Change in carrying amount of leased vehicles		424	371	226
Funds from operations		4,274	3,715	6,615
Changes in working capital	5.2	586	1,170	1,607
Net cash from (used in) operating activities of continuing operations		4,860	4,885	8,222
Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies		25	7	31
Capital increase and acquisitions of consolidated companies and equity interests		(1,153)	(244)	(704)
Proceeds from disposals of property, plant and equipment and of intangible fixed assets		82	122	509
Investments in property, plant and equipment ⁽¹⁾		(1,400)	(1,300)	(2,510)
Investments in intangible fixed assets ⁽²⁾		(1,056)	(983)	(2,045)
Change in amounts payable on fixed assets		45	(63)	(198)
Other		99	153	196
Net cash from (used in) investing activities of continuing operations		(3,358)	(2,308)	(4,721)
Dividends paid:				
> to Peugeot S.A. shareholders		(697)	(474)	(474)
> to minority shareholders of subsidiaries		(111)	(94)	(143)
> intragroup		97	-	-
Proceeds from issuance of shares		-	25	27
(Purchases) Sales of treasury shares		(31)	(5)	(48)
Changes in other financial assets and liabilities	10.2.B	446	(27)	631
Payment of lease liabilities		(166)	-	-
Other		-	3	-
Net cash from (used in) financing activities of continuing operations		(462)	(572)	(7)
Impact of hyperinflation		(80)	-	22
Effect of changes in exchange rates		86	(35)	(66)
Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership		1,046	1,970	3,450
Net cash and cash equivalents at beginning of period		14,941	11,491	11,491
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	14.1	15,987	13,461	14,941

⁽¹⁾ Of which €1,116 million for the Automotive segment (€1,022 million in first-half 2018 and €1,837 million in 2018) and €284 million for the Automotive Equipment segment (€278 million in first-half 2018 and €673 million in 2018).

⁽²⁾ Of which €60 million (€90 million in first-half 2018 and €117 million in 2018) for the Automotive segment, excluding research and development.

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

<i>(in million euros)</i>	First-half 2019	First-half 2018	2018
Net cash from (used in) operating activities of continuing operations	4,860	4,885	8,222
Net cash from (used in) investing activities of continuing operations	(3,358)	(2,308)	(4,721)
Dividends received from Banque PSA Finance	97	-	-
Free Cash Flow	1,599	2,577	3,501
Minus, net cash from non-recurring operating operations	(1,591)	(614)	(1,206)
OPERATIONAL FREE CASH FLOW FROM MANUFACTURING AND SALES OPERATIONS	3,190	3,191	4,707

NOTE 15 - CONTINGENT LIABILITIES AND GIVEN OR RECEIVED COMMITMENTS

15.1. AUTOMOTIVE BUSINESS

▪ Commitment related to the eventual transfer of Opel's research and development activities

On 15 November 2018, Groupe PSA/Opel and the global engineering group SEGULA Technologies announced the signature of a strategic partnership following their discussions, in accordance with the announcement made on 5 September 2018. This partnership would lead to the creation of a European engineering campus based in Rüsselsheim (Germany). During the first half of 2019, certain conditions were re-examined and the conditions precedent were not yet met as at 30 June 2019. Due to this, no consequences of this partnership were integrated into the half-year financial statements as at 30 June 2019.

▪ Other liabilities and commitments given or received

Furthermore, since 31 December 2018, there were no material changes in contingent liabilities or commitments given or received.

15.2. AUTOMOTIVE EQUIPMENT

On 25 March 2014, the European Commission and the United States Department of Justice, on 27 November 2014, the Competition Commission of South Africa, and on 19 May 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 for a non-material amount and made public on 5 September 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 some Faurecia's 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 by Faurecia. Therefore, no pension was accounted for as of 30 June 2019.

NOTE 16 - RELATED PARTIES TRANSACTIONS

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

Transactions with companies accounted for by the equity method are disclosed in Note 9.5. Other than these transactions, there were no significant transactions with other related parties.

NOTE 17 - SUBSEQUENT EVENTS

Between 30 June 2019 and 23 July 2019, the date on which the financial statements were approved by the Managing Board, no event likely to significantly impact the economic decisions made on the basis of these consolidated financial statements occurred.

IV – PERSONS RESPONSIBLE FOR THE 2019 INTERIM FINANCIAL REPORT

Person Responsible for the 2019 Interim Financial Report

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

Statement by the Person Responsible for the 2019 Interim Financial Report

"I hereby declare that, to the best of my knowledge, the condensed interim consolidated financial statements for the past six-month period included in the interim financial report have been prepared under generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position and results of Peugeot S.A. and the companies in the consolidated group, and that the interim management report on pages 2 to 8 includes a fair review of the material events that occurred in the first six months of the financial year and their impact on the interim accounts, a description of the main related-party transactions and a discussion of the principal risks and uncertainties for the remaining six months of the year."

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

Person responsible for financial information

Andrea Bandinelli
Head of Financial Communication and Investor Relations

V – STATUTORY AUDITORS' REVIEW REPORT ON THE 2019 HALF-YEARLY FINANCIAL INFORMATION

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Peugeot S.A., for the period from January 1 to June 30, 2019,
- the verification of the information presented in the half-yearly management report.

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

1. Conclusion on the financial statements

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

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

Without qualifying our conclusion, we draw your attention to Notes 1.2 and 1.3 which outline the impacts of the first application of IFRS 16 "Leases".

2. Specific verification

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

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

Courbevoie and Paris-La Défense, July 24, 2019

The statutory auditors
French original signed by

MAZARS
Charles Desvernois Thierry Blanchetier

ERNST & YOUNG et Autres
Ioulia Vermelle Laurent Miannay

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GROUPE PSA / Communications Department



PEUGEOT S.A.

Incorporated in France with issued capital of €904,828,213

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