UNIVERSAL REGISTRATION DOCUMENT

Including the annual financial report

2019

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Annual Financial Report elements are clearly identified in this table of contents with the sign AFR

2019

UNIVERSAL REGISTRATION DOCUMENT

including the annual financial report

This Universal Registration Document, which contains all the information found in the Management Report, was filed on 21 April 2020 with the Financial Markets Authorities (AMF), the relevant body, in accordance with Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of said regulation.

It may be used for the purposes of a public offering of financial securities or the admission of securities to trading on a regulated market if it is supplemented by a prospectus and, where relevant, a summary and all the amendments made to the Universal Registration Document. The entire document filed is approved by the AMF in accordance with Regulation (EU) 2017/1129. It was prepared by the issuer and is the responsibility of the person whose Signature appears therein.

It contains all of the information concerning the Annual Financial Report.

MESSAGE OF
THE CHAIRMAN OF THE MANAGING BOARD

While the start of 2020 is marked by a brutal health crisis, our Group is following a clear line: «Protect the health of its employees and protect the sustainability of the business». We have made responsible decisions, notably with the deployment of a protocol of reinforced health measures across all of our sites. Our teams are today mobilized and united to prepare for the future in a difficult economic context.

This future is also confirmed with Group's **ethical commitment** to the next generations and through a clear and compelling raison d'être: to ensure freedom of movement by providing **clean, safe and affordable** mobility for everyone.

We are doing our part in the global effort to **combat global warming,** in line with the objectives of the Paris Agreement[(1)]. The CO_2 performance was improved by an 11g[(2)] average for our conventional vehicles in 2019, bolstered by the launch of 10 electrified models[(3)] and the marketing of innovative mobility solutions such as the Citroën Ami. Our resolute policy supports our commitment to **meeting the 2020 CO_2 objectives set by the European Union.**

More broadly, our company is recognized as a leading **socially responsible player** in the most prominent CSR indices: Groupe PSA is selected in 9 ESG indices[(4)] – and is leader in its industry for 3 of them[(5)] – and is confirmed as a world leader in the low-carbon transition by the CDP[(6)].

Efficiency is also a strong lever for a sustainable business and the rigorous implementation of our **Push to Pass strategic plan** has taken our **profitability to record highs,** with an adjusted operating margin of 8.5%, the best in the industry. Reversing 20 consecutive years of losses, Opel now boasts a margin of 6.5%, only two years after joining the Group. The Automotive division's free cash flow has increased to more than €3 billion in 2019.

For more than six years in a row, with the demanding support of the Supervisory Board, Groupe PSA management teams have created lasting value for:

For more than six years in a row, with the unwavering support of the Supervisory Board, Groupe PSA has created lasting value for:

- **Its customers,** with a level of quality and level of satisfaction that continues to rise.
- **Its employees,** with a 5.4-fold increase in 6 years in redistribution of the value created, thanks to the maturity of social dialogue.
- **Its investors,** with an advantageous dividend policy.
- **All of its partners,** with suppliers and business partners committed in quest for continued performance improvement.

Our engagement in society and our economic performance put us in an upfront position to meet the many challenges facing the automotive OEMs. In the difficult context, that our industry faces, the merger project with FCA is more than ever an opportunity for the two companies and will make our combined group a world leader, ready to forge ahead into a new era of sustainable mobility.

CARLOS TAVARES
Chairman of the Managing Board of Groupe PSA

(1) Groupe PSA objectives in terms of CO_2 reduction were scientifically certified in November 2019 by the Science Based Targets initiative (SBTi), as compliant with demanded reduction to maintain global warming under 2°C above preindustrial level, as recommended by the GIEC

(2) Passenger vehicles – Registrations in Europe – Scope of CO_2 regulations (30 countries) – Internal data

(3) 4 BEVs: DS 3 CROSSBACK E-TENSE, Peugeot e-208 and e-2008, Opel Corsa-e; and 6 PHEVs: DS 7 CROSSBACK E-TENSE 4x4, Peugeot 3008 HYBRID, 508 HYBRID & 508 SW HYBRID, C5 Aircross HYBRID, Opel Grandland X HYBRID4

(4) Environment, Social and Governance

(5) DJSI, ISS ESG et Vigeo-Eiris

(6) The CDP is an international non-profit organization, elected leading provider of climate research by investors. It assesses companies for the completeness of their reporting climate, their management of environmental risks and their demonstration of best practices, such as the setting of ambitious and significant objectives.

A GLOBAL PRESENCE...

208,780 employees in the world

...A EUROPEAN LEADER

MANUFACTURING LOCATIONS

- Automotive production plant
  - in partnership
  - in the planning stage
- Components factory, casting
  - in partnership
  - in the planning stage
- Assembly plant
  - in partnership
  - in the planning stage

OTHER LOCATIONS

- R&D centre

SALES LOCATIONS

- Countries where the Group operates with a subsidiary that commercializes vehicles and / or mobility services
- Countries where only mobility services of the Group are commercialized

Industrial partners

(1) STAFIM- (2) Condor Electronics, Palpa Pro and l'Entreprise Nationale de Production de Machines-Outils - (3) CK BIRLA- (4) URYSIA - (5) EASA and Nordex - (6) THACO - (7) Naza Automotive Manufacturing - (8) PAN Nigeria Ltd - (9) MIE (Mesfin Industrial Engineering's) - (10) FIAT - (11) Mitsubishi - (12) Toyota - (13) Dongfeng Motor Corp. - (14) Changan PSA Automobiles - (15) HMFCL (Hindustan Motor Finance Corporation Limited)

Note: this does not include office facilities, head offices, IT sites, non-automotive businesses, or countries where Group vehicles are sold by an importer.

2019 KEY FIGURES

74.7 billion euros
revenue

8.5%
adjusted operating margin of the Automotive division and the Group

2nd
largest car manufacturer in Europe
(16.8% market share in passenger car and LCV)

3.5 million units
sold worldwide

3.2 billion euros
net result, group share

3.3 billion euros
of free cash flow

GROUPE PSA

1.1. HISTORY AND HIGHLIGHTS OF THE COMPANY'S BUSINESS

Founded in 1896, Peugeot S.A. engaged in manufacturing and sales until 1965, when it was transformed into a holding company as part of a legal and financial restructuring of the Group. Its operating activities were taken over by a subsidiary, Automobiles Peugeot.

In 1974, Peugeot S.A. acquired all of the outstanding shares of Citroën S.A. and then merged the two companies in 1976.

In 1978, the Chrysler Corporation, an American company, sold to Peugeot S.A. the stake in its industrial and commercial subsidiaries in Europe. The business of these companies, which was continued under the Talbot brand, was merged with Automobiles Peugeot in 1980.

In 1979, Chrysler Financial Corporation's European commercial financing subsidiaries were acquired, marking a turning point in the development of the Group's finance business.

Aciers et Outillages Peugeot merged with Cycles Peugeot in 1987 and was renamed Ecia. It then became Faurecia in 1998 following its friendly merger with automotive equipment manufacturer Bertrand Faure. In 2001, Faurecia acquired Sommer Allibert's automotive equipment business.

PSA Finance Holding, whose subsidiaries provide financing for Peugeot and Citroën vehicle sales, was transformed into a bank in 1995. Its current name is Banque PSA Finance.

The Automotive division was reorganised in late 1998 to align legal structures with the new functional organisation introduced that year. Automobiles Peugeot and Automobiles Citroën transferred all their motor vehicle development and manufacturing assets to Peugeot Citroën Automobiles and their capital equipment design and manufacturing operations to Process Conception Ingénierie.

In 1992, a joint venture with the Chinese group SAW (former name of Dongfeng Motor) was created, called Shenlong Automobile and dedicated to the production and sales in China of the Citroën brand.

In 2000, the joint venture with the Chinese group Dongfeng Motor Group (DFG) was extended to the brand Peugeot and changed its name to DPCA.

In 2011, a new joint venture was created in China with the group Changan, called CAPSA, dedicated to the production and sales in China of the DS brand.

In February 2012, Automobiles Citroën sold Citer, a group specialising in car rentals, to the Entreprise Group.

At the end of 2012, Groupe PSA sold 75% of the capital of GEFCO S.A., the Group's parent company which specialises in Logistics, to JSC Russian Railways (RZD).

Following the project to increase the investment of Groupe PSA and Renault in the capital of the subsidiaries Française de Mécanique (Douvrin, Nord-Pas de Calais) and Société de Transmissions Automatiques (Ruitz, Nord-Pas de Calais), in December 2013 Groupe PSA took exclusive control of Française de Mécanique.

At the end of March 2014, the Group strengthened its industrial and commercial joint arrangement with Dongfeng Motor Group (DFG).

Following the signing of a framework agreement on European partnership with the Santander Group in Brazil in July 2014 then in July 2015, all local partnerships between Banque PSA Finance (BPF) and the Santander Group started operations. For more details, please refer to Section 1.3.1.3 below.

Moreover, to speed up the expansion of Peugeot Scooters, strengthen the brand and its products, and secure its future, Groupe PSA has entered on 19 January 2015 into a long-term strategic partnership with Mahindra & Mahindra Group (M&M).

On 31 March 2015, the Group acquired Mister Auto, an e-commerce leader for spare parts for all automotive brands on the European market.

On 21 June 2016, Groupe PSA and Iran Khodro signed the final joint venture agreement to produce latest-generation vehicles in Iran.

On 29 July 2016, Faurecia sold its Automotive Exteriors business, comprising bumpers and front end modules, to Compagnie Plastic Omnium.

On 6 October 2016, Groupe PSA and SAIPA, Citroën's partner in Iran since 1966, signed a joint venture agreement to produce and market Citroën vehicles.

In December 2016, Groupe PSA and Aramisauto, the leader in online sales of used vehicles (UV), entered into a capital and strategic alliance to accelerate the development of online sales of used vehicles and related services.

On 25 January 2017, the Groupe PSA and the CK Birla Group signed joint venture agreements to produce and sell vehicles and components in India by 2021.

On 6 March 2017, General Motors (GM) and Groupe PSA announced that they had entered into an agreement under the terms of which the General Motors subsidiary Opel Vauxhall (OV) and the European operations of General Motors Financial would join Groupe PSA.

On 1 August 2017, Groupe PSA announced the closing of the acquisition of the Opel and Vauxhall subsidiaries of General Motors, for which the preliminary agreement had been signed on 6 March 2017.

On 4 December 2017, Groupe PSA and Nidec Leroy-Somer Holding decided to work together in France in the field of electric traction motor. For this purpose, Nidec Leroy-Somer and Groupe PSA entered into a joint venture agreement. On 22 May 2018, the creation of a joint company, Nidec-PSA emotors, was approved. This new joint venture between Nidec Leroy-Somer and Groupe PSA focuses on designing and engineering, developing, manufacturing and selling electric traction motors.

Following the United States' announcement on 8 May 2018 that it was withdrawing from the Iran nuclear deal, the Group has complied with the new American regulations by suspending its operations in Iran that are affected by the sanctions.

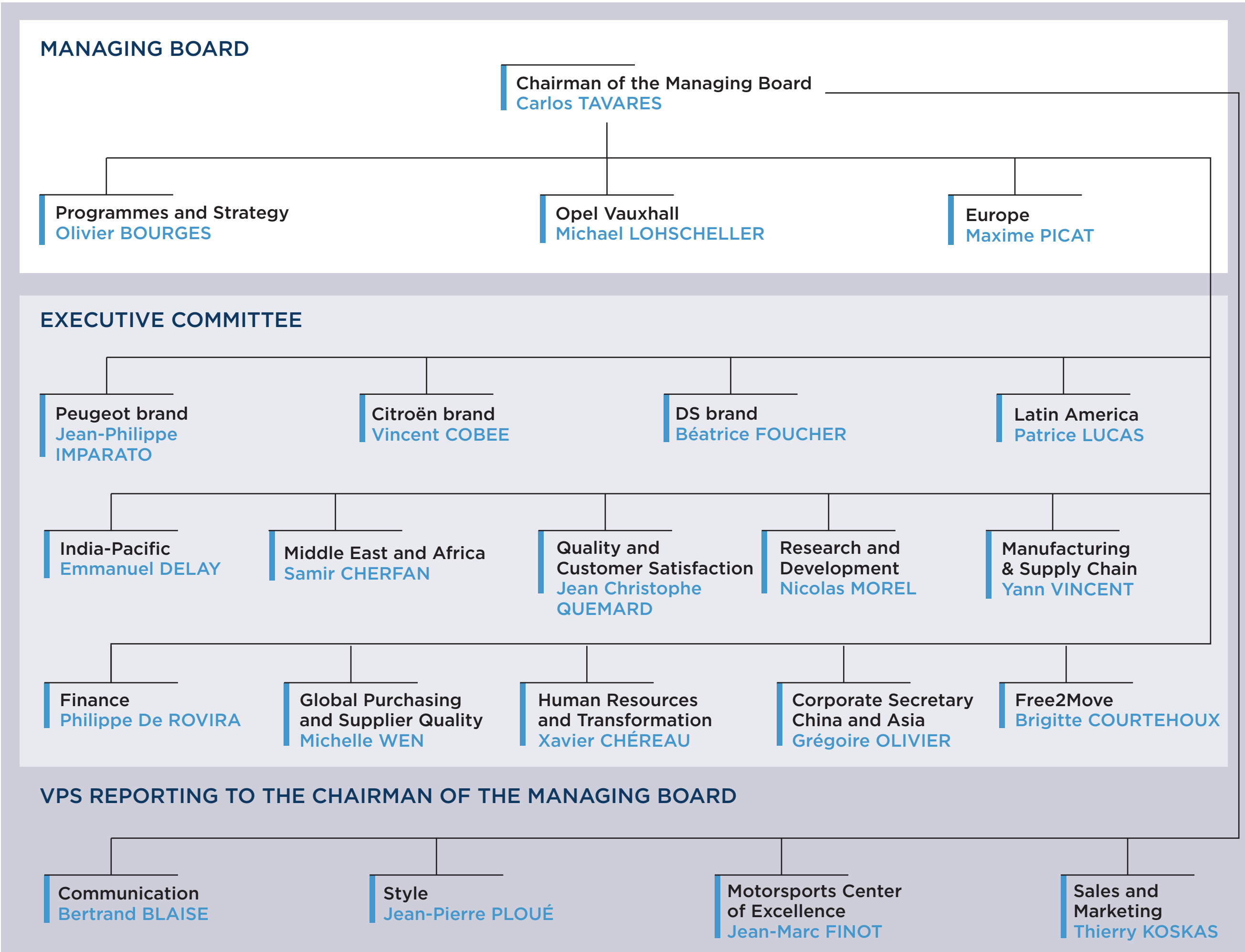
On 25 October 2019, the Group announced that Mahindra would be acquiring all the shares of Peugeot Motocycles to bolster its growth.

On 17 December 2019, Peugeot S.A. and Fiat Chrysler Automobiles N.V. signed a binding Combination agreement providing for a 50/50 merger of their businesses to create the 4th largest global automotive OEM by volume and 3rd largest by revenue.

1.2. ORGANISATIONAL STRUCTURE

1.2.1. Group organisational structure – functions

The Group's simplified functional organisational structure at 21 April 2020 is set out as follows:



1.2.2. Group organisation

The executive management of Groupe PSA is the responsibility of the Managing Board, which is presented in detail in Section 3.1 below.

The Managing Board is responsible for executive leadership and financial management. It helps to define and implement the Group's strategic vision developed in accordance with the long-term objectives set by the Supervisory Board.

The Managing Board is backed by the Executive Committee. The latter is organised in a matrix structure by brands, regions and business lines. This structure aims to secure worldwide profitable growth for the Group. Each region is supervised by a Chief Operating Officer (COO), who is responsible for economic profit and the management of Group resources in the region, including manufacturing and sales companies. This responsibility is exercised in partnership with the Group brands and business lines.

In addition, four business line VPs report to the Chairman of the Managing Board.

1.2.3. Parent-subsidiary relationships

As the Group's holding company, Peugeot S.A. is not directly involved in any material operating activities.

Peugeot S.A. has a normal parent company relationship with its subsidiaries. The main events in this relationship are reviewed in the Company's financial statements in Section 6.4. Please refer as well to Note 18 to the 2019 Consolidated Financial Statements for a detailed description of Group related party transactions, in particular with equity-accounted entities.

For further information, please refer to the Statutory Auditors' Special Report on related party agreements and Commitments (see Section 6.7 below).

1.2.4. Simplified organisational structure at 31 December 2019

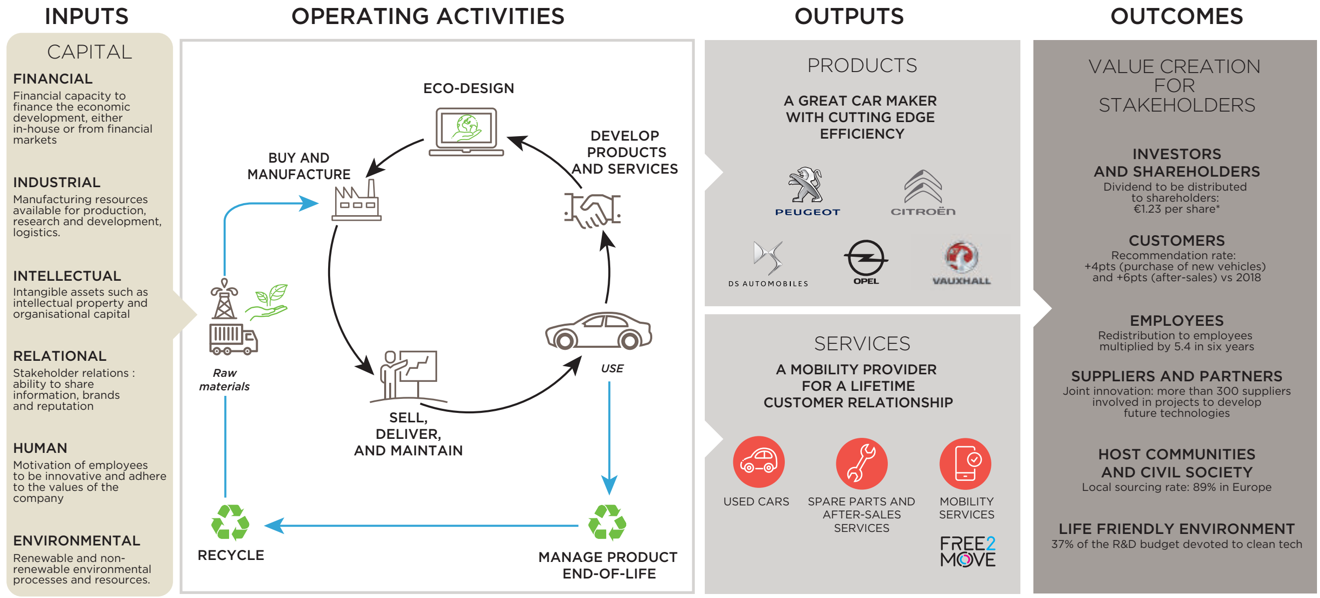
PEUGEOT S.A.

- **AUTOMOTIVE EQUIPMENT DIVISION**
  - FAURECIA
  - Interior Systems, Automotive Seating and Emissions Control Technologies
- **AUTOMOTIVE DIVISION**
  - PSA AUTOMOBILES, OPEL AUTOMOBILES
    - Design and production
    - Manufacturing companies and entities jointly-owned with other car manufacturers (refer to Section 1.3.2.1.4).
  - AUTOMOBILES PEUGEOT, AUTOMOBILES CITROËN, DS, OPEL VAUXHALL
    - Trade
    - ■ Subsidiaries and entities in the dealership network (passenger cars and light commercial vehicles)
    - ■ Subsidiaries and entities in the dealership network for replacement parts
- **FINANCE DIVISION**
  - BANQUE PSA FINANCE
  - Retail financing to customers of the five brands and wholesale financing to their dealer networks

At 31 December 2019, there were 456 entities included in the scope of consolidation. A comprehensive list is found in Note 21 to the 2019 Consolidated Financial Statements (see Section 5.6 below).

1.3. ACTIVITIES AND STRATEGY

1.3.1. Business model DPEF.A



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

1.3.2. Main activities of the Group

Groupe PSA'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;
- the Automotive Equipment segment, comprised of the Faurecia Group, which specialises in Interiors, Seating, Clean Mobility, and cockpit electronics and software and advanced driver assistance systems (Clarion Electronics);
- the Finance segment, corresponding to the Banque PSA Finance Group (BPF), finances sales to customers of the Peugeot, Citroën, DS, Opel and Vauxhall brands and its dealer networks. BPF is classified as a financial institution.

The breakdown of revenue and adjusted operating income by activity is as follows:

	Revenue			**Adjusted operating income**		
(in million euros)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Automotive	58,943	58,553	390	5,037	4,466	571
Faurecia	17,768	17,525	243	1,227	1,263	(36)
Other businesses and eliminations*	(1,980)	(2,051)	71	60	(40)	100
TOTAL	**74,731**	**74,027**	**704**	**6,324**	**5,689**	**635**
Group sales *(in thousands of new vehicles)*	3,479	3,878	-10.3%			

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

Regarding segment information – business segments and principal markets – please refer to Note 4 to the 2019 Consolidated Financial Statements (see Section 5.6 below).

Information on the revenue and results of the various operating segments is presented in Section 4.1 below.

1.3.2.1. AUTOMOTIVE DIVISION

1.3.2.1.1. Significant events of the sales activities in 2019

Worldwide sales at 3.5 million units in 2019

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

Becoming a major player in electric mobility

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

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

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

Growing LCV sales

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

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

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

1.3.2.1.2. The Group's markets

Europe: focused on performance

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

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

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

DS Automobiles sales surged globally, especially in the second half of the year (+56%) driven by the success of its renewed range. In France, DS main market, the successful DS7 Crossback and DS3 Crossback models are now strongly positioned and the brand's performance is being enhanced by the growing exclusive DS network, with 356 point of sales to date.

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

Middle East – Africa: market share increase in major markets

Groupe PSA's market share increased by 0.4pt in the region with registrations up 9,100 units compared to 2018, despite markets declining by 100,000 units[4]. Strong breakthroughs were made in Turkey (+2.1pt), Egypt (+6.1pt) and Morocco (+2.1pt). 2019 regional performance *versus* 2018 remained impacted by the wind down in Iran (May 2018)[5]. The production started mid-September 2019 in the Kenitra plant, in Morocco. The production capacity will be doubled to reach 200,000 vehicles as early as Mid-2020.

China & Southeast Asia: reshaping the business model

DPCA has set out its priorities in a six-year strategic plan presented last September, based on profitable sales, a lower breakeven point and a progressive increase in volumes for the Peugeot and Citroën brands. The DS brand is committed to the Chinese market and finalizes a new strategic plan. The sale of Groupe PSA shares in the CAPSA joint venture is part of this plan. 2020 will be the first year of Groupe PSA's NEV offensive in China, with five NEV models to be launched and sold in China[6]. In ASEAN, the Group's Malaysian hub NAM[7] started production with the Peugeot 3008 and 5008.

Latin America: contracting markets

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

(1) *4 BEV: DS3 Crossback E-Tense, Peugeot e-208 and e-2008, Opel Corsa-e and 6 PHEV: Peugeot 3008 Hybrid, 508 Hybrid and 508 SW Hybrid, Citroën C5 Aircross Hybrid, Opel Grandland X Hybrid4, DS7 Crossback E-Tense 4x4.*
BEV = Battery Electric Vehicle and PHEV = Plug in Hybrid Vehicle.
(2) *All-electric or plug-in hybrid.*
(3) *LCV market share excluding PC versions.*
(4) *Excl. Iran. Estimation at 16 January.*
(5) *Volumes manufactured in Iran have not been recorded in consolidated sales since 1 May 2018.*
(6) *NEV = New Energy Vehicles/2 BEV: Peugeot e-2008, DS3 Crossback E-Tense and 3 PHEV: Peugeot 508L Hybrid and 4008 Hybrid, C5 Aircross Hybrid.*
(7) *Naza Automotive Manufacturing.*

1

India-Pacific: sales growth in Japan

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

Eurasia: relaunch of the Opel brand

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

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

1.3.2.1.3. A few key figures

Consolidated world sales (CWS) by region

Region	Brand	2018 volume	%	2019 volume	%	%Chg
Europe	Peugeot	1,231,327	31.75%	1,195,939	34.37%	-2.87%
	Citroën	824,623	21.27%	831,599	23.90%	0.85%
	DS	46,013	1.19%	55,877	1.61%	21.44%
	Opel Vauxhall	1,004,197	25.90%	936,321	26.91%	-6.76%
	Groupe PSA	**3,106,160**	**80.10%**	**3,019,729**	**86.80%**	**-2.78%**
Middle East and Africa (2)	Peugeot	223,838	5.77%	84,294	2.42%	-62.34%
	Citroën	34,731	0.90%	42,901	1.23%	23.52%
	DS	1,440	0.04%	1,879	0.05%	30.49%
	Opel Vauxhall	31,989	0.82%	35,192	1.01%	10.01%
	Groupe PSA	**291,998**	**7.53%**	**164,266**	**4.71%**	**-43.74%**
China & ASEAN	Peugeot	143,628	3.70%	63,559	1.83%	-55.75%
	Citroën	114,419	2.95%	51,167	1.47%	-55.28%
	DS	3,955	0.10%	2,110	0.06%	-46.65%
	Opel Vauxhall	581	0.01%	248	0.01%	-57.31%
	Groupe PSA	**262,583**	**6.77%**	**117,084**	**3.37%**	**-55.41%**
Latin America	Peugeot	112,774	2.91%	82,569	2.37%	-26.78%
	Citroën	60,404	1.56%	51,252	1.47%	-15.15%
	DS	969	0.02%	824	0.02%	-14.96%
	Opel Vauxhall	1,110	0.03%	1,094	0.03%	-1.44%
	Groupe PSA	**175,257**	**4.52%**	**135,739**	**3.90%**	**-22.55%**
India and Pacific	Peugeot	19,987	0.52%	18,741	0.54%	-6.23%
	Citroën	5,661	0.15%	6,632	0.19%	17.15%
	DS	831	0.02%	1,266	0.04%	52.35%
	Opel Vauxhall	0	0.00%	0	0.00%	NS
	Groupe PSA	**26,479**	**0.68%**	**26,639**	**0.77%**	**0.60%**
Eurasia	Peugeot	8,660	0.22%	8,721	0.25%	0.70%
	Citroën	6,391	0.16%	6,302	0.18%	-1.39%
	DS	57	0.00%	40	0.00%	-29.82%
	Opel Vauxhall	180	0.00%	576	0.02%	220.00%
	Groupe PSA	**15,288**	**0.39%**	**15,639**	**0.45%**	**2.30%**
TOTAL	Peugeot	1,740,214	44.88%	1,453,823	41.79%	-16.46%
	Citroën	1,046,229	26.98%	989,853	28.45%	-5.39%
	DS	53,265	1.37%	61,989	1.78%	16.38%
	Opel Vauxhall	1,038,057	26.77%	973,431	27.98%	-6.23%
	Groupe PSA	**3,877,765**	**100.00%**	**3,479,096**	**100.00%**	**-10.28%**

(1) Including CKD kits.
(2) Including 141,000 vehicles sold in 2018 under Peugeot license by Iran Khodro until 30 April 2018.

GROUPE PSA – WORLDWIDE SALES BY MODEL

Brand	Model	2018 volume	2019 volume
PEUGEOT	ION	1,895	759
	108	59,573	58,443
	206	60,800	0
	208	295,058	277,279
	2008	218,640	184,188
	301	46,240	25,611
	308	209,560	164,354
	408	30,421	11,474
	3008	265,125	241,550
	4008	29,436	15,351
	405	80,252	0
	508	17,395	59,912
	5008	109,900	99,896
	BIPPER	604	1
	PARTNER	145,243	101,893
	EXPERT	57,978	58,818
	BOXER	72,938	71,769
	TRAVELLER	20,419	14,174
	PEUGEOT PICK UP	251	914
	RIFTER	18,494	67,437
TOTAL PEUGEOT		**1,740,214**	**1,453,823**
CITROËN	C-ZERO	1,539	1,323
	E-MEHARI	385	62
	C1	52,754	52,606
	C3	252,117	240,522
	C3 MPV	7,970	3,081
	C3 AIRCROSS	122,813	113,578
	C-ÉLYSEE	67,251	39,951
	C3-XR	15,975	5,383
	C4 CACTUS	78,908	75,971
	C4	44,479	5,725
	C4 SPACETOURER	76,433	48,779
	C4 AIRCROSS	781	2,643
	C5	5,082	725
	C5 AIRCROSS	29,779	121,879
	C6	3,925	2,429
	NEMO	798	5
	BERLINGO	159,792	153,640
	JUMPY	43,901	44,995
	JUMPER	62,794	63,351
	SPACETOURER	18,753	13,205
TOTAL CITROËN		**1,046,229**	**989,853**

Brand		Model	2018 volume	2019 volume
DS		DS3	16,187	5,049
		DS4	4,977	44
		DS5	3,160	215
		DS6	592	298
		DS3 CROSSBACK	563	24,088
		DS7 CROSSBACK	27,786	32,262
		OTHER	0	33
TOTAL DS			**53,265**	**61,989**
OPEL VAUXHALL		ADAM	45,600	31,279
		AMPERA-E	2,406	4,400
		ANTARA	126	0
		ASTRA	181,661	155,752
		CASCADA	1,974	1,277
		CORSA	235,639	229,911
		CROSSLAND X	102,424	130,307
		GRANDLAND X	79,976	102,897
		INSIGNIA	71,341	50,944
		KARL/VIVA	48,201	40,943
		MERIVA	2,519	5
		MOKKA X	118,487	67,979
		MONARO	63	0
		ZAFIRA	30,324	11,906
		COMBO	28,269	63,103
		MOVANO	24,504	26,483
		VIVARO	64,543	54,279
		ZAFIRA LIFE	0	1,966
TOTAL OV			**1,038,057**	**973,431**
TOTAL GROUPE PSA			**3,877,765**	**3,479,096**
Of which PCD	Passenger cars (PC)		2,392,871	2,066,060
	Light Commercial Vehicles (LCV)		446,837	439,605
	PC + CV, of which:	Petrol	1,596,353	1,300,154
		Diesel	1,235,229	1,184,235
		Electric	8,053	13,123
		Hybrid	73	8,153
Of which OV	Passenger cars (PC)		944,073	860,759
	Light Commercial Vehicles (LCV)		93,984	112,672
	PC + CV, of which:	Petrol	NA	685,485
		Diesel	NA	280,364
		Electric	NA	4,483
		CNG/Gas	NA	1,444
		Hybrid	NA	1,655

1.3.2.1.4. Existing or planned material property, plant and equipment

The Group's geographical breakdown in 2019 was as follows: Europe 92.6% (and some 35.2% in France), South America 1.9%, Asia 5.2% and the Middle East/Africa 0.3%.

Manufacturing Facilities

ASSEMBLY PLANTS

Manufacturing centres	Models manufactured at 31 December 2019	2018 output	2019 output
Madrid (Spain)	C4 Cactus	70,760	53,116
Mangualde (Portugal)	Partner, Berlingo, Combo	63,090	77,590
Mulhouse (France)	2008, 508, 508 SW, DS7 Crossback	244,713	232,277
Buenos Aires (Argentina)	208, 308, 408, C4 lounge, Partner, Berlingo	36,006	8,526
Poissy (France)	208, DS3	175,252	147,872
Porto Real (Brazil)	2008, 208, C3, C3 Picasso Aircross, C4 Cactus	77,750	52,321
Rennes (France)	C5 Aircross, 5008	101,069	154,081
Hordain (France)	Expert, Traveller, Jumpy, Space Tourer, Vivaro	137,070	119,324
Sochaux (France)	308, 308 SW, 3008, GrandLand X	501,319	514,684
Trnava (Slovakia)	208 elec+comb, C3 Aircross	352,007	371,152
Vigo (Spain)	2008, Berlingo, Partner, Combo, Berlingo, Partner, C-Elysée, 301, C4 Space Tourer, Grand C4 Space Tourer	398,340	406,662
Ellesmere Port (England)	Astra, Astra Sports Tourer	76,963	61,725
Luton (England)	Vivaro, Jumpy, Expert, Space Tourer, Traveller, Zafira Life	62,643	55,085
Eisenach (Germany)	Corsa, Adam, Grandland X	84,923	59,955
Gliwice (Poland)	Astra, Cascada	106,457	88,180
Rüsselsheim (Germany)	Zafira Tourer, Insignia Grand Sport, Insigna Sports Tourer	123,277	55,064
Zaragoza (Spain)	C3 Aircross, Adam, Corsa, Corsa Van, Mokka, Crossland X	447,396	470,507
Kenitra (Morocco)	208	-	8,373

MANUFACTURING COMPONENT PLANT AND FOUNDRIES

Caen (France)	Chassis systems and transmissions
Charleville (France)	Aluminium and iron castings
Douvrin Française de Mécanique (France)	Petrol and diesel engines
Hérimoncourt (France)	Engines, gearboxes: small-scale assembly and reconditioning
Metz (France)	Gearboxes
Mulhouse components (France)	Chassis systems and PHEV rear suspensions
Mulhouse foundry (France)	Pressurised aluminium castings, steel forge, tooling
Porto Real (Brazil)	Flex-fuel and petrol engines
Saint-Ouen (France)	Stamping
Sept-Fons (France)	Iron castings and brake parts machining
Trémery (France)	Petrol, diesel and electric engines
Valenciennes (France)	Gearboxes and reduction gears
Rüsselsheim (Germany)	Transmissions
Kaiserslautern (Germany)	Diesel engines
Aspern (Austria)	Petrol engines and gearboxes
Szentgotthard (Hungary)	Petrol and diesel engines
Tychy (Poland)	Petrol engines

SUBSIDIARIES JOINTLY OWNED WITH OTHER CAR MANUFACTURERS

(situation at 31 December)	*Manufacturing*	**Annual output 2018**	**Annual output 2019**
Outside France			
Sevelsud, Società Europea Veicoli Leggeri (Italy)			
50% PSA Automobiles SA	Peugeot Boxer	73,432	72,059
50% Fiat	Citroën Jumper	62,718	64,372
	Total	**128,826**	**136,431**
DPCA, Dongfeng Peugeot Citroën Automobiles (Wuhan, Chengdu, China)			
50% PSA Automobiles SA 50% Dongfeng Motors	C-Elysée, C3-XR, C4, C4 Lounge, C4 Aircross, C5 Aircross, C6, 301, 2008, 308, 408, C5, 4008, 5008, 508	247,601	106,034
	Total	**247,601**	**106,034**
TPCA, Toyota Peugeot Citroën Automobiles (Kolin, Czech Republic)			
50% PSA Automobiles SA	Peugeot 108	60,139	58,347
50% Toyota Motor Corporation	Citroën C1	53,134	52,901
	Total	**113,273**	**111,248**
PCMA Rus (Kaluga, Russia)			
70% PSA Automobiles SA			
30% Mitsubishi Motors Company (MMC)	Spare Tourer, Traveller, Jumpy, Expert, Citroën C4 Sedan, Peugeot 408, Opel Zafira Life	5,242	4,478
	Total	**5,242**	**4,478**
CAPSA, Changan PSA Auto Company Ltd (Shenzhen, China)			
50% PSA Automobiles SA			
50% Changan	DS7 Crossback	4,013	311
	Total	**4,013**	**311**
SCC (Saipa Citroën Company) (Iran)			
50% PSA Automobiles SA			
50% SAIPA	C3	21	-
	Total	**21**	**-**
IKAP (Iran Khodro Automobiles Peugeot Company) (Iran)			
50% PSA Automobiles SA			
50% Iran Khodro	2008, 301, 208	3,084	-
	Total	**3,084**	**-**
Other joint ventures			
Mizushima (Japan)			
Mitsubishi Motors Company cooperation agreement	Citroën C-Zéro, Peugeot iOn	3,132	2,232
Bolloré (Rennes)			
Bolloré cooperation agreement	E-Méhari	376	-

(situation at 31 December)	*Manufacturing*	**Annual output 2018**	**Annual output 2019**
NORDEX (Uruguay)			
Nordex cooperation agreement	Space Tourer, Traveller, Expert, Jumpy	4,590	4,424
Dongfeng (China – DFPV2)			
Dongfeng cooperation agreement	2008	4,872	-
Dongfeng Nissan (China)			
Dongfeng cooperation agreement	Peugeot Pick Up	1,105	-
Changwon GMK (South Korea)			
General Motors cooperation agreement	Karl, Viva	43,585	35,930
Bupyeong GMK (South Korea)			
General Motors cooperation agreement	Mokka	72,396	29,192
Orion GMNA (United States)			
General Motors cooperation agreement	Ampera-E	2,110	4,500
TOFAS (Turkey)			
TOFAS cooperation agreement	Combo	11,955	-
Sandouville (France)			
Renault cooperation agreement	Vivaro	879	572
Batilly (France)			
Renault cooperation agreement	Movano	23,195	26,241
Iran Khodro (Iran)			
Iran Khodro cooperation agreement	Peugeot 405, 206, 207	141,052	-
NAM Naza Automotive Manufacturing (Vietnam)			
Coopération Naza Corporation Holdings	3008, 5008	-	2,580

For more information on property, plant and equipment, please refer to Note 8.2 to the 2019 Consolidated Financial Statements (see Section 5.6 below).

PSA Aftermarket: After-Sales, Maintenance, Repair and Spare Parts

In after-sales, the Push to Pass plan has materialised a sales offensive designed to satisfy all customers' needs world-wide, regardless of their purchasing power, their vehicle's brand or age. The Group has thus shifted from an offering focused on the original parts of its automotive brands to one that encompasses the entire market of independent repair, across the motor-vehicle fleet, spanning the whole value chain of the global after-sales market.

Within PSA Aftermarket, this offering includes original parts, a Eurorepar distributor label, parts sourced from its equipment suppliers and an additional offering of parts from the circular economy.

At 31 December 2019, 28 spare parts stores managed 400,000 items for Group brands and other brands: Vesoul (France), Rüsselsheim and Bochum (Germany), Mszczonów and Natolin (Poland), Villaverde & Zaragoza (Spain), Pregnana (Italy), Luton (United Kingdom), Budapest (Hungary), Porto Real (Brazil), Pacheco (Argentina), Santiago (Chile), Toluca (Mexico), Kaluga (Russia), Kiev (Ukraine), Boufarik (Algeria), Istanbul & Izmir (Turkey), Port Elizabeth (South Africa), Shimizu (Japan), Wuhan (China-DPCA), Shanghai (China-DPCA), Beijing (China-DPCA), Chengdu (China-DPCA), Guangzhou (China-DPCA), Shanghai (China-CAPSA) and Shenzhen (China-CAPSA).

The DISTRIGO distributor, which debuted in 2016, is continuing its offensive. In Europe, it comprises 150 spare parts hubs serving the Peugeot, Citroën, DS Automobiles and Opel-Vauxhall networks and all authorised and independent repairers seeking the best service. A similar offer is being rolled out in Latin America, through joint ventures in Brazil and Argentina, and in China, particularly with the acquisition of stakes in the spare parts distributors Jian Xin and UAP in 2018 and LongXinDa in 2019. An additional destination was opened in 2019 with eight new DISTRIGO hubs in Turkey.

Groupe PSA also provides an Internet offer with the MisterAuto.com on-line parts sales website, established in 19 countries across the world, and the Autobutler platform, which generates estimates on-line for automotive servicing and repairs.

In after-sales, the Group relies on a network of 18,000 authorised repairers for the Peugeot, Citroën, DS Automobiles and Opel-Vauxhall brands, and on Eurorepar Car Service, a multi-brand automotive maintenance and repair retailer. Eurorepar Car Service continued its growth trend, with 5,000 garages in 26 countries at end-2019, and it aims to have 8,000 garages in 2021 and 10,000 in 2023.

PSA Aftermarket continued digitising its network with the development of the Video Check system and online booking.

Video Check is available at around 1,900 points of sale, with the goal of reaching 4,000 points of sale by the end of 2020, in 25 countries and four regions in the world. The online booking business, which started in 2019, has taken 600,000 reservations, and this number is expected to rise in 2020.

The environmental issues that may influence the use of these assets by Groupe PSA are presented below in Chapter 2.

1.3.2.2. FAURECIA

The Faurecia Group[1] is a world leader in automotive equipment that develops, manufactures and markets original equipment through four Business groups:

- three "historical" businesses, in each of which Faurecia is one of the three largest players in the world: Seating, Interiors and Clean Mobility;
- a fourth business, Faurecia Clarion Electronics, which was established in 2019 and combines the Japanese company Clarion, which was also acquired in 2019 and consolidated on 1 April, with Parrot Automotive and Coagent Electronics. This new business specialises in cockpit electronics and software, and advanced driver assistance systems.

Faurecia is a company listed in compartment A of the Euronext Paris market (FR0000121147 EO). At 31 December 2019, Groupe PSA held 46.34% of Faurecia's share capital and 62.99% of its theoretical voting rights. The recent proposed merger between Groupe PSA and the FCA Group stipulates that Groupe PSA will pay out to its shareholders its stake in Faurecia before the completion of the merger, which is scheduled to occur between 12 and 15 months after the signature of the agreement between the two groups on 18 December 2019.

At 31 December 2019, the Faurecia Group employed 115,000 people in 37 countries worldwide, and operated more than 300 sites, including 35 research and development centres.

In 2019, the Faurecia Group generated revenue of €17.8 billion, a 1.4% increase from 2018 in reported data and a 3.0% drop at constant exchange rates, and without taking into account the consolidation of Clarion on 1 April (contribution of €586 million for the nine months). This decline was still appreciably smaller than the decline in global automotive manufacturing in 2019, which was estimated at 6%. Revenue was distributed as follows: 49% in Europe, 25% in North America, 21% in Asia (of which 15% in China), 4% in South America and 1% in the rest of the world.

For more information on Faurecia's earnings, please refer to Section 4.1.6 and Note 4 to the 2019 Consolidated Financial Statements (see Section 5.6 below).

1.3.2.2.1. Faurecia's business

Faurecia's revenue is generated by four Business groups, and the Group's strategic priorities are consistent with the underlying trends of the global automotive market, which centre around future mobility that is connected, autonomous, shared and electric.

Accordingly, the Faurecia Group is stepping up its profitable growth by focusing its development and innovation efforts on two main strategic areas:

- **Sustainable Mobility**, primarily through its Clean Mobility business, which dovetails with the trend of making ever-greener vehicles, particularly with innovations for hybrid vehicles, commercial vehicles and zero-emission trucks and vehicles;
- **the Cockpit of the Future**, through its three other activities, Seating, Interiors, and Faurecia Clarion Electronics, which develop inventive solutions and breakthrough technologies in order to create the cockpit of the future in response to the trend of creating more connected vehicles and expanding autonomous driving.

The Faurecia Group's four Business groups are:

Clean Mobility

The world leader in emissions control technologies, Faurecia engineers, manufactures and markets a range of complete pollution control systems corresponding to every market requirement. To abide by tightening international standards, Faurecia has a solid portfolio of technologies and innovations for passenger vehicles as well as for commercial vehicles and trucks. In 2019, the Clean Mobility business represented 26% of Faurecia's sales.

Seating

As one of the three largest players in this business worldwide, Faurecia designs and assembles seats and makes their main components, including frames, adjustment mechanisms, foams and upholstery, and comfort and safety accessories. Besides this core seat-architecture business line, adapting to the different car manufacturer platforms, Faurecia is developing innovative solutions for safety and comfort, on the strength of joint arrangements with key player in safety, such as ZF, or in heat and temperature management, such as Mahle. In 2019, the Seating business represented 39% of Faurecia's sales.

Interiors

Faurecia, one of the three leaders in the world in this business, designs and produces instrument panels, central consoles and door panels that meet the expectations of car buyers and the requirements of car manufacturers. The shift towards an increasingly connected and autonomous vehicle is motivating Faurecia to offer more and more creative solutions, which will be developed more vigorously through its new Faurecia Clarion Electronics business. In 2019, the Interiors business represented 30% of Faurecia's sales.

New Faurecia Clarion Electronics business, formed in 2019

In 2019, Faurecia finalised the acquisition of the Japanese company Clarion, which was announced in late October 2018, and consolidated it on 1 April as part of a new Business group that also includes the complementary businesses Parrot Automotive and Coagent Electronics. Clarion is a major player in connectivity and on-board infotainment systems, digital sound solutions, Human Machine Interface (HMI) solutions, displays and advanced driver assistance systems. This acquisition bolsters Faurecia's position as a major player in the integration of cockpit systems, enabling it to offer unrivalled user experiences. The Faurecia Clarion Electronics business (12 months of Parrot Automotive and Coagent Electronics, plus 9 months of Clarion) accounted for 5% of Faurecia's sales in 2019.

In 2019, Faurecia continued to roll out its transformation strategy through new acquisitions and joint arrangements, primarily:

- in terms of sustainable mobility, Faurecia continued to invest in fuel cell electric vehicles by teaming up with Michelin in a 50-50 joint venture aiming to create a future global leader in hydrogen mobility. This joint venture will advance Faurecia's "Zero Emission" strategy and enable it to take advantage of the rapid electrification of powertrains with a comprehensive mobility offering for hydrogen vehicles, from the hydrogen fuel cell to vehicle maintenance services;

(1) *For more information on Faurecia, please refer to the Company website, www.faurecia.com, or Faurecia's 2019 URD (Universal Registration Document), which is also available on the website.*

- in terms of the cockpit of the future, Faurecia announced its plan to acquire the remaining 50% of its SAS joint venture, which it holds equally with Continental. Created in 1996, the SAS joint venture has become a major player in the assembly and logistics of complex modules for vehicle interiors. It has almost 4,500 employees at 20 sites in Europe, North America and South America, and its annual revenue for all of 2019 was approximately €740 million. The purpose of this acquisition is to expand Faurecia's systems integration offering to all interior modules. The transaction was finalised in January 2020.

1.3.2.2.2. **Industrial footprint**

Today, the Faurecia Group works with virtually all the car manufacturers, requiring a world-wide presence so as to be as close as possible to its customers.

It can adapt its worldwide production facilities to fit the needs and expectations of car manufacturers. While two thirds of its facilities manufacture components and are therefore located to optimise production and logistics costs, the other third operate on a just-in-time basis.

1.3.2.2.3. **Customers**

The Faurecia Group has a diversifying portfolio with the arrival of newcomers, Chinese car manufacturers, commercial vehicles and producers of high-power engines.

In 2019, the Faurecia Group's major customers were the Volkswagen Group with 18.5% of sales, followed by Ford with 14.6%, then Renault-Nissan-Mitsubishi with 13.8%, Groupe PSA with 13.1%, FCA with 6.7%, GM with 5.3%, BMW with 3.9% and Daimler with 3.3%.

1.3.2.3. BANQUE PSA FINANCE

Closely involved in the sales policy of the Groupe PSA brands, Banque PSA Finance (BPF), directly and wholly controlled by Groupe PSA companies, works in 17 countries, alongside partners in most of those countries, to distributed financing and service offers designed to stimulate vehicle sales by the dealership networks for the Groupe PSA brands.

Through its local operating entities, BPF:

- provides dealers of the brands with financing for their inventories of new and used vehicles, and of spare parts, along with other financing such as for working capital;
- offers individuals and businesses a complete range of financing and services, as well as savings products in France and Germany.

BPF's commercial offer will typically tie insurance and services into the financing package in order to best meet the increasing mobility needs of individuals or companies.

Since 2015, BPF has instituted a business model based on cooperation agreements, featuring two major partnerships in Europe, with Group Santander Consumer Finance for the Peugeot, Citroën, DS brands, and with BNP Paribas Personal Finance for the Opel and Vauxhall brands. BPF also operates in joint-arrangement with Santander in Brazil. The governance scheme deployed under these cooperation agreements means that loan decisions are independent of the brands, while also allowing the development of commercial offers that are appropriate, innovative and fully supportive of the Push to Pass and Pace! growth plans.

For more information on the implementation of the legal transactions in each country of the Cooperation, please refer to BPF's Annual Report at www.banquepsafinance.com.

1.3.2.3.1. **Refinancing strategy**

Following the institution of the partnership with Santander in Europe and Brazil, and with BNP Paribas Personal Finance in Europe, the financing required by the joint companies is handled by the partners. Accordingly, BPF finances activities mainly in Argentina, Mexico and Russia.

For the financing of activities outside the scope of the partnerships with Santander and BNP Paribas Personal Finance, BPF relies on a capital structure and an equity ratio that is compliant with regulatory requirements, and are backed by the quality of the bank's assets. Its financing is ensured by the broadest possible range of liquidity sources, matching of maturities of assets and liabilities.

For more information on BPF's refinancing strategy, please refer to BPF's Annual Report at www.banquepsafinance.com.

1.3.2.3.2. **Financial services to end customers**

Financial services to Peugeot Citroën DS as well as Opel and Vauxhall end customers represented 69% of Banque PSA Finance's total loans outstanding, amounting to €29,476 million at 31 December 2019, *versus* €26,256 million at 31 December 2018 under IFRS 8 (under IFRS 8 presentation, loans outstanding of this type amounted to €10 million, or 12% of total loans outstanding).

Banque PSA Finance serves both individuals and corporate fleets with:

- loans for the purchase of new and second-hand cars;
- short- and long-term operating leases (hire);
- finance leases (vehicles sold with a buyback commitment);
- an array of related services, such as insurance, maintenance and extended warranties.

Spurred by a sustained focus on building customer loyalty for the Groupe PSA brands, BPF offers diversified financing products and services, as well as bundled offers, that together with the six brands provide a comprehensive range of mobility solutions.

1.3.2.3.3. **Wholesale financing**

Banque PSA Finance, *via* its subsidiaries and partners, provides financing for new and demonstration vehicles and, where necessary, spare parts for the dealer networks of Peugeot, Citroën, DS, Opel and Vauxhall within the areas where BPF is established.

As at 31 December 2019, wholesale financing for the Peugeot, Citroën and DS, as well as Opel Vauxhaull dealership networks held steady, representing 31% of BPF's total loans outstanding, amounting to €13,111 million under IFRS 8 (loans outstanding of this type amounted to €75 million, or 88% of total loans outstanding, under IFRS 8).

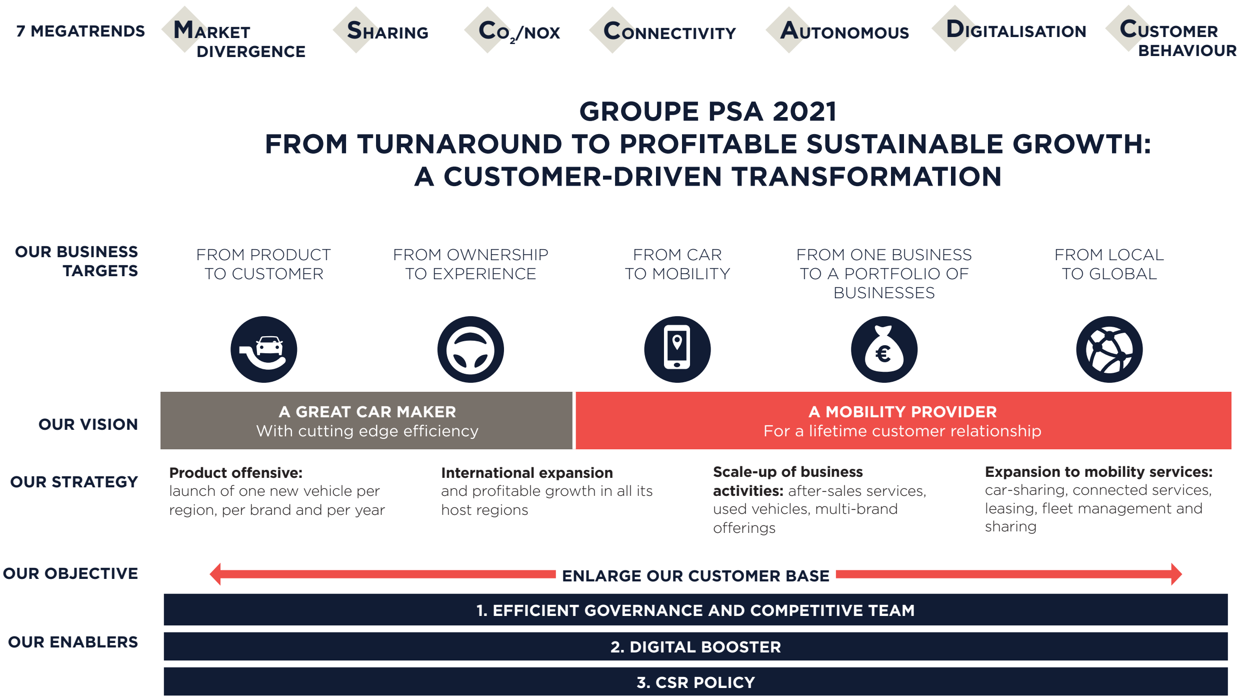
As the financial partner of the dealer networks, Banque PSA Finance also helps the dealers manage, track and control their financial risks in line with country-specific developments.

1.3.2.3.4. **Insurance and services**

In addition to retail lending, every year BPF expands its offering with insurance products (credit insurance, private health insurance, auto insurance, etc.) and automotive services coordinated with Groupe PSA's brands (extended warranties, maintenance contracts, roadside assistance, etc.).

BPF sold 1,981,141 insurance policies and/or services across the entire scope, up by 2.4%, or on average a little less than two contracts per customer financed.

1.3.3. The Group's strategic trends



On 5 April 2016, Groupe PSA presented its strategic plan for profitable growth, "Push to Pass", covering the period from 2016 to 2021. Having overpassed the initial targets of the "Push to Pass" plan for the period 2015-2018, Groupe PSA set and presented on 26 February 2019 the following target for the period 2019-2021 (including Opel Vauxhall):

- deliver over 4.5% Automotive adjusted operating margin[(1)] on average in 2019-2021.

The "Push to Pass" plan marks a first stage towards Groupe PSA's vision for itself: "a world-ranking car manufacturer with optimum efficiency, supplying standard-setting mobility services", making the customer the core concern of its activities.

This plan builds on the momentum of the previous plan, "Back in the Race", in terms of operational excellence and differentiation between the Peugeot, Citroën and DS brands.

In addition, the "Push to Pass" plan is drawing on the digitalisation of the Group and its competitive teams in order to build:

- a product offensive enabling the launch of "one new vehicle per region, per brand and per year". This product offensive revolves around a global vehicle design strategy ("Core model strategy") incorporating target technologies ("Core technology strategy");
- the Group's international expansion and profitable growth in all its host regions;
- the expansion of the Group's business activities, primarily in the areas of after-sales services and used vehicles, incorporating the development of multi-brand offerings with the aim of expanding its customer base. The Group is also expanding its activities to mobility services to meet the needs of its customers ("Core services strategy"), including car-sharing, connected services, leasing, fleet management and sharing.

The acquisition of Opel Vauxhall, effective at 1 August 2017, constitutes an opportunity for accelerating the Groupe PSA growth plan, under the benefit of:

- the leveraging of operational excellence over a widened group;
- a higher R&D capacity;
- volume and synergy gains;
- new automotive brands, with considerable synergy by their image and geographical footprint.

(1) Automotive division (PCDOV) adjusted operating income related to revenue.

1.4. RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

Note that Section 1.4 provides details on Groupe PSA's global risk management policy. Section 1.5 discusses the major risks, termed the "Group Top-Risks" to which the Group is exposed, and the remedial measures the Group institutes to reduce that exposure. Lastly, Sections 1.6 and 2 are designed to comply with regulatory requirements concerning the processing of environmental, social and societal risks.

1.4.1. Internal control objectives for the Group

As part of its commitment to prevent and limit the effect of internal and external risks, including CSR risks, the Group has put in place risk management and internal control systems to provide reasonable assurance concerning the achievement of the following objectives:

- compliance with laws and regulations;
- application of the Global Executive Committee's instructions and guidelines;
- efficient internal processes, particularly those that help to safeguard the assets of Group companies;
- reliable financial and operational reporting.

These procedures and processes help manage the Group's businesses, boost the effectiveness of its operations and ensure efficient use of its resources. Nevertheless, internal controls cannot give an absolute guarantee that the Company's objectives will be achieved.

1.4.2. Reference framework

The Group's risk management and internal control system complies with and functions according to the rules of the eighth directive on Statutory Audits, the *Autorité des Marchés Financiers* (AMF) Reference Framework for Risk Management and Internal Control Systems issued in January 2007, and the Report of the working group on Audit Committees published by the AMF on 22 July 2010. The system now complies with (EU) regulation 2017/1129 and (EU) delegated regulation 2019/980, known as the "Prospectus 3 Regulation".

The Group's banking arm uses a specialised system for credit institutions that complies with Regulation 97-02 of the French Banking and Financial Regulations Committee concerning internal control in credit institutions.

Faurecia's shares are traded on a regulated market and it acts under the responsibility of its own Board of Directors; it has a separate internal control system which it applies independently from other Group divisions.

1.4.3. Internal control principles

The internal control system in force within the Group is based on the following principles:

- engagement at the highest level;
- accountability of all actors at all levels of the organisation;
- reliance on self-assessments of compliance and deployment of processes;
- analysis of self-assessment findings to improve efficiency and compliance of Group activities.

To do this, the Group's Global Executive Committee decided in 2016 to strengthen the internal controls by structuring their organisation and deployment as part of a process of continued improvement. This mission was entrusted to the Group Protection, Audit and Risk Management Department (DPAR), which is attached to the General Secretary, which developed and set up the METRIC programme (Management of Ethics, Risks, Internal Control & Compliance) in 2017.

As needed, they rely on a network of Compliance Officers and Internal Control, Compliance and Risk Coordinators (ICRCs) established in 2016. These managers are responsible within their departments for leveraging the Group's rules and adapting them to their department's activities. The ICRCs identify the risks specific to their department and keep them under control.

1.4.4. Participants and processes

1.4.4.1. AT GROUP LEVEL AND IN THE AUTOMOTIVE DIVISION FOR RISK MANAGEMENT

There is an overall set of security processes that contribute to the Group's risk management system.

The risk management system is deployed Group-wide.

Each department is responsible for identifying and checking the risks to which it is exposed and implementing the necessary action plans to mitigate those risks.

A METRIC review is conducted on an annual basis (year-end) by each representative of the Group's Protection network (ICRCs) within the Executive Committee to which it belongs. This review assesses the past year in terms of risk management and compliance and validates action plans for the coming year. This structure is crucial when it comes to enabling managers to gain a better understanding of the risks and challenges that they are facing and to take good decisions with the aim of protecting the Company, its employees and its assets.

The Group Protection, Audit and Risk Management Department is in charge of the Risk Management Approach and checks the Correct Application of Risk Management Systems.

The principal risks in each department, *i.e.* those which are most critical (impact x probability), are reported by every department each half year in a "Department Top-Risks" Report. The report is sent to the General Secretary *via* its Group Protection, Audit and Risk Management Department (DPAR).

In addition, this department identifies the Group's main crossover risks once a year at interviews conducted with a representative range of the Group's executive officers and managers.

The mapping of major risks "Group Top-Risks" (from the "Top Management Risks" and the aforementioned interviews) is reviewed every year by the Global Executive Committee and presented to the Supervisory Board's Finance and Audit Committee. The Global Executive Committee validates the action plans for dealing with the "Group Top-Risks".

Specific risk management and control procedures cover particular risks.

The Group's Code of Ethics is directly available to all Group employees *via* the Intranet portal. All employees are required formally to accept the terms of the Code. An Ethics & Compliance Committee chaired by the General Secretary meets on a quarterly basis.

For further information on the Group's ethics policy, see Section 2.3.3 of this Registration Document.

Anti-fraud measures are the responsibility of the Group Ethics & Compliance Committee, which delegates their implementation, investigation, records management and reporting to the Group DPAR.

The DPAR, which reports to the General Secretary, is responsible for defining and coordinating on a global basis all actions intended to protect the employees and tangible and intangible assets of the Group (except for Faurecia) against the risks arising from malicious acts of all kinds.

The Legal Affairs Department, which reports to the General Secretary, produces or checks the Group's contractual commitments. It is also in charge of organising the Group's defence in the event of disputes with third parties. It thus helps limit and manage the legal risks to which the Group is exposed.

The Management Control Department, which reports to the Chief Financial Officer, is responsible for overseeing the Group's business and financial performance and proposes annual and medium-term targets for growth, operating margin and return on capital employed to Executive Management. It manages the process of preparing the Medium-Term Plan and the budget framework. It controls the results of the operating departments and the Group's projects, and produces summary reports. It also carries out other finance-related tasks, particularly for the automotive business, such as product costing and price provision, selling price control, checking project profitability, financial monitoring of industrial cooperation with other car manufacturers, negotiations for mergers, acquisitions and disposals, etc., and drawing up formal management rules and standards.

The Group Protection, Audit and Risk Management Department checks that the risk management procedures are correctly applied.

The DPAR verifies compliance with rules *via* audits. The annual audit plan, which is defined independently, is based on the "Group Top-Risks" and is subsequently submitted to Executive Management for approval and presented to the Supervisory Board's Finance and Audit Committee. The Group Protection, Audit and Risk Management Department is also responsible for assessing the degree of maturity of the risk management system and making recommendations for improving its effectiveness. A total of 65 audits were carried out in 2019 across the entire Group.

The Supervisory Board's control and oversight role.

The Finance and Audit Committee of the Supervisory Board ensures that the risk management and internal control system operates effectively. The General Secretary reports to the Supervisory Board on the systems in place and their degree of maturity, as well as the "Group Top-Risks" map, with particular emphasis on risks which could have an impact on the Company's financial and accounting information.

The Board also reviews the Internal Audit Department's organisational and operating principles, expresses an opinion on the Internal Audit plan and is informed of the findings of (i) the Internal Audits performed as part of the plan and (ii) the follow-up audits to check that departments have implemented the recommendations.

1.4.4.2. AT THE GROUP AND AUTOMOTIVE DIVISION LEVELS FOR INTERNAL CONTROL

Control environment

To better meet regulatory requirements and consumer expectations, the Group set up a Compliance management system which draws on the skills of five pairs of compliance officers in the areas of competition, anti-corruption, personal data, type approval, export control.

Similar to regulatory bodies, each one is responsible in its field for internally communicating external restrictions and obligations (laws, regulations, consumer commitments) in the form of internal rules applicable to the Company's operational processes.

Compliance Officers are answerable to the Head of Compliance Office who reports directly to the General Secretary under the aegis of the Ethics and Compliance Committee. Where necessary, they have direct access to the Chairman of the Managing Board and to the Supervisory Board.

They also receive support from the Legal Affairs Department, which provides expertise for the various Compliance programmes, and from the DPAR, which assists with audits and investigations. Lastly, the ICRC network is responsible for rolling out the Compliance system.

This structure, guided by the need to protect the Company, guarantees its operation within an increasingly high-pressure regulatory framework and its transparency, in line with the expectations expressed by regulators. It also increases oversight of the Group's Compliance system and coordinates compliance programmes and their implementation.

Control activities

The goal of the control activities carried out by the departments is to ensure that the rules are being enforced.

- Using the tool that is part of the METRIC programme, the departments can assess their own processes for monitoring the necessary action plans, where applicable. The departments' results from the METRIC self-assessment campaign are reported once a year to the Global Executive Committee. Appropriate action plans are instituted by the entities with a goal of continuous improvement.
- Internal Audits can be used to assess whether they are being implemented correctly.

Internal Control management

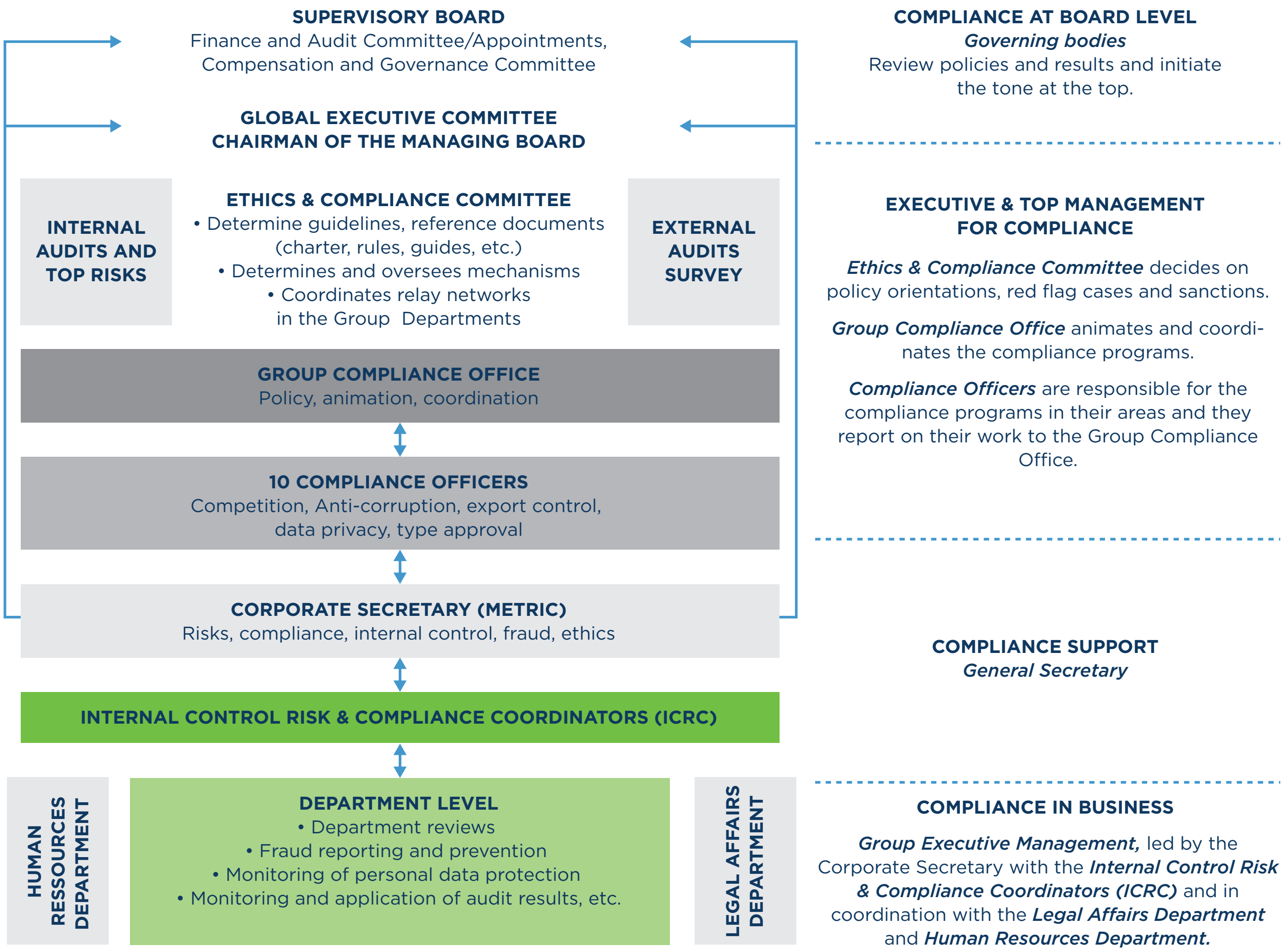
The Global Executive Committee initiated the internal control system. Its oversight is based on the following points:

- periodic implementation of the ICRC network, supplemented by specific working groups as required;
- an annual review by the Management Committee, presenting the entity's self-assessment findings;
- an annual submission to the Global Executive Committee of the internal-control activity, providing concise information to Group managers on the degree of maturity of internal control;
- an annual presentation to the Audit and Finance Committee of the Supervisory Board detailing the major risks of the Group, the associated audit plan and the level of maturity of the Group regarding internal controls.

A continued improvement approach

Internal Control management is part of a process of continuous improvement. Its purpose is to continually improve processes and create a coherent set of methods and tools to give management an integrated view of any findings and adjustments. It is based on the following principles:

- producing and updating internal control reference guides, in close collaboration with the operating units to support Group policy;
- listening to the various business lines to streamline and optimise internal controls;
- adjusting controls based on changes in risks.



1.4.4.3. BANQUE PSA FINANCE

Banque PSA Finance (BPF) has introduced an internal control system which complies with regulation no. 97-02 relating to the internal control of credit institutions. This system is described in BPF's Annual Report, which is available on its website (www.banquepsafinance.com).

1.4.4.4. FAURECIA

Faurecia's risk management and internal control procedures are presented in its 2018 Registration Document, which can be found on its website (www.faurecia.com).

1.4.5. Preparation and processing of accounting and financial information

The Finance Department is responsible for defining and implementing a specific internal control system for accounting and financial matters, in addition to the risk management system described above, which also applies to it in the same way as any other department of Groupe PSA.

1.4.5.1. ACCOUNTING AND FINANCIAL ORGANISATION

The Finance Department uses a technical and organisational framework which includes the Group's accounting and consolidation standards, good accounting practice, integrated accounting standards, finance management standards, financing and cash standards and tax rules. The framework is accessible to all Group employees to ensure that standards are applied uniformly. Different managers are responsible for updating specific categories of standards in line with their areas of specialisation.

The accounting standards describe the accounting policies applicable to all Group's subsidiaries, based on International Financial Reporting Standards (IFRS) as approved by the European Union, and taking into account the accounting options selected by the Group and any standards that have been early adopted. They set out the accounting treatment and accounting entry structures for complex and/or new transactions. Specific accounting standards are applied in the banking sector and at Faurecia.

The guidelines on best accounting practices prepared by the Automotive division Accounting Department are accessible by all Automotive division employees. They help to ensure consistent application across the Group of best practices identified in terms of accounting quality and internal control.

A Group reporting timetable, produced by the Corporate Management Control Department, is circulated annually to all the Group's Accounting, Financial and Management Departments. For each month, it sets the various accounting, reporting and statement of income dates. The Consolidation Department also prepares and sends out a standard setting out the timetable for the submission and processing of subsidiaries' consolidation packages.

The accounting and financial Information Systems developed and/or implemented in the Group by the Information Systems Department meet the needs expressed by users (accounting, consolidation, management control, finance, treasury). Each application is classified in terms of availability, integrity, confidentiality and traceability of information sent or produced. The classification determines the requirements in terms of access clearance (confidentiality and traceability) and business continuity and recovery plans (availability and integrity). Data archiving and backup procedures have been implemented to comply with legal requirements for keeping data and to create audit trails guaranteeing data traceability.

To uphold and improve the quality of accounting and internal control within the Group's Automotive division, an Accounting Quality Plan has been implemented at the level of each accounting team in the relevant departments, under the responsibility of the Chief Financial Officer. This plan comprises all internal actions taken to implement the recommendations of the internal and external auditors, as well as those of the teams themselves. A meeting is held every six months under the Chairmanship of the Group's Chief Financial Officer to monitor the Accounting Quality Plan.

1.4.5.2. PROCEDURES FOR PRODUCING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

Published financial information comprises the consolidated financial statements of the Group and the statutory financial statements of Peugeot S.A., approved by the Managing Board and presented to the Supervisory Board, as well as analyses of the data included in these financial statements and press releases issued by the Group.

Monthly, half-yearly and annual results are validated jointly by the Accounting units, the Consolidation Department, the Corporate Management Control Department and the Management Control units of each division. They form the basis of the full set of consolidated financial statements reviewed each month by the Global Executive Committee.

The consolidated financial statements are prepared by the Consolidation Department, which is also responsible for Group accounting policies. The statements are prepared using the accounts of Group companies excluding Faurecia, restated in accordance with IFRS as adopted by the European Union, together with the accounts of the Faurecia Group sub-consolidation. The subsidiaries' accounts are prepared under the responsibility of the Accounting and Finance Departments within the various divisions (Automotive, Automotive Equipment, and Finance). These departments, in liaison with the operating units and the Management Control Department, ensure the accuracy of the individual statutory accounts and the consolidation packages and systematically co-validate them. The Consolidation Department produces a full set of consolidated financial statements each month, both for internal management and external reporting purposes for the half-year and full-year closings. The Automotive Accounting Department prepares the parent company and restated financial statements for Peugeot S.A. The Consolidation Department, along with the other accounting departments, takes into account the recommendations of the Statutory Auditors.

The accounts are consolidated by separate dedicated teams for the Group as a whole, Banque PSA Finance and its subsidiaries and Faurecia. Each month, all consolidated companies send their dedicated team their detailed financial statements, including their statement of income, balance sheet, cash flow statement and analyses, prepared in compliance with Group standards, for integration into the consolidated accounts. Each subsidiary is responsible for preparing regular reconciliations between their statutory equity and equity reported in the consolidation package. These reconciliations are checked by the consolidation team in order to check, in particular, that deferred taxes are properly stated. All consolidation adjustments are controlled and traced. An overall analysis of changes in the main consolidated statement of income, balance sheet and cash flow statement items is communicated each month to Executive Management.

The reliability of data reported by the subsidiaries is verified by their own management control teams, the division-level Accounting and Finance Departments and the Group Consolidation Department.

The subsidiaries' financial statements are reported *via* the SAP Business Objects Financial Consolidation system, which has been set up at all consolidated subsidiaries to guarantee data security and traceability. However, Faurecia has its own consolidation tool and is in this regard outside the purview of Groupe PSA.

Off-balance sheet commitments are identified within each Group company and reported to the Consolidation Department.

Asset control procedures are based on annual inventories of goods held by the Group as well as inventories of property, plant and equipment held at Group sites, based on cycle counts which ensure that each asset is counted, in general, at least once every three years. The inventories are governed by strict procedures concerning segregation of tasks and count controls to ensure that the results are reliable.

Investment and financing strategies and strategies for evaluating counterparty risks arising from financial market transactions are approved by the Finance Department.

The Financial Communications Department, which reports to the Finance Department, is responsible for relations with investors and the financial markets authorities. It coordinates the work done by the various Group entities on preparing the annual Registration Document and ensures that the timetable for its preparation and publication is met, in conjunction with the Statutory Auditors. The Management Control Department is responsible for drawing up and presenting summary data used to analyse results and provide forecasts.

1.4.6. Tasks underlying the preparation of the Report on internal control

This report was based on the following main procedures:

- identifying all existing practices within the Group operating units and departments concerning risk analysis procedures, conduct of and regular updates to the procedures and analyses;
- verifying that Group internal control procedures and processes comply with the general principles of the AMF's Reference Framework for Risk Management and Internal Control Systems;
- obtaining assurance at the level of the Finance Department – with input from the accounting, consolidation, financial communications and management control teams – that processes for the preparation and approval of the consolidated financial statements fulfil the quality criteria defined for each operational category in the application guide included in the above-mentioned Reference Framework.

Since the 2018 financial year, and in accordance with the roadmap, the Opel and Vauxhall entities have been fully integrated into the Group's risk management scope, thus ensuring the presentation of consolidated information.

1.5. RISK FACTORS DPEF.B

Groupe PSA conducts its activities in an environment of radical changes for the automotive industry, changes with respect to technology, consumption patterns and new competitive forces in 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 and that are specific to the Group's operations.

The various operating units of the Group identify and assess risks and evaluate the related internal controls on an ongoing basis, in France and abroad (Faurecia has its own arrangements for these activities; for further details please refer to the Faurecia Registration Document available for consultation on its website www.faurecia.com), and report thereon to the Global Executive Committee and to the Supervisory Board's Finance and Audit Committee on an annual basis.

In addition, the Group conducted a series of interviews with outside observers to obtain a realistic and relevant perspective as to its ability to address these risks in its environment.

However, other risks may exist or occur, which are either not known to Groupe PSA at the date of this document or whose realisation has not been deemed likely to have a material adverse effect on the Group, its business, financial position, earnings or outlook.

For more information on risk management, please refer to Section 1.4, of this Registration Document.

This section sets out the main risks identified, grouped into five categories:

- strategy-related risks;
- operational and industrial risks;
- financial and market risks;
- regulatory, legal and reputational risks;
- Risks related to the PSA - FCA Merger.

The magnitude of the risks is assessed in residual value, i.e. after taking into account the impact of risk management measures, according to the probability of their occurrence and their negative effect should they materialise. Within each of these categories, risks are ranked in decreasing order of magnitude. Lastly, please note that some of these risks are of a non-financial nature [DPEF.B]* and/or are related to duty of vigilance [DV]* and – given their importance – are also included in the risk factors appearing in this section.

SUMMARY OF MATERIAL RISKS

Risk category	Risks identified	Exposure to risk
Strategy-related risks	› Economic, geopolitical and health instability in regions where the Group operates	High
	› Ability to sell electric vehicles at a profit	High
	› Poor performance of growth drivers outside Europe: [DPEF.B] [DV.8] Local sourcing in host territories	High
	› Ability to meet R&D investment needs	High
	› Group transformation [DPEF.B] [DV.1] Management of Company transformations and social dialogue;	Average
	› Difficulty with positioning DS as a premium brand	Average
	› Disintermediation in mobility services: [DPEF.B] Development of new mobility solutions	Average
Operational risks and industrial risks	› Downturn in the European market	High
	› Quality issues with products and/or services: [DPEF.B] Vehicle safety; [DPEF.B] customer satisfaction/product and service quality	High
	› Breakdown in the supply chain	High
	› Natural and industrial disasters	High
	› Ability to expand sustainably and profitably in China, in particular, with our JVs	Average
	› Cybercrime	Average
	› Talent management [DPEF.B] [DV.2] Attracting and developing all talents	Average
	› Change in distribution methods	Average
	› Development, launch and sale of new vehicles	Average
	› Information systems failure	Average
Financial and market risks	› Fluctuations in commodity prices: [DPEF.B] [DV.7] Wise use of material in the vehicle life cycle - including recycling [DPEF.B] Optimisation of materials cycles - including waste management - in manufacturing	High
	› Foreign exchange rate fluctuations	High
	› Changes in customs tariffs	High
	› Changes in energy costs	High
	› Banque PSA Finance business	Low
Regulatory, legal and consumer risks	› Industrial emissions and impacts on climate change including stricter CO_2 emissions standards (Carbon neutrality): [DPEF.B] Vehicle CO_2 emissions; [DPEF.B] [DV.5] Industrial carbon footprint; [DPEF.B] [DV.10] Supply chain environmental performance; [DPEF.B] [DV.6] Control of industrial discharges and nuisances	High
	› Defect of compliance (anti-trust litigation; GDPR; AntiCo, etc.): [DPEF.B] Ethics in business practices; [DPEF.B] [DV.9] Human rights in the supply chain; [DPEF.B] Vehicle impact on air quality; [DPEF.B] Responsible management of customer data and relationship	High
	› Employer's responsibility: [DPEF.B] [DV.4] Health, safety and well-being in the workplace; [DPEF.B] [DV.3] Diversity and equal opportunity	High
	› Intellectual property rights	Average
Risks related to the PSA - FCA Merger	Consummation or not of the Merger or failure to timely complete the merger	Low

* *[DPEF.B] = Main CSR risks associated with the Company's operations and its business dealings, products and services (detailed in section 2 of the Non-Financial Performance Statement).*
[DV.1;10] = Main risks in relation to human rights and fundamental freedoms, personal and environmental health and safety, resulting from the operations of the Company, its subcontractors or suppliers (detailed in the vigilance plan in section 1.6).

In accordance with the Declaration on Extra-Financial Performance [DPEF], the CSR risks are listed in the tables below showing the Group's operational risks and their risk management and control processes.

1

1.5.1. Strategy-related risks

1.5.1.1. RISKS RELATED TO THE GROUP'S ECONOMIC, HEALTH AND GEOPOLITICAL ENVIRONMENT HIGH RISK

Risk factors	Risk management and control processes
The Group operates on an industrial and/or commercial level in a large number of countries, some of which may present specific risks: GDP volatility, economic and political instability, social unrest, regulatory changes, rise of nationalism and populism, introduction of protectionist measures, recovery issues, interest rate and foreign exchange rate fluctuations, foreign currency liquidity gap and foreign exchange controls. On the other hand, the Group is exposed to the risk of pandemics and epidemics which could partially or completely paralyze its operations.	With the aim of limiting such risks, the strategy involves: › protecting itself from protectionist policies put in place by some countries to boost the growth of a domestic automotive industry by optimising local operations; › implementing warning procedures, security plans and business continuity tailored to the nature of the threat. Warning procedures consist of a permanent watch on the political, social and health, as well as the regulatory situation in all countries. The Global Executive Committee steers and controls the Group's activities through the "Push to Pass" plan and the progress of its action plans.
Risks associated with the Covid-19 pandemic The Covid-19 coronavirus pandemic that has been raging worldwide has significantly affected all production facilities, supply chains and commercial activities of Groupe PSA. The high health risk posed by this threat puts the group's personnel on the front line and could have an impact on their health and availability. We are doing everything in our power to ensure the safety of Group employees as a priority in the countries affected by this health crisis. The development of the Covid-19 epidemic, particularly from March 2020, increases the uncertainties of the global economic context and the markets. Its consequences for Groupe PSA are currently difficult to assess and will depend on the scale, duration and geographic extent of the Covid-19 crisis, as well as the measures taken by the countries concerned. After closing its production sites in China, the Group announced on March 16 the gradual closure of all its European production sites and then in the rest of the world. All European sites were closed on March 19. The production sites remain closed to this day with the exception of China where production has resumed gradually since the end of March. The Covid-19 impacted demand significantly in the first quarter with a sharp drop in the global automotive market. The European market notably experienced a significant drop of more than 26% in the first quarter compared to the first quarter of 2019 with in particular a month of March down by more than 50%. Global sales of Groupe PSA fell by 29% in the first quarter of 2020 compared to the first quarter of 2019, including a drop of almost 30% in Europe.	To respond specifically to the threat of the spread of the coronavirus, Groupe PSA has implemented an exceptional crisis management system. This cell has decided, among other things, on temporary public security emergency measures such as the generalization of telework for all tertiary positions and the closure of its European factories. However, the group is unable to predict the critical impacts on its results if this epidemic were to persist beyond a short-term return to normal. The Group has also defined a reinforced health and safety protocol in the various business sectors of the company. A progressive and secure recovery schedule should be established according to the context of the health crisis and the results of audits of implementation of health measures reinforced and adapted to each site.
Given this uncertain context, Groupe PSA has strengthened the financial security of its Automotive division with a new syndicated line of € 3 billion signed in early April 2020, which is in addition to a € 3 billion confirmed undrawn back-up line for a total amount of € 6 billion; Faurecia has also strengthened its financial security by signing on April 10, 2020 a Club Deal of € 800 million, which is in addition to the € 600 million not drawn from the € 1.2 billion syndicated credit line of which half was recently drawn.. At the end of 2019, the net financial position of the Group's industrial and commercial activities (including Faurecia) amounted to € 7,914 million and its net financial security to € 23,405 million with € 19,205 million in cash and cash equivalents, financial investments, current and non-current financial assets and € 4,200 million of undrawn lines of credit.	

1.5.1.2. RISKS ASSOCIATED WITH THE GROUP'S ABILITY TO SELL ELECTRIC VEHICLES AT A PROFIT HIGH RISK

Risk factors	Risk management and control processes
The advent of electric and plug-in hybrid vehicles is fuelling a price war between car manufacturers in order to win significant market shares. Against this backdrop, Groupe PSA is also faced with increasingly drastic and stringent emissions regulations in order to meet compliance targets. Since 2019, all the new models launched by the Group have been offered in a rechargeable hybrid or full electric version. Orders for low-emission vehicles are encouraging and comply with the Group's objectives to meet, from day one, the requirements of European 2020 standards in terms of CO_2 emissions (average target for car manufacturers of 95 g / km of CO_2 for new passenger cars sold in 2020). The industry is also witnessing an increase in costs as a result of monopolistic behaviour on the part of raw materials suppliers. The Group estimates that today 40% of the cost price of an electric vehicle corresponds to the cost of the electric battery.	In an attempt to counteract these continual price hikes and reduce its dependence on the supply of rare materials, Groupe PSA decided to widen its panel of suppliers, amongst other things, in order to improve its competitiveness such as, for example, with BYD. The association with the French Saft battery manufacturer (Groupe Total subsidiary) to develop a European battery gigafactory with the support of the European Union would enable new generations of lithium-ion batteries to be brought to market. In order to maintain control over our powertrain business, Groupe PSA created a joint venture with Nidec Leroy-Somer focusing on designing and engineering, developing, manufacturing and selling electric traction motors.

1.5.1.3. RISKS ASSOCIATED WITH POOR PERFORMANCE OF GROWTH DRIVERS OUTSIDE EUROPE HIGH RISK

Risk factors	Risk management and control processes
Groupe PSA has a very strong foothold in Europe which makes a significant contribution to its profits. The Group's European sales represented nearly 87% of its consolidated worldwide sales in 2019. The breakdown of the Group's global sales is presented in chapter 1.3.2.1.3 *Some key figures*. To protect against this dependency, the Group has a presence on other continents where it has industrial and sales sites. It is, however, difficult to develop the competitiveness needed to make international expansion profitable. In fact, on an international level, the Group is subject to increasingly stringent regulations and has to manage the under-use of its industrial capacity. The Group is also experiencing a slowdown in certain key markets such as Latin America, particularly in Argentina. On other markets, such as China or Russia, low brand visibility threatens an exit from these markets. Lastly, with the forced withdrawal from Iran, the Africa-Middle East Region will have to find robust alternatives to make up for lost sales. For more details on the group's markets, read chapter 1.3.2.1.2 *The group's markets*.	The Company has introduced a number of measures to protect itself against any additional risk due to the cyclical nature of the markets. To ensure a high level of flexibility in terms of both forward planning and action, the five Regions manage their own business plans in order to contribute to the Group's performance. In addition to major cross-functional principles, specific measures have been put in place. For example, the development of the Russia-Eurasia Region has now been entrusted to the Opel brand which aims to make a comeback on the Russian market. India, where the Citroën brand is due to launch in 2020. Malaysia and Indonesia will constitute new strategic outlets for the Group. The ramp-up of the Kenitra plant in Morocco and our expansion in Algeria will strengthen our positions in the Maghreb and Sub-Saharan Africa. Lastly, in 2010, a specific plan will be devised for China which should allow for a return to profitability and growth. Groupe PSA is aiming to increase its sales outside of Europe by 50% between now and 2021.
[DPEF.B] [DV.8] Local sourcing in host territories It is crucial to stimulate local production to support the Group's increasing internationalisation and reduce inequalities in terms of economic development in the areas where the Group has a presence.	Given the economic challenges of its presence in host countries, the Group is committed to make supplier relationship management a key element of its strategy. The Group implements two kinds of measures: › it identifies local suppliers and helps them acquire the skills they need; › it encourages its existing suppliers to move to clusters near its facilities. (See 2.3.1 and CSR Report 8.1)

1.5.1.4. RISKS ASSOCIATED WITH THE GROUP'S ABILITY TO MEET R&D INVESTMENT NEEDS HIGH RISK

Risk factors	Risk management and control processes
The business segment in which Groupe PSA is evolving requires the Group to have a strong culture of innovation so that it can continually reinvent itself and offer new products and new technologies in order to remain competitive. Nevertheless, this permanent search for innovation can prove to be a costly gamble if the choices that the Group makes never come to market or fail to meet with approval from its customers. PSA is facing a number of challenges: **1.** increase its future offer of ADAS, plug-in hybrids, ZEV and connected services; **2.** be in a position to maintain R&D expenditure which may result in Groupe PSA products becoming less technologically attractive than market expectations; **3.** adopt a consistent artificial intelligence strategy.	To anticipate and continue its investment in research and in the improvement of new technologies, the Group has implemented a number of action plans: **1.** ensure an adequate level of technological preparedness for clean technologies, connected and autonomous vehicles: battery, fuel cell, AVA (autonomous vehicle programme for all), connectivity and strategic, in particular, software programmes; **2.** identify technological challenges and Groupe PSA's position in the value chain: medium-term plan (including innovation) approved by the GEC, funding assessment; **3.** prioritise all AI projects under the joint management of the digital division and the research and innovation division.

1.5.1.5. RISKS ASSOCIATED WITH GROUP TRANSFORMATION AVERAGE RISK

Risk factors	Risk management and control processes
[DPEF.B] [DV.1] Management of Company transformations and social dialogue The far-reaching transformations resulting from environmental demands and customers' new expectations are key to the Push to Pass strategic plan. In order to carry out these transformations, the maturity and quality of the social dialogue within the Company is the key to success. The lofty ambitions displayed by the Group can be witnessed at the highest corporate level and are reliant on demanding leadership. This dynamic must be sustained whatever the circumstances affecting one or more executive managers so as to ensure resilience, particularly in terms of efficiency, financial results and Company value.	To ensure the success of its strategic plan, Groupe PSA relies on the shared willingness of employee representatives to co-build the future and support change within the Company. Built on responsible relationships, high-quality social dialogue enables the most appropriate and most pragmatic solutions to be found. The Group considers this ability to be a competitive advantage. (See 2.4.1) The Group's Executive Management, as well as the operating units, are very much involved in monitoring this transformation which must be applied within operating processes, employee behaviours and the corporate culture. Management continuity is a key issue in terms of business stability. It is reliant on the replacement plans devised by the Supervisory Board.

1.5.1.6. RISKS ASSOCIATED WITH THE DIFFICULTY OF POSITIONING DS AS A PREMIUM BRAND AVERAGE RISK

Risk factors	Risk management and control processes
The DS brand, launched in 2015, has experienced commercial success in Europe, particularly in France, with its first two vehicles, the DS7 Crossback and the DS3 Crossback. Competing against well established Premium brands, with great reputations and large marketing budgets, the DS brand still needs to demonstrate its sustainability as a new reference Premium Brand across all markets. The DS brand market share amounted to 0.3% of the European market in 2019 (and 1.2% of the French market).	The DS brand makes sure, along with the Programmes Department, that it launches vehicles on a regular basis so that it can offer a comprehensive and consistent range of compatible low-emission products across all markets. The Regions and the DS brand have introduced a network rollout plan with exclusive DS points of sale and specific specifications. Product and service quality are monitored to meet the specific requirements of premium brand customers.

1.5.1.7. RISKS RELATED TO THE EMERGENCE OF NEW BUSINESS MODELS FOR NEW MOBILITY AVERAGE RISK

Risk factors	Risk management and control processes
[DPEF.B] Development of new mobility solutions The market shows a strong trend towards new forms of mobility such as car-sharing, car-pooling, and connected services. Groupe PSA's sustainability is dependent on its capacity to adapt its business model to new mobility schemes and to develop the new services expected by society. The imminent risk for the Group on this new market is that its customers' data will be collected by data hosting or service providers.	The creation of the Free2Move mobility brand addresses the need for the Group to participate in a strong and visible manner in the mobility and future connected services value chain. Free2Move aims to offer its customers mobility solutions to simplify their lives. The Group also invested €100 million in order to provide an additional range of offers able to cover all mobility needs (See 2.2.1.4), and, in particular: › an urban mobility app, accessible in 34 European and US cities, to enable users to select the most appropriate form of transport. Whether it's renting a bike, a scooter or a car or taking advantage of a car-sharing service offered by Free2Move or a competitor; all these solutions are possible; › B2C, C2C and B2B car-sharing; › short-term rental. › a Services app which facilitates travel by electric vehicle and gives access to 130,000 charging stations. For companies: › support for the electrification of fleet cars; › long-term rental with related services and connected fleet management. Furthermore, the Group develops connected after-sales services and data service activities, primarily for cities.

1.5.2. Operational and industrial risks

1.5.2.1. RISKS ASSOCIATED WITH A DOWNTURN IN THE EUROPEAN MARKET HIGH RISK

Risk factors	Risk management and control processes
Groupe PSA, which concentrates nearly 90% of its sales on the European market, is very exposed to the risk of a slowdown, or even a downturn, in this market. This is all the more troublesome given the regulatory surcharges in the Euro zone and targets for the reduction of CO_2 emissions, and more generally speaking, the environmental constraints which are applied to car manufacturers which may have a serious impact on the number of cars sold. Lastly, another of the Group's concerns in Europe is Brexit, where uncertainty over the future trading relationship between the United Kingdom and the European Union are helping to fuel market fears on both sides of the Channel and are impacting on supply chain performance. In 2019, Group sales in the UK represented 395,000 vehicles. A one per cent gross change in the pound sterling euro exchange rate has an impact of around €40 million on the Automotive adjusted 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.	In order to remain competitive on its historical market, the Europe Region, a number of focus areas have been established: › adjust production capacities to the market; › maintain the sales offensive; › limit the effects of Brexit; › prepare for the possibility of a shrinking market.

1.5.2.2. RISKS ASSOCIATED WITH QUALITY ISSUES WITH PRODUCTS AND/OR SERVICES

HIGH RISK

Risk factors	Risk management and control processes
The Group sells its products all over the world and so has to satisfy customers with very different expectations depending on the country. If it fails to listen to these different needs, its sales may drop and the Group may be put in danger. Groupe PSA aims to be n°1 in customer satisfaction by 2021. According to internal benchmarking monitoring on customer recommendation rate, the difference has been halved compared to the benchmark since 2018.	In each region, the Group has set up teams charged with analysing the markets and the specific needs of customers in each country. Products specific to each region are developed to fulfil the expectations of all our customers. The Group's aim is to be ranked top for customer satisfaction in each region.
[DPEF.B] Vehicle safety The vehicle safety standards imposed by regulations are increasingly stringent and safety is one of the most important factors in terms of customer choice. Society's expectations will be even higher with the arrival of autonomous and connected cars. Groupe PSA's challenge is to continually improve the safety of its vehicles, without impacting on the sale price.	The safety of each individual road user has always been the primary priority of Groupe PSA. At all stages of the vehicle lifecycle, Groupe PSA implements and maintains a global state-of-the-art safety approach. The Group is continually improving the safety of its vehicles. It is also carrying out vital work on vehicle resistance to intrusion and new threats linked to the cyber security of connected vehicles (see 2.3.2.1). A weak signal monitoring system (*e.g.* social networks) is in place to prevent any risk of crisis. Faults fed back by after-sales service are analysed on a daily basis; if a safety risk is identified, the crisis management process kicks in and decisions are always taken with a view to protecting customers.
[DPEF.B] Customer satisfaction/product and service quality Customer satisfaction is based on two factors: product quality and service quality. A high quality level is synonymous with economic efficiency and customer loyalty. On the other hand, quality failures may lead to a drop in revenue and the Company's reputation may be seriously damaged.	To attain the level of quality required to enable it to become customers' car manufacturer of choice, the Group has introduced quality management systems right the way along the value creation chain, from innovation development to customer handover via, in particular, supplier and production control. The Group's plants are ISO 9001-certified for vehicle manufacturing and IATF16949-certified for components and casting. (See CSR Report 4.1)

1.5.2.3. RISKS ASSOCIATED WITH A BREAKDOWN IN THE SUPPLY CHAIN HIGH RISK

Risk factors	Risk management and control processes
The supplier contribution corresponds to more than 80% of the production cost of vehicles. These companies' technical, quality, logistical and financial performances contribute to Groupe PSA's overall performance. Any breakdown on the supplier's part carries a serious risk of halting production or delaying commercial launches.	Group suppliers are evaluated, selected and monitored according to various criteria including: competitiveness, quality, logistics performance, the ability to develop new products and manufacture them in large quantities, sustainability, exposure to natural risks, and environmental and social responsibility (CSR). The Purchasing Department leverages its expertise in production costing and commodity price management and its in-depth understanding of global markets to efficiently manage competitive bidding processes and supplier relationships. These suppliers, which operate worldwide, have become leading economic players whose responsibility weighs heavily on the subcontracting chain. Aware of this risk, the Group has established operating methods with these suppliers that guarantee the quality of the relationship over the long term by involving them in the process of securing the subcontracting supply chain in light of all the risks. Dedicated teams are responsible for preventive and curative management of the risks related to supplies' quality, logistics and sustainability and CSR for all suppliers. In 2019, the curative or preventive monitoring of high risk suppliers based on financial criteria covered 43 companies representing approximately 10% of annual purchases. The Purchasing Department analyses the financial results of the Group's main suppliers and compiles information about their industrial strategies, assesses the impact of Groupe PSA's make or buy policy, analyses the socio-economic impacts of industrial choices and verifies that suppliers comply with the Group's social and environmental specifications. This analysis has the benefit of avoiding awarding new contracts to suppliers experiencing financial difficulties and identifying all suppliers at high risk of insolvency (financial soundness, probity of shareholders, exposure to natural risks, etc.). The situation of these suppliers is reported on a monthly basis to the Purchasing Department's Risk Management Committee, which approves the action plans (including cash support, doubling production, search for rescuers or investors, stockpiling, etc.). Groupe PSA has set up a flexible organisation and scalable processes to ensure that contractual payment terms agreed upon with its suppliers are strongly respected. It has also put in place a dedicated process to address late payments.

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1.5.2.4. RISKS ASSOCIATED WITH NATURAL AND INDUSTRIAL DISASTERS HIGH RISK

Risk factors	Risk management and control processes
Groupe PSA's industrial sites may, depending on the geographical areas in which they are situated, be subject to natural phenomena such as earthquakes or climatic phenomena such as hurricanes, cyclones and floods as well as risks of fire or explosion. Climatic events such as global warming need to be factored into the choice of new industrial sites of Groupe PSA, with means of protection provided for certain existing sites located in areas at risk. The occurrence of a major incident at a manufacturing site of the Group or of its supply chain could compromise the production and sale of several hundred thousand vehicles. For example, in 2011, the earthquake off Fukushima in Japan disrupted part of the Group's diesel engine production due to a supply shortage at one of its Japanese suppliers.	The Group has implemented steps to lower the probability of occurrence of undesirable events and mitigate potential impacts on human, environmental and economic resources by means of a continuous, cross-functional prevention policy based on global standards and regular leadership for local players from the central team. Actions to manage risks and promote business continuity are conducted at each organisation by the operating entities assisted by risk management experts and the various business lines involved. The risk management processes and associated best practices are also implemented for the new technical centres and manufacturing sites, as well as in plans to modify existing sites. These initiatives and measures are assessed on a regular basis by our insurance partners. A monthly report is sent to facility and cluster managers as well as to members of the GEC, Industrial Department, Logistics Chain and Europe Department managers. In the specific area of manufacturing processes, the regional risk management system is built on three pillars: the convergent trend towards the "Excellent Plant", the Global Risk Management System and the Manufacturing Management Control System, all of which serve to cover, monitor and control throughout the year all the major risks identified within the industrial entities. Lastly, concerning the quality of manufacturing processes, the assembly plants have been ISO 9001 certified by UTAC (except for Section 7.3 "Design and Development"), to comply with the requirements of European Directive 2007/46/EC, Annex X, "Conformity of production procedures". In order to assess the physical risks at Groupe PSA sites, the Company uses natural disaster risk analyses from insurance databases, such as the NatCatService from Munich RE and Sigma from Swiss RE. They monitor and analyse the number of geophysical, meteorological, hydrological and climatological events that have occurred and related financial losses. They also make provision for future occurrences of natural disasters and their potential physical impacts. Based on this data, Groupe PSA assesses the probability of future impacts due to earthquakes, floods and storms/hurricanes across all sites. A relevant business continuity plan is published and updated. In terms of the supplier selection process, climate-related physical risk analyses based on the same tools are also applied to supplier sites using their GPS coordinates. This means that Groupe PSA is in a position to identify the strongest supply chain options and related suppliers.

1.5.2.5. RISKS ASSOCIATED WITH THE GROUP'S ABILITY TO EXPAND SUSTAINABLY AND PROFITABLY IN CHINA, IN PARTICULAR, WITH OUR JVS AVERAGE RISK

Risk factors	Risk management and control processes
Over the 2018-2019 period, Groupe PSA's market share fell to 0.7% of the Chinese market, which was down 8.2%. The downward trend should slow but China is becoming increasingly competitive and local manufacturers have a presence in a large number of segments. This commercial under-performance is impacting the JVs' profitability and financial soundness.	In September 2019, the Group and its partner, Dongfeng Motors, announced a plan to salvage their JV business in China. The plan includes optimising its investments and, in particular, plant activity in China to lower the breakeven point. It also involves restructuring its dealership networks. As regards products, the Group and its partner plan to launch a number of new models over the next few years with electric models from 2020.

1.5.2.6. RISKS ASSOCIATED WITH CYBERCRIME AVERAGE RISK

Risk factors	Risk management and control processes
Risks associated with cybercrime may occur in lots of different areas once processes are computerised. Groupe PSA has identified 5 main areas in which there would be major consequences for the business: **1.** central information systems and apps: - hacking, data theft, loss of access, fraud, - loss of control of processed data in an external cloud (apps in SaaS mode); **2.** workstations and personal equipment: - confidential information leaks, - compromised networks, - ransomware; **3.** connected vehicles: - mass takeovers of control, danger to occupants, vehicle thefts, - theft of customer information, applications fraud, - loss of functionalities and services; **4.** industrial facilities: - takeover of facilities, compromised networks, - break in production; **5.** suppliers and service providers: - leaks of confidential information and competitive know-how, - means of hacking into Group systems.	Each of the 5 areas is managed by an Information Systems Security Officer, answerable to the Group Protection Director and the Information Governance Manager. Each area takes measures of a general nature aimed, in particular, at IT protection/detection techniques and ongoing education of employees in security best practices. A network structure ensures that rules and their implementation are disseminated at all levels of the organisation's hierarchy. Specific measures are also taken in each area to respond to particular risks in line with the Group's Information Systems Security Policy and all its operational measures, including specific policies to protect information systems. In particular: **1.** central information systems and apps: - centralised management of access rights (See also Section 1.5.2.10); **2.** workstations and personal equipment: - data encryption, duel factor authentication, robust passwords that are changed periodically, - continuous education (communication, training) of employees: e-learning, information website, assessments and practices (quizzes, phishing, etc.), - application of document management and "Records Management" policies; **3.** connected vehicles: - specific sessions on cybercrime issues for technical development teams, - IT security principles and techniques applied to all on-board and stand-alone systems as well as to the flows exchanged; **4.** industrial facilities: - identification of at-risk equipment and tighter controls over security and antivirus software updates. Blocking of USB ports, - good security practices for equipment for which service providers are responsible; **5.** suppliers and service providers: - communication of Groupe PSA security policies for information purposes and application of an equivalent level of security, - policies reflected in contractual requirements.

1.5.2.7. RISKS ASSOCIATED WITH TALENT MANAGEMENT AVERAGE RISK

Risk factors	Risk management and control processes
[DPEF.B] [DV.2] Attracting and developing all talents As part of its international expansion, Groupe PSA must be attractive to applicants in the different regions where it operates, so as to increase the business' human capital and encourage its performance culture. The Group must, in fact, draw on competitive teams throughout the world to challenge its best competitors. The success of the Push to Pass plan is due to the management of talent at each level of the organisation.	Talent management is key to the Group's human resources policy. It strives to give all employees the opportunity to develop their talents both individually and collectively, by prioritising meritocracy and rewarding results. (See 2.4.3)

1.5.2.8. RISKS ASSOCIATED WITH CHANGES IN DISTRIBUTION METHODS AVERAGE RISK

Risk factors	Risk management and control processes
The Group is exposed to the risks inherent in new methods of distribution (such as the digitalisation of points of sale) and consumption (significant increase in the sale of electrified vehicles (electric or hybrid)). Delays in the digital transformation of distribution methods (at points of sale, in sales networks), inflated distribution costs and an inability to sell electric vehicles (from sale to after-sale) may, in particular, generate image and financial risks.	In the light of these risks, the Sales & Marketing Office introduced plans to manage the following risks: › design, development and rollout of digital tools (online sales, improved websites & point-of-sale tools, electric vehicle simulators, etc.) from central administration to points of sale; › a network transformation plan (reduction in the number of points of sale, multi-brand sites, simplified sales policies, reduction in charges invoiced to dealerships, etc.); › skills development for dealership personnel *via* training modules tailored to the sale of new vehicles (connected vehicles, electric vehicles); › rollout of call centres to respond to customer queries.

1.5.2.9. RISKS RELATED TO NEW VEHICLE DEVELOPMENT, LAUNCH AND MARKETING AVERAGE RISK

Risk factors	Risk management and control processes
The decision to develop new vehicle models or subassemblies and to introduce them in the market is backed by marketing and profitability studies carried out several years prior to their actual launch. In the context of an increasingly responsive automotive market, this time gap puts forecast volumes at risk and ultimately generates a financial risk (loss of value of fixed assets, payables to suppliers who would have invested based on estimated volumes). The development of vehicles and subassemblies is exposed to continuous changes in regulations which impose increasingly stringent requirements, particularly in terms of fuel economy and emissions of CO_2 and pollutants. (See paragraph 2 below). These changes, together with strong consumerist trends, may determine structural modifications in the market (for example, the internal-combustion/PHEV/electric mix), to which the manufacturing facilities cannot always adapt immediately. Technical risks related to product quality and safety can lead car manufacturers to recall vehicles.	The Automotive Programmes Department aims to translate the Groupe PSA's strategy into product plans and ensure their implementation by steering the development of vehicle and subassembly programmes and being responsible for their economic performance. The Programmes Department has a Strategy unit that anticipates market-shaping forces, particularly the changes in the energy mix in coming years (internal combustion/PHEV/electric). The Group relies on an efficient operational development plan. For each vehicle and subassembly project, a set of product services, profitability, quality and time-to-market objectives are set. Progress in meeting these objectives is ensured by a system of project milestones approved by the Global Executive Committee. In addition, the Quality Department authorises (or refuses) the sale of each vehicle that leaves the production line and organises any necessary recalls of faulty vehicles delivered to dealers or customers. The Group attaches the utmost importance to exchanges with regulatory authorities to anticipate design plans and capital expenditures required to meet scheduled changes in regulations. Concerning the approval of its vehicles by regulatory authorities, the Group notes that they comply with the various pollutant emissions regulations.

1.5.2.10. INFORMATION SYSTEM RISKS AVERAGE RISK

Risk factors	Risk management and control processes
Risks related to Groupe PSA's Information Systems, including those embedded in vehicles, stem from targeted attacks or malicious activities, anomalies in the behaviour of participants, failures or disasters. Their consequences would be economic, legal or damaging to the Group's image. There are also risks associated with our information systems which are increasingly hosted externally. (SAAS and Cloud)	A Group Information Systems Security Policy is in force, covering the Automotive and Finance Company divisions. It is deployed in the operational divisions through governance implemented by the Group Protection Department in connection with the IT Department. In order to manage these risks, the Group implements a range of measures that concern both the design features of its Information Systems and their use and maintenance: These measures are focused on the following areas: › strengthening control over access to information and sensitive applications by reviewing the rights granted to Group employees and third parties; › implementing tools that employees can use to indicate the confidentiality level or their e-mails, which triggers the appropriate protection; › continuous awareness training of employees on the dangers and best practices in controlling information by the continuous deployment of an Information Control Management System (*Système de management de la maîtrise de l'information* – SMMI); › intensifying research on security vulnerabilities in computer applications and implementing corrective actions; › deployment of Disaster Recovery Plans that guarantee that the Group would be able to continue its essential operations if a malfunction or major incident occurred at one of its IT centres; › compliance with regulatory and legal developments, specifically related to personal data; › introduction of safety measures for people and property in the embedded systems of networked vehicles similar to those already used in stand-alone systems; › instituting a cross-functional structure when it comes to the implementation of cybersecurity of connected vehicles; › implementation of the security operation center (SOC): a control tower improving our vision and detection of anomalies and attacks, and considerably leveraging our ability to take action.

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1.5.3. Financial and market risks

1.5.3.1. COMMODITY RISKS HIGH RISK

Risk factors	Risk management and control processes
The Group's Automotive division is directly or indirectly exposed to the raw materials risk through its procurement of parts or jobs. In 2019, purchases of raw materials for Europe amounted to nearly €7.3 billion (or around 23% of the purchasing budget). The main raw materials used are: steel (34% of the total cost of production raw materials purchases), polymers and elastomers (28%), aluminium (7%) and precious metals (5%) The Group has identified two main types of raw materials risk: **1.** procurement risk; **2.** economic risk.	For these risks, the Purchasing Department implements a number of action levers: optimisation of global sourcing, bulk purchases, searches for replacement materials, use of recycled and green materials, recovery and recycling of sub-products and implementation of financial hedging. Bearing in mind the growing scarcity and increasing cost of raw materials over the long-term, the Purchasing Department and the R&D Department are working together, *via* a Materials Strategy Committee, to manage and secure the Group's supply of materials over the long term and to direct the focus of its R&D towards replacement materials. In order to limit the economic risk of traded commodities, the Group set up a process for financial hedging in 2009. Every quarter, recommendations, according to established governance rules, are submitted to the Chief Financial Officer and the Director of Group Purchasing for arbitration and approval. The Protection, Audit and Risk Management Department regularly audits this process. For additional information, please refer to Note 12.6 to the Consolidated Financial Statements as at 31 December 2019, in Section 5.6 below.
[DPEF.B] [DV.7] Wise use of material in the vehicle life cycle - including recycling To reduce the risk of dependency and control production costs, Groupe PSA must: › use fewer natural resources; › eliminate hazardous substances targeted by regulations (REACH, etc.); › use materials that are compatible with the circular economy; › handle end-of-life products (notably electric vehicles and batteries) responsibly, in response to increasing regulatory pressure worldwide.	From the vehicle design phase, Groupe PSA teams are charged with limiting the Group's imprint on natural resources, by improving vehicle ability to be recycled, repaired, etc. In addition to ensuring that its vehicles comply with environmental legislation, eco-design also guarantees that the Group will stay one step ahead of the competition with regard to new materials. (See 2.2.1.3.)
[DPEF.B] Optimisation of materials cycles - including waste management - in manufacturing Groupe PSA's industrial efficiency is dependent on the optimisation of the materials used in the manufacturing and product waste recycling processes.	Today, three quarters of the waste produced is waste metal which is then recycled. Over 90% of other waste is recycled and most plants do not send waste to landfills. In order to get to a point where it can recycle all of its waste whilst retaining its economic efficiency, the Group is streamlining its materials consumption, rolling out short circular economy channels for optimal waste recycling, improving the composition of its packaging and reducing the diversity of the materials used. (See 2.2.2.3.)

1.5.3.2. EXPOSURE TO CHANGES IN EXCHANGE RATES HIGH RISK

Risk factors	Risk management and control processes
The Group is exposed to exchange rate variations due to the invoicing of production entities to marketing entities in their local currency around the world. These variations impact operating results. The main exposures are: GBP, JPY, ARS, PLN and TRY.Debts are mainly in euros.	Global net exposures are monitored quarterly. The transactional exchange risk is hedged. Invoices in foreign currencies are subject to systematic hedging between the date of the invoice and the date of the payment to reduce accounting impacts. Cash Flow hedge are realized on the main exposures up to 24 months (essentially 12 months): GBP, JPY, and PLN. The Group favors natural hedging on emerging currencies. The exchange rate policy is decided by the Group Managing Board. Its application and monitoring are ensured by the Monthly Cash and Exchange Committee chaired by the Group CFO. Translational currency risk is not hedged due to the uncertainty of revenues.

1.5.3.3. EXPOSURE TO CHANGES IN CUSTOMS TARIFS HIGH RISK

Risk factors	Risk management and control processes
As part of its international business, the Group's Automotive division is exposed to fluctuations in customs tariffs (customs duties applied to goods imported from another country). This economic risk takes two forms: **1.** the hike in customs tariffs (see Sino-American tariff dispute); **2.** the reconsideration of free trade agreements. In 2019, the possibility of the United Kingdom leaving the European Union without a free trade agreement (Hard Brexit) was identified as a major economic risk (customs duties of 10% on cars and around 3.5% for parts). Added to which, a risk in relation to the procurement of parts and vehicles in trade between these two countries/groups of countries as a result of the reintroduction of customs formalities.	The Tax and Customs Department has customs employees in high-stakes subsidiaries in terms of customs duties and industrial activity (Latin America, Russia, China, India, UK, etc.). These employees participate in a regulatory watch that enables them to learn of any fluctuations in customs tariffs or the introduction of any free trade agreements. To limit Brexit-related procurement risk, the Group set up a cross-functional working group, comprising employees from the Public Affairs, Purchasing, Customs, Logistics and Approval Departments, etc. The objective of this working group is to ensure that all risks and changes resulting from Brexit are correctly identified.

1.5.3.4. EXPOSURE TO CHANGES IN ENERGY COSTS HIGH RISK

Risk factors	Risk management and control processes
The Group's Automotive division is exposed to the risk of "changes in energy costs" through its purchase of electricity and natural gas to meet its industrial and tertiary energy requirements. In 2019, these energy purchases accounted for close on €300 million in the Europe region. The main materials used are: electricity (60% of the total energy purchase costs), natural gas (40%). The Group has identified two main types of raw materials risk: **1.** economic risk; **2.** procurement of volumes.	In the light of these risks, the Purchasing Department employs various action levers: sourcing protection, bulk purchases, energy efficiency projects, clean energy means of production, and volume hedging. In order to limit energy-related economic risk, since 2018, the Group has employed a financial hedging process for energy, to supplement the physical hedging that existed previously. Every quarter, recommendations, according to established governance rules, are submitted to the Chief Financial Officer and the Director of Group Purchasing for arbitration and approval. The Protection, Audit and Risk Management Department regularly audits this process.

1.5.3.5. RISKS RELATED TO BANQUE PSA FINANCE LOW RISK

Risk factors	Risk management and control processes
Banque PSA Finance is primarily exposed, as a result of its captive financing business, to risks associated with trends in the automotive market in the regions where it operates dealership finance, and to changes in the global economic situation in relation to credit risk, in respect of all of its private and business customers. The expansion and digitalisation of its operations, both during the acquisition process and in the day-to-day management of credit histories, exposes the Bank to an increasing risk of cybercrime. Liquidity and refinancing risk is a material risk which is covered by our partnerships with BNPP PF and SCF. As a result of its regulated credit and insurance business, Banque PSA Finance is exposed to reputational and conduct risk.	Identifying, measuring, controlling and monitoring BPF's risks are a key dimension of risk management, which is led by a member of the bank's Executive Committee. The Bank's Audit and Risks Committee and Board of Directors are regularly updated on the implementation of the management and control processes described below: › setting the level of accepted risk for all material risks formalised in the Risk Appetite dashboard; › risk mitigation processes and internal control procedures; › the implementation of periodic stress tests as required or recommended by regulations (Internal Capital Adequacy and Liquidity Assessment Processes - ICAAP, ILAAP), emergency liquidity plan - PUL, preventive recovery plan, etc., making it possible to accurately measure impacts associated with risks of a deterioration in the automotive market and the economic climate; › monitoring the global refinancing policy within the context of the monthly ALCO Committee meeting; › monitoring IT risks and, in particular, Cybercrime within the context of an *ad hoc* committee facilitated by the BPF IT Department. In addition, risk control in the joint operations with BNPP PF and SCF is the task of Joint Committees, with local Risk Committees formed in each JV local entity.

1.5.4. Regulatory, legal and consumer risks

1.5.4.1. RISKS ASSOCIATED WITH INDUSTRIAL EMISSIONS AND IMPACTS ON CLIMATE CHANGE INCLUDING STRICTER CO_2 EMISSIONS STANDARDS HIGH RISK

Risk factors	Risk management and control processes
[DPEF.B] Industrial carbon footprint Groupe PSA's manufacturing and sales activities may have an impact on climate change. CO_2 emissions regulations also impact production facilities (vehicle manufacturing uses energy for a wide range of industrial processes: casting, machining, paint curing, heat treatment, etc.). Groupe PSA must make its plants less energy consuming to avoid devaluation and increased credit costs.	The Industrial Environment Department coordinates the deployment of the policy and manages a centralised reporting system monitoring each facility's environmental performance and promotes continuous improvement initiatives. The Group has an energy management plan at all of its production sites, whch use the best available techniques. Therefore, at each major plant, an "environment" team is dedicated to complete operational risk control of the environmental risks, a special annual capital expenditure plan accompanies the deployment of the certification programme, and appropriate methodologies are used. All plants and the main R&D centres are ISO 14001 certified and are audited annually by third parties. For more information on the environmental risk provision and the Group's ISO 14001 certification process, please refer to Section 2.2.2 below.
[DPEF.B] Vehicle CO_2 emissions Regulatory requirements in relation to CO_2 emissions from vehicles, such as the CAFE (Corporate Average Fuel Efficiency) standards, have become established worldwide and are increasingly stringent. Failure to comply with CO_2 emission thresholds may lead to heavy fines or suspensions of sales, depending on the geographical region. Groupe PSA is specifically exposed to this regulatory risk due to its geographical operations, because the Group sells light vehicles in countries where regulations on fuel consumption are very tight.	As a pioneer in reducing CO_2 emissions from passenger cars, the Group is continuing to develop a range of low-carbon cars, identifying the most cost-effective technical solutions for its customers. A CO_2 Committee, led by the Chairman of the Managing Board, is held every month with the Managing Board and the Global Executive Committee. It is tasked with deciding on action plans (technical drivers, adaptation of product and strategy plans) to be implemented in order to achieve the Group's objectives. (See 2.2.1.1.)
[DPEF.B] [DV.10] Supply chain environmental performance Most of the Group's suppliers belong to industries that are facing the same environmental constraints as the Group itself. To ensure that its supply chain is sustainable, the Group must drive initiatives to reduce CO_2 emissions on two levels: › Purchasing (extraction of raw materials and production of parts purchased by Groupe PSA for its vehicles), which is the Group's second largest source of CO_2 emissions after emissions from its vehicles; › Logistics (transportation of materials and parts to Group plants and vehicle transportation), which has been identified as having a major impact on the carbon footprint of the Group's industrial operations.	› Purchasing: the Group selects suppliers on the basis of environmental criteria such as ISO 14001 certification and requires them to monitor current and future CO_2 emissions and to implement a reduction plan.(See 2.3.1.2.1.) › Logistics: the CO_2 footprint for transportation is regularly monitored as part of a Corporate Business Review by Groupe PSA and its strategic service provider in this field. The service provider has committed, under a formal agreement, to make every effort to use the least polluting transportation methods available, in line with the most stringent environmental standards, and to prioritise alternative methods to road transportation.(See 2.2.2.1.3.)
[DPEF.B] [DV.6] Industrial discharges and nuisances Automotive production processes use chemicals generating potentially polluting emissions such as sulphur oxide (SOx), nitrogen oxide (NOx) and volatile organic compounds (VOCs), which affect air quality, the natural environment and the quality of life of communities living near the plants. These atmospheric pollutants are highly regulated.	The Group is keen to control the use and impacts of these substances by means of continued systematic implementation of the best available technology at cost-effective prices (e.g. rollout of clean paint processes, after-treatment of residual emissions, etc.)(See 2.2.2.2.)

1.5.4.2. NON COMPLIANCE RISKS HIGH RISK

1.5.4.2.1. Regulatory risks

Risk factors	Control management process
The nature of the Group's activities and its international presence make it subject to a set of wide-ranging regulations. In particular, the development of new vehicles and subassemblies also exposes the Group to risks arising from constant changes in European and global regulations, particularly in the areas of safety and the environment. The overall trend is towards increasingly strict regulations. The Group's activities may be impacted by public authority policy incentives to purchase new vehicles, as well as by unfavourable changes in tax and/or customs regulations in the countries with which the Group trades.	These requirements are taken into account as soon as possible in the development of vehicles and subassemblies at the project level and in the marketing of these vehicles. For this purpose, the Group has implemented policies and procedures at the appropriate levels to ensure compliance with these regulations. The Group also participates in permanent dialogue with the national and regional authorities in charge of specific regulations for automotive industry products so as to prevent risks related to regulatory changes. The strengthening of the compliance scheme set out in 2016 and the Group-wide launch in 2019 of the workplace whistleblowing system also contribute to preventing the occurrence of and limiting regulatory risks.
[DPEF.B] Ethics in business practices Groupe PSA must ensure that its activities, including in countries classified as being "at high risk", do not expose it to regulatory offences. In the light of ethical risks or risks of corruption, convictions for non-compliance may lead to heavy fines, in particular, because the scope of some national legislations (*i.e.* in the United States, the United Kingdom and France) extends right the way along the Company's entire value chain, in all the countries where they operate. This may also have a long-term impact on the Group's presence in one, or more, markets.	The Group's ethical requirements have led to collective agreements with its various stakeholders. To meet these commitments, managers and all employees must comply with common ethical directives. These rules, set out in the Group's Code of Ethics and Anti-Corruption Charter, are organised around the following requirements: respect for the law, respect for people and the environment, respect for customers and respect for the Company. The Group's ethics and compliance policy is based on: a dedicated ethics and compliance structure; reference documents; prevention and control systems; results in line with expectations. (See 2.3.3)
[DPEF.B] [DV.9] Human rights in the supply chain Stakeholder expectations are getting higher in terms of information on production conditions and the origin of the products that they purchase. Groupe PSA's ability to evidence transparency right the way along the supply chain is, therefore, crucial. The failure of suppliers and subcontractors to comply with employment standards may have serious repercussions for the Group: › significant damage to its reputation, which could reduce its revenue and its pricing power; › potential disruptions to supplies in the event of local crises; › cost of remedial measures.	Managing the social impacts on its supply chain is a priority for Groupe PSA, given its international expansion, particularly in emerging countries. The Group ensures that standards set out by supranational bodies are fully integrated into processes. The Group is careful to ensure that forced and child labour are not tolerated in its supply chain, including by raw materials suppliers. (See 2.3.1.2)
[DPEF.B] Vehicle impact on air quality The harmful effects of atmospheric pollutants on ecosystems and on human health are of major public concern. In light of the media coverage, this issue may constitute a major reputational risk. Regulations limiting atmospheric emissions (like the Euro X standards) have been significantly tightened. An increasing number of cities have now restricted traffic zones which do not permit entry by vehicles with the highest emissions. Because vehicles cannot be sold unless they comply with regulations, substantial R&D investment is required.	Groupe PSA has incorporated the issue of air quality into its research and development programmes for many years now, enabling it to roll out engine ranges that drastically reduce particulate and nitrogen oxide emissions. (See 2.2.1.2)
[DPEF.B] Responsible customer data and relationship management The general public, having little awareness of the legal issues surrounding the confidentiality of information, is becoming increasingly distrustful. The challenge for Groupe PSA is to reassure its customers that all their personal data will remain confidential. In addition, the financial penalties provided for by the European General Data Protection Regulation may be as high as 4% of corporate revenue in the event of non-compliance. Beyond compliance with the regulations, the processing of personal data is an issue of trust and competitiveness.	For a number of years now, Groupe PSA has been committed to taking a proactive approach with the French Data Protection Authority (CNIL - *Commission nationale de l'informatique et des libertés*). Groupe PSA has a data protection policy, the main purpose of which is to ensure Groupe PSA sets up appropriate governance and control structures, methods and procedures, regarding the protection of personal data. The Group has also appointed two Data Protection Officers. (See 2.3.2.2)

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1.5.4.2.2. Legal risks

Risk factors	Control management process
Groupe PSA is exposed to legal risks as an employer and in connection with the design, manufacturing and distribution of vehicles, the purchase of components and the supply of services.	To manage these risks, the Group implements preventive policies covering workplace health and safety, industrial and intellectual property, the manufacturing environment, vehicle safety, product and service quality and the security of the Group's transactions from a legal standpoint.

1.5.4.2.3. Legal and arbitration proceedings

As at 31 December 2019, no Group company was involved in any claims or litigation that had a material impact on the consolidated financial statements.

During the last 12 months, there were no governmental, legal or arbitration proceedings that may have, or have had, significant effects on the Group's financial position or profitability. To the best of the Group's knowledge, no such proceedings are pending or threatened.

Concerning the provisions for commercial and tax litigation, and other disputes, please refer to Note 10 to the 2019 Consolidated Financial Statements, Section 5.6 below.

1.5.4.2.4. Legal risks associated with anti-trust litigation

Risk factors	Control management process
Like all economic operators, Groupe PSA is exposed, in France and in the countries where it operates, to legal risks related to competition law. The identified risks have been mapped, and mainly concern the areas of procurement, trade and cooperation. The Group might become the subject of investigations by the competition authorities. In the event anti-competitive practices are proven, possible sanctions include administrative fines, criminal penalties and/or liquidated damages. The Group is at present unable to predict the consequences of such investigations, including the administrative, criminal and/or fines civil sanctions that could be imposed.	To avoid these risks, the Group, both centrally and in the countries where it operates, has internal and external legal counsel, experts in competition law, working closely with the relevant businesses. In addition, since 2013 the Group has carried out permanent training in competition law for operational managers who may be faced with the risk of anti-competitive practices, specifically in the commercial area. In 2019, these actions continued and expanded across the Group, which strengthened its competition compliance programme, in particular, through training sessions (in-class and e-learning) for the employees concerned, to teach them the appropriate responses and the behaviours to avoid, using practical examples.

1.5.4.3. RISKS ASSOCIATED WITH THE EMPLOYER'S RESPONSIBILITY HIGH RISK

Risk factors	Risk management and control processes
[DPEF.B] [DV.4] Health, safety and well-being in the workplace Following a risk analysis, Groupe PSA selected the following five priorities on which to base its health and safety prevention policy: › psychosocial risks; › musculoskeletal disorders (MSD); › chemical risks; › road safety risks; › dangerous behaviour or hazardous situations at workstations. In fact, Groupe PSA is faced with a range of situations that could affect employee health, safety and well-being. Working conditions can cause situations of stress or discomfort that, in addition to their impact on health, can directly influence employee motivation. Shiftwork, involving physical demands, is the main cause of occupational illnesses. Moreover, commuting inside and outside of the Group's facilities may cause workplace or commuting accidents. Lastly, the use or presence of certain chemicals in production processes may lead to risks related to air quality, generate pollution or create a risk of explosion.	As part of its responsible development ambition, the Group leverages an Occupational Safety and Health Management System (OSHMS). The OSHMS aim: › to reduce risk of workplace accidents and occupational illnesses; › to improve safety and well-being at work, particularly through stress detection measures. This procedure relies first and foremost on the steady, frequently reaffirmed commitment of management (in 2018 all the members of the Global Executive Committee of Groupe PSA, including those from Opel and Vauxhall, signed the new Group Health and Safety Policy), structured guidance and resources to help all employees take charge of their health and safety on a daily basis. The Group's total lost-time incident frequency rate is one of the best in the automotive industry (demonstrating the effectiveness of our management system). (See 2.4.4)

Risk factors	Risk management and control processes
[DPEF.B] [DV.3] Diversity and equal opportunity For Groupe PSA, diversity is a source of added value as long as equal opportunities are guaranteed. The Group is characterised by its diverse cultures, nationalities and ages. The automotive industry is, however, still associated with masculine stereotypes and gender equality is not highly developed.	To redress the biases found in its business segment, Groupe PSA voluntarily applies an equal opportunities policy. The Group's priorities and commitments focus on gender diversity in skills-sets, access for women to all levels of responsibility, HR processes that guarantee equal opportunities and the deconstruction of stereotypes. By encouraging equal opportunity and founding its practices on objective criteria based on skills and results, the Group is encouraging the commitment and motivation of each employee and developing a culture of performance and economic efficiency. (See 2.4.5)

1.5.4.4. RISKS RELATED TO INTELLECTUAL PROPERTY RIGHTS AVERAGE RISK

Risk factors	Risk management and control processes
Within the context of its business operations, the Group is obliged to develop numerous innovations which may be copied by third parties, thus depriving the Group of a legitimate economic advantage in respect of the technologies that it has created.	The Group pays careful attention to protecting its creations *via* its intellectual property rights and legal action is taken against producers of counterfeit spare parts and any other parties that breach the Group's rights. In 2019, 1,183 new patent applications by Groupe PSA were published in France. For additional information on the Group's patent policy, please refer to paragraph 4.5.3.

1.5.5 Risks Related to the PSA-FCA Merger LOW RISK

The exchange ratio will not be adjusted for changes in the value of PSA ordinary shares or FCA common shares or for developments in the business of the Group or the business of FCA before the merger is completed.

Upon the consummation of the merger, the Group's shareholders will be entitled to receive 1.742 common shares of the combined company for each PSA ordinary share that they own. This exchange ratio will not be adjusted for changes in the value of PSA ordinary shares or the value of FCA common shares, or for changes in the relative value of the business of the Group or the business of FCA between the date of the combination agreement and the date of the closing of the merger. Share price changes may result from a variety of factors that are beyond the control of the Group, including changes in the Group's or FCA's respective businesses, operations or prospects, regulatory considerations, legal proceedings or in the general business, market, industry or economic conditions. Market assessments of the benefits of the merger and of the likelihood that the merger will be completed, and related arbitrage activities, may also have an effect on share prices. If the value of PSA ordinary shares relative to the value of FCA common shares increases or decreases (or the value of the Group's business increases or decreases relative to the value of the FCA business) prior to the effectiveness of the merger, the market value of the combined company's common shares that shareholders will hold following the merger may be higher or lower than the relative values of their shares on a standalone basis at the date of the combination agreement or the date of this document.

The merger is subject to receipt of antitrust approvals from several competition authorities and the expiration of the applicable waiting period under the Hart Scott Rodino Act (the "HSR Act"). As a condition to obtaining the required antitrust approvals, the relevant regulatory authorities may impose conditions that could have an adverse effect on the combined company or, if such approvals are not obtained, could prevent the consummation of the merger.

Before the merger may be completed, any waiting period (or extension thereof) applicable to the merger must have expired or been terminated, and any competition approvals, consents or clearances required in connection with the merger must have been received, in each case, under the applicable antitrust laws of the EU, under the HSR Act, and under the competition laws of the Federative Republic of Brazil, the Republic of Chile, the United States of Mexico, the People's Republic of China, Japan, the Republic of India, the Republic of South Africa, People's Democratic Republic of Algeria, the Kingdom of Morocco, Israel, the Swiss Confederation, Ukraine, the Russian Federation, the Republic of Serbia, the Republic of Turkey, and, potentially, the Argentine Republic. The consummation of the merger might be delayed due to the time required to fulfill the requests for information by the relevant regulatory authorities. The terms and conditions of any antitrust approvals, consents and clearances that are ultimately granted may impose conditions, terms, obligations or restrictions on the conduct of the combined company's business.

The Group and FCA are obligated under the combination agreement to take all actions necessary to consummate the merger as soon as reasonably practicable, including the relevant competition approvals and to undertake and comply with such commitments as the regulatory authorities may require as a condition for such competition approvals. As an exception to the foregoing, neither the Group nor FCA are required to nor may, without the consent of the other party, undertake or comply with any commitments or take any action (i) if any such commitment or action, individually or in the aggregate, would, or would reasonably be expected to, result in a substantial detriment to the combined company or (ii) unless any such commitment or action is conditioned upon the consummation of the merger.

Regulatory authorities may impose conditions, and any such conditions may have the effect of delaying the consummation of the merger or imposing additional material costs on, or materially limiting, the revenues of the combined company following the consummation of the merger. In addition, any such conditions may result in the delay or abandonment of the merger. The Group and FCA may each terminate the combination agreement if the merger has not been completed by June 30, 2021 as a result of a failure to obtain the required approvals from the applicable antitrust regulatory authorities.

Failure to timely complete the merger could negatively affect the Group's business plan and operations and share price.

The obligation of the Group and FCA to effect the merger is subject to various closing conditions, some of which are beyond the Group's control and the control of FCA and any of which may prevent, delay or otherwise materially adversely affect the consummation of the merger. The consummation of the merger is conditioned upon, among other conditions, (i) the approval of the merger by the Group's shareholders and by the FCA shareholders; (ii) the approval from the NYSE, the Euronext Paris and the MTA for listing of the combined company's common shares; (iii) the effectiveness of FCA's registration statement on Form F-4; (iv) the receipt of the required approvals from antitrust authorities; (v) the receipt of any consents necessary to be obtained in order to consummate the merger; (vi) the receipt of ECB clearance; and (vii) the absence of injunctions or restraints of any governmental entity that prohibit or make illegal the consummation of the merger, but only to the extent that any failure to comply with such prohibition would reasonably be expected to result in a substantial detriment to the combined company. The Group cannot provide any assurance as to when these conditions will be satisfied or waived, if at all, or that other events will not intervene to delay or result in the failure to complete the merger. Any delay in completing the merger could prevent or delay the combined company from realizing some or all of the anticipated cost savings, synergies, growth opportunities and other benefits that the Group expects to achieve if the merger is successfully completed within the expected time frame.

The market price of PSA ordinary shares currently, and in the period prior to termination, if the combination agreement were to be terminated, may reflect a market assumption that the merger will occur. If the merger is not completed for any reason, including as a result of the Group's shareholders and FCA's shareholders failing to approve the merger, the business, cash flows, financial condition or results of operations of the Group may be materially adversely affected. Without realizing any of the anticipated benefits of completing the merger, the Group would be subject to a number of risks, including:

- the Group may experience negative reactions from the financial markets, including a decline of its share price;
- the Group may experience negative reactions from its customers, suppliers, regulators and employees and other stakeholders ; and
- the Group may be adversely affected by the substantial commitments of time and resources undertaken by its management team in connection with the merger, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to the Group had the merger not been contemplated.

The combined company may fail to realize some or all of the anticipated benefits of the merger, which could adversely affect the value of the shares of the combined company.

The Group and FCA currently operate, and up to the closing of the merger will continue to operate, independently as separate companies. The success of the merger will depend, in part, on the combined company's ability to realize the anticipated cost savings, synergies, growth opportunities and other benefits from combining the businesses. The achievement of the anticipated benefits of the merger is subject to a number of uncertainties, including general competitive factors in the marketplace and whether the Group is able to integrate its business with FCA's business in an efficient and effective manner and establish and implement effective operational principles and procedures. Failure to achieve these anticipated benefits could result in increased costs, decreases in the revenues of the combined company and diversion of management's time and energy, and could materially impact the combined company's business, cash flows, financial condition or results of operations. If the combined company is not able to successfully achieve these objectives, the anticipated cost savings, synergies, growth opportunities and other benefits that the Group expect to achieve as a result of the merger may not be realized fully, or at all, or may take longer than expected to realize.

The combined company will have to devote significant management attention and resources to integrating the business practices and the operations of the Group and FCA. Potential difficulties that the combined company may encounter as part of the integration process include complexities associated with managing the business of the combined company, such as difficulty integrating manufacturing processes, systems and technology, in a seamless manner, as well as integrating the workforces of the two companies. In addition, the integration of the Group's business and FCA's business may result in additional and unforeseen expenses, capital investments and financial risks, such as the incurrence of unexpected write-offs, the possible effect of adverse tax treatments and unanticipated or unknown liabilities relating to FCA or the merger. All of these factors could decrease or delay the expected accretive effect of the merger.

It is possible that the integration process could take longer or be more costly than anticipated or could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of the combined company to maintain relationships with suppliers, customers and employees, to achieve the anticipated benefits of the merger or maintain quality standards. An inability to realize the full extent of, or any of, the anticipated benefits of the merger, as well as any delays encountered in the integration process, could have an adverse effect on the combined company's business, cash flows, financial condition or results of operations, which may affect the value of the combined company shares following the consummation of the merger.

The announcement and pendency of the merger could adversely affect the Group's business, cash flows, financial condition or results of operations.

The announcement and pendency of the merger could cause disruptions in and create uncertainty surrounding the Group's business, including with respect to its relationships with existing and future customers, suppliers and employees, which could have an adverse effect on the Group's business, cash flows, financial condition or results of operations, irrespective of whether the merger is completed. The business relationships of the Group may be subject to disruption as customers, suppliers and other persons with whom the Group has a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with the Group or consider entering into business relationships with parties other than the Group or the combined company. The risk, and adverse effect, of any such disruptions could be exacerbated by a delay in the consummation of the merger.

The Group will incur significant transaction costs in connection with the merger and, if the merger is consummated, the combined company will incur significant integration costs.

The Group has incurred, and expects to continue to incur, significant costs in connection with the merger, including the fees of its professional advisors. The Group may also incur unanticipated costs associated with the transaction and the listings on the NYSE, the Euronext Paris and the MTA of the combined company's common shares as required in connection with the merger, and these unanticipated costs may have an adverse impact on the results of operations of the combined company following the effectiveness of the merger. In addition, if the merger is consummated, the combined company will incur significant integration costs following the consummation of the merger. The Group cannot provide assurance that the realization of efficiencies related to the integration of the business of the Group with the business of FCA will offset the incremental transaction and integration costs in the near term, if at all.

Uncertainties associated with the merger may cause a loss of management personnel or other key employees which could adversely affect the future business and operations of the combined company.

The Group depends on the experience and industry knowledge of its officers and other key employees to execute its business plan. The combined company's success after the consummation of the merger will also depend, in part, upon the ability of the combined company to attract and retain key management personnel and other key employees. Current employees may experience uncertainty about their roles within the combined company following the consummation of the merger, which may have an adverse effect on the ability of the Group to retain key management and other key personnel.

While the merger is pending, the Group is subject to restrictions on its business activities.

Under the combination agreement, the Group is subject to certain restrictions on the conduct of its business and generally must operate in the ordinary course and consistent with past practice (subject to certain exceptions agreed between the Group and FCA in the combination agreement), which may restrict the Group's ability to carry out certain business strategies. These restrictions may prevent the Group from pursuing otherwise attractive business opportunities, making certain investments or acquisitions, selling assets, engaging in capital expenditures in excess of certain agreed limits, incurring certain indebtedness or making changes to its business prior to the completion of the merger or termination of the combination agreement, as applicable. These restrictions could have an adverse effect on the Group's business, cash flows, financial condition, results of operations or share price.

The Group may not have discovered certain liabilities or other matters related to FCA, which may adversely affect the future financial performance of the combined company.

In the course of the due diligence review that the Group conducted prior to the execution of the combination agreement, the Group may not have discovered, or may have been unable to properly quantify, issues relating to FCA which may lead the combined company to write-down or write-off assets or incur impairment or other charges that could result in losses that may be significant. In addition, even if the due diligence review conducted by the Group successfully identified certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with the Group's preliminary risk analysis. The shareholders of the Group would not be compensated for any such losses.

In addition, the Group expects that FCA, like the Group and other automakers, will be significantly affected by developments related to the current outbreak of COVID-19. For example, FCA announced on March 16, 2020 that it plans to temporarily suspend production across the majority of its European manufacturing plants. Furthermore, on March 18, 2020 FCA announced that it has agreed to cease production at its plants across North America.

Resales of the combined company's common shares following the merger may cause the market value of the combined company's common shares to decline.

Several reference shareholders of the combined company will be subject to restrictions on share sales for a three-year period following the merger, but will be free to sell once those restrictions expire. All other shareholders, which will own the majority of the combined company common shares following the merger, are not subject to any resale restrictions. The resale of such shares in the public market from time to time or the perception that such resales may occur could have the effect of depressing the market value for the combined company's common shares.

1.6. VIGILANCE PLAN

Object of the vigilance plan

Pursuant to Act No. 2017-399 of 27 March 2017 on the duty of vigilance of parent companies and principals, **the vigilance plan set out in this section includes reasonable measures of vigilance designed to identify risks and prevent serious breaches of human rights and fundamental freedoms, and to ensure the health and safety of persons and of the environment**, arising from:

- the activities of the Company and those of the companies it controls directly or indirectly;
- the activities of subcontractors or suppliers with which an established commercial relationship is maintained.

To ensure the fullest transparency, Groupe PSA chose to distinguish these two scopes in presenting the different measures[(1)] of its vigilance plan.

Indicators presented in this 1.6 section are results of the 2019 Financial Year.

1.6.1. Mapping of the risks covered by the vigilance plan

The items set out below constitute Groupe PSA answer to **measure No. 1: *"Risk mapping designed to identify, analyse and classify risks".***

Methodology

While updating its materiality matrix, the Group identified seven macro-risks, translated into 23 CSR issues (see 2.1.1). The Group relied on an external third party to guarantee fair and rigorous rating of each of the issues according to a uniform methodology (see 2.1.1).

The risks identified are both those that may have negative consequences on the business of the company but also the extra-financial risks that the company poses for its stakeholders and the environment.

The findings were submitted to appraisal by the Group stakeholders through interviews conducted with a representative sample. The new matrix (see 2.1.3) was validated by the members of the Executive Committee.

Among the 23 CSR issues of Groupe PSA, 10 are selected to be included in the Vigilance Plan, according to the following rule. They are presented in sections 1.6.1.1 and 1.6.1.2.

<u>A CSR issue is included in the vigilance plan if and only if</u>:

- it has an impact on one of the three themes: Human rights and fundamental freedoms or/and Human health and safety or/and Environment *(with the exception of the CSR issue "Local sourcing development in host territories" by nature)*;

  AND
- it is classified as "Strategic CSR issue" or "Significant CSR issue" in Groupe PSA materiality matrix (see 2.1.3.) *(with the exception of the CSR issue "Respect for human rights in supply chain" by nature)*;

  AND
- it has an impact at the supply chain level or at the Company's operations level.

  Impacts related to the use of products and services are only dealt with in the Declaration on Extra-Financial Performance, in order to avoid duplication of information. The CSR issues "CO2 emissions from vehicles", "Impact of vehicles on air quality", "Vehicle safety" and "Responsible management of customer's data and relationship" are already highly detailed respectively in sections 2.2.1.1. , 2.2.1.2., 2.3.2.1. and 2.3.2.2.

1.6.1.1. RISKS ARISING FROM THE ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES

Among the 23 CSR issues of Groupe PSA, seven are selected to be included in the vigilance plan, related to the activities of the Company and its subsidiaries:

- DV.1 - Management of Company transformations and social dialogue;
- DV.2 - Attractiveness and development of all talents;
- DV.3 - Diversity and equal opportunities;
- DV.4 - Health, safety and well-being at work;
- DV.5 - Energy/industrial carbon footprint;
- DV.6 - Control of industrial discharges and nuisances;
- DV.7 - Wise use of material in the vehicle life cycle (including product recycling).

1.6.1.2. RISKS ARISING FROM THE ACTIVITIES OF SUBCONTRACTORS OR SUPPLIERS

Among the 23 CSR issues of Groupe PSA, three are selected to be included in the vigilance plan, related to the activities of subcontractors or suppliers:

- DV.8 - Local sourcing development in host territories;
- DV.9 - Human rights in the supply chain;
- DV.10 - Environmental performance of the supply chain: Purchasing and Logistics.

Groupe PSA implemented the Due diligence policy in order to address a risk of corruption associated with on boarding of third parties, including suppliers for direct and indirect material. The due diligence process is based on the anti-corruption risk mapping conducted. It also considers such warning signals as ownership, country risk, expertise, integrity and reputation, dealings with government officials and politically exposed persons.

(1) *Article L. 225.102.4.I. of the French Commercial Code requires a vigilance plan comprising five measures.*

The EcoVadis Rating Framework (see 2.3.1.2.2) is a part of the suppliers' assessment. The CSR risk level established for each commodity is then enriched by:

- the CSR assessments performed by EcoVadis for suppliers of every commodity;
- the risks related to the host countries;
- other factors (amount of purchasing spending and strategic significance to Group commodity).

These factors in combination are used to position risks on six levels. This risks matrix is reviewed by the Purchasing Department and validated by the Managing Board.

1.6.2. Assessment of the situation in connection with risks covered by the vigilance plan

The items set out below constitute Groupe PSA answer to **measure No. 2:** ***"Procedures for regular assessment of the situation in connection with risk mapping".***

1.6.2.1. ASSESSMENT OF THE SITUATION OF THE COMPANY AND ITS SUBSIDIARIES

CSR issues in the Vigilance Plan	Main actions and results	Details
DV.1 - Management of Company transformations and social dialogue	› 100% of subsidiaries covered by a self-assessment related to the annual follow-up of the Global Framework Agreement	2.4.1 and 2.4.2
DV.2 - Attractiveness and development of all talents	› More than 30,000 employees realised an individual diagnosis for skills upgrading › 76% of employees had an annual appraisal	2.4.3 and CSR Report 3.3.2.3
DV.3 - Diversity and equal opportunities	› 17,872 employees covered by the Stress Measuring and Monitoring Programme that monitors factors of risks related to unfair treatment	CSR Report 3.4.2.1
DV.4 - Health, safety and well-being at work	› More than 1,100 STOP™ preventive observations carried out in plants by first-aid workers	2.4.4.1
DV.5 - Energy/industrial carbon footprint DV.6 - Control of industrial discharges and nuisances	› 100% of plants covered by the Environmental Management System	2.2.2
DV.7 - Wise use of material in the vehicle life cycle (including product recycling)	› 15 meetings of the Materials Strategy Committee since its creation in 2012	2.2.1.3.1

1.6.2.2. ASSESSMENT OF THE SITUATION OF SUBCONTRACTORS OR SUPPLIERS

CSR issues in the Vigilance Plan	Main actions and results	Details
DV.8 - Local sourcing development in host territories	› Worldwide purchase by region (in million euros): €40,875 million in Europe; €694 million in Latin America; €186 million in Eurasia; €363 million in Middle East Africa; €305 million in China › Local sourcing rates: 58.9% in Latin America; 37% in Russia; 60% in Morocco	2.3.1.1
DV.9 - Human rights in the supply chain	› Annual cartography in place covering 26 raw materials › 1,507 supplier groups, which accounts for 95% of the value of purchases of direct parts, covered by a CSR assessment performed by an external third party (EcoVadis)	CSR Report 6 2.3.1.2
DV.10 - Environmental performance of the supply chain: Purchasing and Logistics	Purchasing: › 1,507 supplier groups, which accounts for 95% of the value of purchases of direct parts, covered by a CSR assessment performed by an external third party (EcoVadis)	2.3.1.2
	Logistics: › Environmental performance of transport solution regularly monitored in collaboration with GEFCO	2.2.2.1.3

1.6.3. Actions to mitigate risks

The items set out below constitute Groupe PSA answer to **measure No. 3: *"Appropriate actions to mitigate the risk of or to prevent serious breaches".***

1.6.3.1. ACTIONS TO MITIGATE RISKS FROM THE COMPANY AND ITS SUBSIDIARIES

CSR issues in the Vigilance Plan	Main actions and results		Details
DV.1 - Management of Company transformations and social dialogue	› 100% of entities have the Code of Ethics and the Anticorruption code of conduct implemented	› 99% of employees represented by trade unions or employee representatives	2.4.1
DV.2 - Attractiveness and development of all talents		› 100% of country/entities covered by training offers	2.4.3
DV.3 - Diversity and equal opportunities		› 26% of woman in recruitment	2.4.5.1
DV.4 - Health, safety and well-being at work		› 100% of sites covered by the Safety Management System	2.4.4
DV.5 - Energy/industrial carbon footprint		› 100% of plants ISO 14001 certified	2.2.2
DV.6 - Control of industrial discharges and nuisances			
DV.7 - Wise use of material in the vehicle life cycle (including product recycling)		› 100% of new vehicles undergo a life cycle analysis › 62.1% of the fleet sold covered by life cycle analyses	2.2.1.3.4

1.6.3.2. ACTIONS TO MITIGATE RISKS FROM SUBCONTRACTORS OR SUPPLIERS

CSR issues in the Vigilance Plan	Main actions and results		Details
DV.9 - Human rights in the supply chain	95% of suppliers trained in Groupe PSA's CSR risks and requirements	› 93% of supplier groups signed the Responsible Purchasing Policy › 231 employees of the Global Purchasing & Supplier Quality Department trained	2.3.1.2
DV.10 - Environmental performance of the supply chain: Purchasing and Logistics		Purchasing: › 93% of supplier groups signed the Responsible Purchasing Policy › 85% of suppliers production plants ISO/TS 16949 or IATF 16949, and at least ISO 9001 certified	2.3.1.2
		Logistics: › 23 GEFCO subsidiaries ISO 9001 certified (involving 254 sites) › GEFCO is committed to make proposals to reduce the CO_2 footprint of transport in the contract with Groupe PSA	2.2.2.1.3

1.6.4. Mechanism for alerting

The items set out below constitute Groupe PSA answer to **measure No. 4: *"A mechanism for alerting and for gathering reports on the existence or materialisation of risks, laid down in consultation with the representative unions within the Company".***

1.6.4.1. MECHANISM FOR ALERTING REGARDING TO THE ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES

CSR issues in the Vigilance Plan	Main actions and results	Details
DV.1 - Management of Company transformations and social dialogue DV.2 - Attractiveness and development of all talents DV.3 - Diversity and equal opportunities DV.4 - Health, safety and well-being at work DV.5 - Energy/industrial carbon footprint DV.6 - Control of industrial discharges and nuisances DV.7 - Wise use of material in the vehicle life cycle (including product recycling)	› 100% of Group's regions covered by the whistleblowing system (Speak4Compliance) › 100% of received reports taken into account › 5.2 days response time to whistleblowers by the first examiner	2.3.3 and CSR Report 6

1.6.4.2. MECHANISM FOR ALERTING REGARDING TO THE ACTIVITIES OF SUBCONTRACTORS OR SUPPLIERS

CSR issues in the Vigilance Plan	Main actions and results	Details
DV.9 - Human rights in the supply chain DV.10 - Environmental performance of the supply chain: Purchasing and Logistics	› Website accessible online to anybody (external partners, suppliers, NGOs, etc.) wishing to report violations of the law or international treaties to Groupe PSA.	CSR Report 6

1.6.5. Monitoring of the measures implemented

The items set out below constitute Groupe PSA answer to **measure No. 5: *"A system for monitoring measures implemented and for assessing their effectiveness".***

1.6.5.1. MONITORING OF THE MEASURES IMPLEMENTED BY THE COMPANY AND ITS SUBSIDIARIES

CSR issues in the Vigilance Plan	Main actions and results	Details
DV.1 - Management of Company transformations and social dialogue	› Ongoing monitoring and assessment in collaboration with IndustriALL and 54 unions	2.4.1.2
DV.2 - Attractiveness and development of all talents	› 19.6 hours of training per employee in average	2.4.3.2
DV.3 - Diversity and equal opportunities	› 17.6% of woman in top management	2.4.5.1
DV.4 - Health, safety and well-being at work	› 0.9 of total management lost-time accident frequency rate › 0.07 of severity rate	2.4.4.1
DV.5 - Energy/industrial carbon footprint	› 1,179,741 tonnes of CO_2 eq emitted (scopes 1 and 2)	2.2.2.1
DV.6 - Control of industrial discharges and nuisances	› 2.96kg of VOC emitted per vehicle produced	2.2.2.2
DV.7 - Wise use of material in the vehicle life cycle (including product recycling)	› 30% of natural and recycled materials in Groupe PSA vehicles › All the Group's vehicles in Europe are 95% recoverable and 85% recyclable	2.2.1.3.1 and 2.2.1.3.2

1.6.5.2. MONITORING OF THE MEASURES IMPLEMENTED BY SUBCONTRACTORS OR SUPPLIERS

CSR issues in the Vigilance Plan	Main actions and results	Details
DV.9 - Human rights in the supply chain	› Yearly measured average Social EcoVadis score for direct and indirect material suppliers: 50.5/100	CSR Report 6
DV.10 - Environmental performance of the supply chain: Purchasing and Logistics	Purchasing: › Yearly measured average Environmental EcoVadis score for direct and indirect material suppliers: 52.4/100	CSR Report 6
	Logistics: › Ratio of kg of CO_2 from transport/vehicle produced Upstream: 192 › Ratio of kg of CO_2 from transport/vehicle distributed Downstream: 67	2.2.2.1.3

The report on the implementation of Vigilance Plan is publically available in the various sections of this Universal Registration Document and the CSR Report, mentioned above.

DECLARATION ON EXTRA-FINANCIAL PERFORMANCE

This section includes the main CSR risks and challenges identified by Groupe PSA based on a macroscopic risk analysis (see methodology presented in 2.1.1), covering the 45 categories included in Article R. 225-105 of the French Commercial Code.

2.1. SOCIAL RESPONSIBILITY: AN INTEGRAL PART OF THE GROUP'S STRATEGY

Within the Group, the Sustainable Development Department manages the CSR process with a cross-functional approach, backed by a network of correspondents in each of the Group's major departments. It reports to the Communications Director, who reports directly to the Chairman of the Managing Board. It recommends the Group CSR commitments proposed by members of the Executive Committee, which validates them once a year and monitors their implementation. This information is presented to the Supervisory Board on an annual basis.

2.1.1. The Group's main CSR risks DPEF.B DPEF.15

In line with the sustainable development objectives of the United Nations Organisation, Law no. 2016-1691 of 9 December 2016 related to transparency, anti-corruption and modernisation of economic life and Law no. 2017-399 of 27 March 2017 related to the duty of care of parent companies and sourcing companies, the Group has identified the macro-risks it must face. Given the Group's business, each macro-risk translates into several CSR issues (see 1.5). Chapter 2 outlines the Group's response to each of these issues. The Group's CSR Report presents the same responses in more detail, as well the roadmap it is committed to following.

The Group has identified its macro-risks and CSR issues as part of its work to update its materiality matrix (methodology described in CSR Report – section 9.4.2). The new matrix (see section 2.1.3), which prioritises the 23 CSR issues categorised into 7 macro-risks, was approved by the members of the Executive Committee in September 2017.

The identification of the CSR issues and macro-risks was conducted based on the business expertise of the Group's network of CSR correspondents representing all activities. The result was confirmed by a review of issues reported by industry peers (including the Global Reporting Initiative) and a review of information in the media, then submitted for evaluation by the Group's stakeholders by means of interviews conducted on a representative sample.

The Group relied on an external third party to guarantee fair and rigorous rating of each of the issues according to a uniform methodology.

2.1.2. The Group's CSR policy DPEF.15

For Groupe PSA, **sustainable growth and long-term economic performance** can only be achieved by taking a responsible and transparent approach to its business. On this basis, in line with the United Nations Global Compact, of which it has been a member since 2003, the Group defined its corporate social responsibility programme. This CSR policy, which is the result of **ongoing dialogue with stakeholders** and is reflected in its **public commitments**, guides the Group's approach to its strategic challenges. It is based on three pillars: sustainable mobility, economic development of its host communities and drawing on all its talent and creating the right environment for success.

SUSTAINABLE MOBILITY

As a pioneer in many technologies, Groupe PSA is demonstrating its social responsibility by developing a range of mobility solutions in response to changes in stakeholder expectations: not just for consumers but also for the host communities. Its strategy is **to have a presence across all mobility market segments.**

With this objective, it is mobilising its **innovation** resources to reduce the environmental impacts of mobility. Its strategy is based on **rolling out the most effective technologies across the greatest number of vehicles**, so as to constitute massive leverage in the fight against pollution and climate change.

From design through to manufacture, Groupe PSA is committed to **optimising the use of resources** by incorporating green or recycled materials into its vehicles, by guaranteeing their recyclability and by **limiting the environmental footprint of its production plants and dealership networks** in terms of energy, water and waste.

Vehicle use is the main cause of emissions. The Group also:

- widely fits its ranges with clean, **low carbon** efficient technologies that preserve **air quality**, and sells best in class combustion, hybrid and electric vehicles;
- is developing a range of **connected mobility services** in response to changes in **customer** behaviours and expectations.

Lastly, as a result of listening to the views of the general public, invents tomorrow's mobility solutions by making digital technology part of its ranges' DNA, by rolling out driver assistance systems offering increasing levels of safety and improved traffic flows, foreshadowing the autonomous vehicle.

ECONOMIC DEVELOPMENT OF ITS HOST COUNTRIES

The Group's operations have a considerable economic and social impact on its host communities. Groupe PSA is aware of its responsibility in this area. On this basis:

- it selects its **suppliers** from amongst those closest to its production plants, in line with its **social and environmental guidelines**. By increasing its percentage of local purchases in a responsible way, the Group is demonstrating that its operations support the **sustainable economic development** of its host regions and countries;
- it supports the most vulnerable populations in its host communities *via* its Company Foundation which funds initiatives that integrate people through mobility and access to education. In this way, the Group marks its **commitment to serve its host communities**.

DRAWING ON ALL ITS TALENTS AND CREATING THE RIGHT ENVIRONMENT FOR SUCCESS

Groupe PSA economic performance is bound up with its workforce-related performance. The aim is to pool energies to end up as the winning team. The Group relies on the quality of its relations with its employee representatives to **design innovative solutions and build trust and commitment**. Since 2006, in order to support its global expansion and the efficient implementation of its social commitment, it has used the Global Framework Agreement on Social Responsibility as its reference framework.

Across all its sites, Groupe PSA is rolling out the principles of this reference framework, in response to its employment issues. The Group:

- draws on long-standing employee relations, taking a **co-construction approach** with employee representatives, in order to share its strategy and provide secure career paths for its employees *via* negotiated provisions and close support;
- reiterates the need to **guarantee workplace health and safety** and to develop well-being in the workplace;
- considers the expression and **development of talent** to be the cornerstone of its strategy;
- guarantees **equal opportunities** based on the recognition of individual merit;
- extends to its suppliers and partners its commitment to **respect fundamental Human Rights**;
- encourages all employees to comply with its **Code of Ethics** and its professional conduct rules.

Groupe PSA CSR policy is both a collective and individual commitment and the Group ensures that its principles are taken into consideration in all operational decisions

2.1.3. Dialogue with the Group's stakeholders DPEF.32

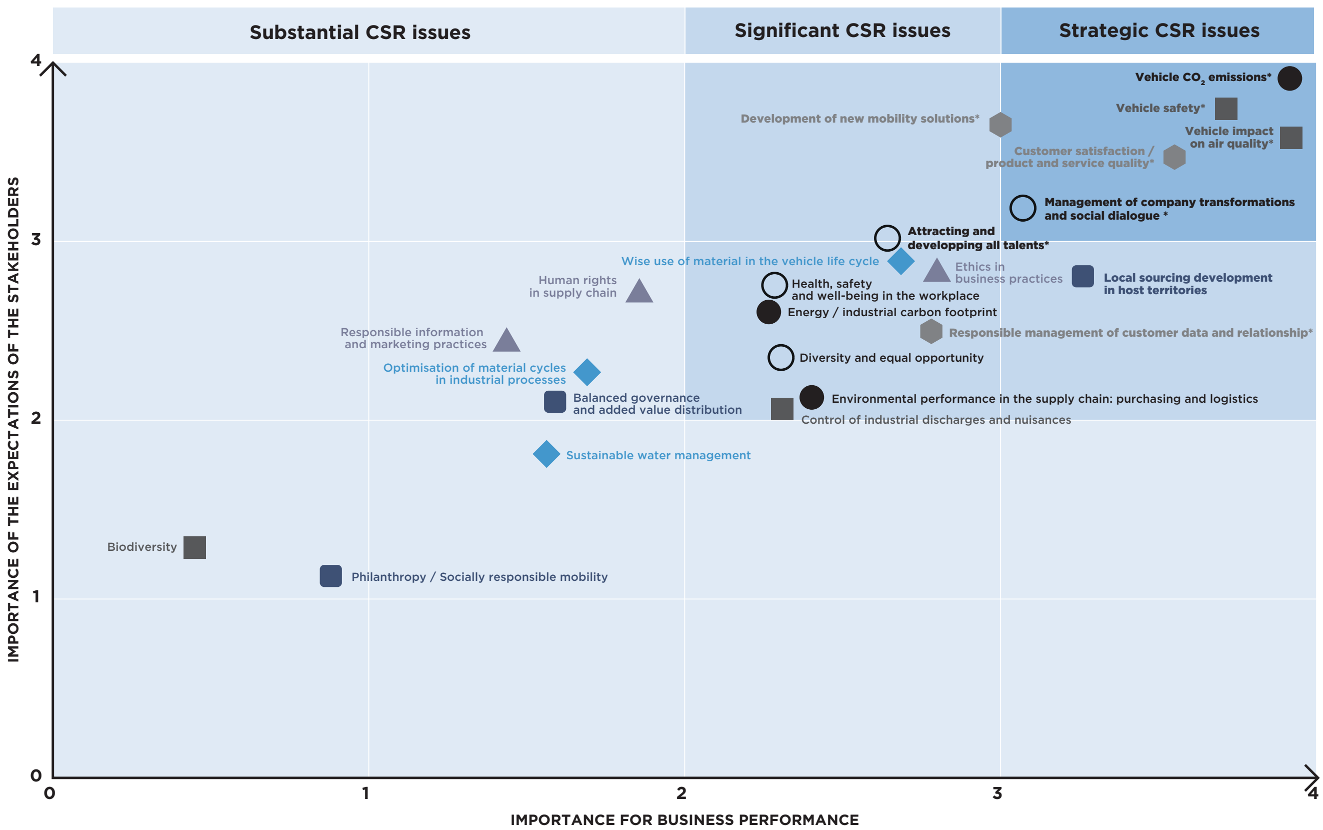
The Group – a player committed to the local communities where it operates – has maintained solid relations with all of its stakeholders for many years: employees, customers, shareholders and investors, suppliers, government and industry bodies, NGOs and local administrations (see CSR Report – 1.2.1.3 and 9.2).

These regular discussions with stakeholders enable social, environmental or economic challenges and risks to be better identified and influence the Group's response to sociological and technological changes in society. Stakeholders' dialogue was used to feed the materiality matrix of the CSR issues below.

In 2018, the Group's Chairman of the Managing Board started a series of one to one dialogues with high level experts on the seven megatrends that will shape the future of mobility, of which climate change, sharing economy, connectivity, etc. The aim of these dialogues is to help building the future strategic plan of the Company. All dialogues are filmed to be transparently brought to the public. The seven interviews of this initiative are available on the flipbook #aCoffeeWithCarlosTavares:
http://www.groupe-psa.com/dialogue7megatrends/en/

The dialogue between Carlos Tavares and the civil society will pursue in 2020, in a different form, around the following theme: "freedom of movement in a zero-carbon world".

Groupe PSA materiality matrix



Seven categories of macro-risks developed in 23 CSR issues

- Bringing a tangible impact on climate change
- Implementing responsible use of natural resources
- Preparing for growing societal expectations on health and safety
- Supporting a balanced economic development of territories
- Ensuring protection of human rights and preventing ethics violation
- Driving the Group's transformation through the development of human capital
- Meeting customers expectations on quality, mobility solutions and data privacy

***Issue linked to the Push to Pass strategy**

See CSR Report – section 9.4.2, for full explanation on the way the materiality matrix of CSR issues was compiled.

2.2. EMBRACING ENVIRONMENTAL ISSUES

2.2.1. Incorporating environmental issues into product and service design

The Group teams (including Faurecia's teams) are proficient in the eco-design process, which helps to shrink a vehicle's environmental footprint to a minimum at every stage in its life cycle, by improving fuel economy, reducing emissions of CO_2 and other pollutants, rationalising the use of natural resources and improving recyclability. In addition to ensuring that its vehicles comply with environmental legislation in the different markets, eco-design also ensures that the Group will stay ahead of the competition in terms of sustainable mobility.

The Group focuses much of its research efforts on clean technologies to address these issues.

INCORPORATING ENVIRONMENTAL ISSUES INTO THE GROUP'S ORGANISATION IN THE PRODUCT AND SERVICE DESIGN PHASE DPEF.15

The Research and Development Division, sitting on the Executive Committee, leads and follows up the Group's work on technological innovation in three strategic R&D strategic focus areas:

- clean techs, for cars that are ever more environmentally friendly (see 4.5.2.1);
- connected, autonomous cars to assist drivers during the most monotonous moments of driving (see 4.5.2.2);
- attractive, pleasurable cars, that match the DNA of each of the Group's three automotive brands.

The R&D Division manages and carries out eco-design, in particular, life cycle analysis and monitoring of the use of green or recycled materials: it collects the required data from the engineering business lines and suppliers for each vehicle project.

As these projects develop, the Programmes Department keeps track of the solutions implemented, measuring their efficiency based on the proportion of green materials used and CO_2 emissions. A special unit is responsible for coordinating the Group's CO_2 programme. This monitors and reports on the emissions performance of vehicles developed by the Group.

A dedicated entity oversees the Group's end-of-life vehicle policy.

RESOURCES COMMITTED TO PREVENT ENVIRONMENTAL RISKS AND POLLUTION DPEF.16

Data (R&D budget, workforce, skills, partnerships) relating to the Automotive division are presented in section 4.5.4.

2.2.1.1. COMBATING GLOBAL WARMING AND ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE DPEF.28

2.2.1.1.1. Technological innovation to combat climate risk DPEF.16 DPEF.24 DPEF.27

As an environmental pioneer in CO_2 emissions from passenger cars, Groupe PSA is continuing to develop a range of low-carbon cars to constantly meet the growing mobility needs of the individual as well as regulatory standards, identifying the most cost-effective technical solutions for its customers.

A corporate CO_2 Committee chaired by the Chairman of the Managing Board is held every month with the Managing Board and the Executive Committee to decide action plans (technical enablers, product plan adaptation and strategy) to reach the Group's targets.

See 4.5.2.1 for clean-tech strategy description, of which hybrid and electric technologies, optimization of internal combustion powertrains, vehicle architecture and equipment (multi-energy platforms, mass, aerodynamics, driver assistance…).

See 2.2.1.3.4. for vehicle life cycle and carbon footprint analyses.

2.2.1.1.2. CO2 performance of vehicles sold by the Group DPEF.16

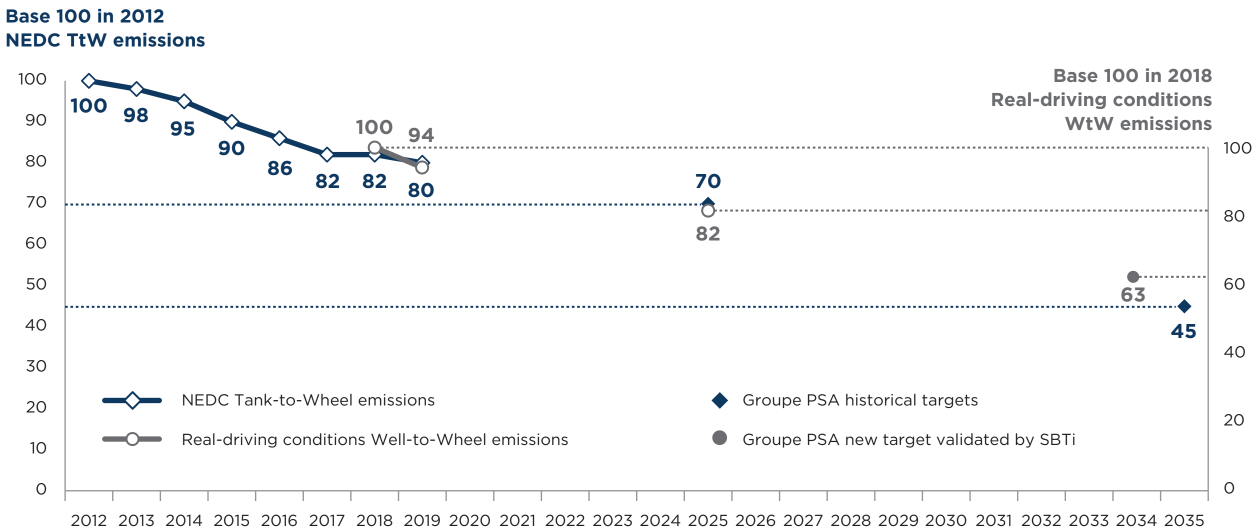
As an historical leader in the area of CO_2 efficient vehicles, Groupe PSA reinforced its commitment to tackle climate change, paving the way for carbon neutrality.

Groupe PSA has defined in 2019 a strengthened target, which consists in a reduction of 37% per vehicle kilometer of greenhouse gases emissions by 2034 from a 2018 base year, assessed on a "well-to-wheel" perimeter.

This target (related to "Scope 3"), which has been approved by the Science Based Targets initiative (SBTi) Steering Committee, echo the unconditional necessity to limit global warming to 2°C above pre-industrial levels, according to the latest climate science.

To reach this objective, Groupe PSA is committed to achieving, by 2035, more than 50% of its sales with electric, fuel cell and hybrid vehicles with an emission-free mode.

CO2 trajectory of Groupe PSA vehicles worldwide



Driven by the technical improvements brought to internal combustion engines and the ramp-up of electrified vehicles, trend of CO_2 emissions of sold vehicles in 2019 is in line with Groupe PSA targets.

2.2.1.2. PRESERVING AIR QUALITY DPEF.16 DPEF.18 DPEF.36

Being proactive in the debate concerning mobility-related public health and environmental issues, Groupe PSA has incorporated the issue of air quality into its research and development programmes for many years now. This has enabled it to roll out engines and technologies across its ranges that drastically reduce:

- particulate emissions: inventor of the Diesel Particulate Filter (DPF), which Groupe PSA began selling in 2000, more than nine years before Euro 5 standards which made it compulsory from September 2009. Since 2017, the Gasoline Particulate Filter (GPF) has been also applied for Gasoline Direct Injection engines;
- nitrous oxide emissions: Groupe PSA is the first car manufacturer to have opted to roll out the SCR (Selective Catalytic Reduction) solution, reducing nitrogen oxide emissions by up to 95% and marketed since 2013 on its Euro 6 vehicles. For approval of its new vehicles in Europe, Groupe PSA committed to meet a NO_x conformity factor in RDE of less than 1 (excluding measurement dispersion, limited to 0.43, which is the margin value set by the regulation). This commitment has been made from 1 September 2017, *i.e.* three years before the 2020 regulatory requirement.

The breakthrough technologies to reduce atmospheric pollutants from Groupe PSA vehicles are equally valid on combustion vehicles and hybrid vehicles.

The range of solutions to improve air quality also includes the electrification of vehicles, ranging from micro-hybridation such as Stop & Start, and mild hybridation (*48V mild hybrid: addition of a starter-alternator and a small 48 volt battery*), up to plug-in hybrid vehicles that can be recharged by the customer, as well as electric “zero-emission” vehicles using a battery or a fuel cell.

By 2021, 50% of the vehicles proposed by the Group worldwide will be available in electric or plug-in hybrid version. In 2025, 100% of models marketed will include an electrified version.

The Group’s massive R&D investment policy aims to improve air quality and reduce greenhouse gas emissions (€1,060 million to develop powertrains in 2019). This approach is in synergy with the prevention of climate risks described in 4.5.2.1.

2.2.1.2.1. The Diesel Particulate Filter (DPF): the only effective technology to remove fine and ultrafine particulates under all driving conditions

Groupe PSA identified the need to tackle particulate pollution in the late 1990s, and introduced a new generation of diesel HDi engines into the market. These have cut particulate emissions by 60% compared to the previous generation (to 100mg/km from the HDi engines, compared to 250mg/km in earlier versions). The Group subsequently equipped its engines with a high-performance filtration technology, called “Diesel Particulate Filter” (DPF).

The DPF effectively screens out both fine and ultra-fine particulate matter: 99.7% by number and more than 95% by mass (source Agency for the Environment and Energy Management - ADEME: particulate and NO_x emissions by road vehicles – May 2018). In the late 1990s, particulate emissions plummeted from more than 3,500,000 particulates per cm^3 in an unfiltered diesel engine to less than 3,500 particulates per cm^3 in a diesel engine with a particulate filter. The DPF removes particulates in all driving conditions. The DPF is a mechanical system, which is fully operational and effective throughout all phases of engine operation – load, warm engine/cold engine, urban/motorway driving – even when the filter is full.

A diesel engine fitted with a particulate filter emits less particulate matter than a latest generation direct-injection gasoline engine, with particulate emission levels significantly lower than the thresholds required under current regulations (20 times less in mass, up to 100 times less in number).

The particulate filter has been fitted as standard across the Group’s diesel models since 2010, and has been mandatory in all vehicles sold since the introduction of the Euro 5 regulation for all types (January 2011).

In 2019, diesel vehicles equipped with DPF accounted for 95% of the Group’s total diesel vehicle sales worldwide, compared to 91% in 2018 and 37% in 2009.

2.2.1.2.2. The Gasoline Particulate Filter (GPF): the only technology which is effective in all of the vehicle's operating conditions

The second stage of Euro 6 imposes a tougher limit in terms of number of particles for direct-injection gasoline vehicles (same limit as diesel engines) and a new constraint consisting in a emission reduction in real driving conditions.

To comply with the second stage of Euro 6, in addition to optimising injection systems, in October 2017 the Group introduced a particulate filter system (Gasoline Particulate Filter) with passive regeneration to reduce the number and mass of particulate emissions in its direct-injection gasoline engines. This solution, which will be rolled out to all direct-injection gasoline engines, eliminates more than 75% (in number) of all particulate matter, both fine and ultra-fine, whatever the driving conditions.

In 2019, the direct-injection gasoline vehicles equipped with GPF accounted for 91% of all direct-injection gasoline vehicles sold.

Finally, Groupe PSA has decided to launch an evolution of its GPF which still increases its efficiency of about ten points to reach around 85% (in number) with an additional decrease of the number of tailpipe particulates of about 40% more as a result. This evolution has been launched from 2019 on some 1.2l gasoline engine and PHEV vehicles and progressively extended to a big part of the Groupe PSA production.

An even more performant filter, with a better trade-off between filtration efficiency and counter pressure, is under development to better take into account new constraints resulting from powertrain electrification and to further reduce ultrafine particles.

2.2.1.2.3. Selective Catalytic Reduction (SCR): the most efficient solution for reducing nitrogen oxides for diesel engines

The SCR after-treatment technology substantially reduces nitrogen oxide (NO_x) emissions by injecting a reducing agent (AdBlue®: a mixture of 32.5% urea and 67.5% water) into the exhaust line upstream a specific catalyst.

Integrated into new emission control architecture upstream the particulate filter, SCR helps to optimise fuel efficiency and CO_2 emissions of diesel engines.

To meet the requirements of the second stage of Euro 6, Groupe PSA has developed a new after-treatment architecture which enables its diesel engines to treat more efficiently the nitrogen oxides in addition to the particulates, carbon monoxide and the unburned hydrocarbons. This new BlueHDi line has been fitted as standard on all new vehicles with 1.5l diesel engines from October 2017.

Previously, AdBlue® was scheduled to be replenished in Groupe PSA vehicles during maintenance work at the frequency stated in the service manual. From now on, to improve the performance of the Group's new vehicles, (second stage Euro 6 vehicles), filling up with AdBlue® will be made easier through the use of an orifice that is conveniently placed in the fuel tank flap.

In 2019, vehicles with BlueHDi line represented 93% of diesel vehicles fitted with DPF.

The BlueHDi technology is the subject of approximately 100 patents filed by Groupe PSA. The Group continues to refine its technologies, notably with the introduction of an ASC (Ammonia Slip Catalyst) downstream the SCR system. The ASC treats ammonia leaks (NH_3), thereby increasing its efficiency in eliminating NO_x emissions treated by the upstream SCR system. This technology has been launched on commercial vehicles from 2018 and has been rolled out to all diesel passenger vehicles from end of 2019 (third stage of Euro 6 – Euro 6d-ISC-FCM).

2.2.1.2.4. Three-Way-Catalyst (TWC): the most effective solution to reduce gaseous pollutants for gasoline engines

To fulfil more and more stringent regulations, Groupe PSA works intensively to improve current TWC system equipping its vehicles:

- development of new active coatings (Precious Metals and chemical composition optimizations) to improve conversion efficiency after the engine start in urban conditions and to increase the durability of the after-treatment system;
- reduction of the thermal inertial of the substrate to eliminate pollutants just after the engine start;
- finally, development, thanks to new performing gas sensors, of patented specific strategies to insure optimized temperature and richness conditions to improve the TWC system functioning.

2.2.1.2.5. Fuel vapour emissions limitation

All the vehicles produced by Groupe PSA since 2005 are equipped with an active charcoal filter (named canister), connected on the fuel tank. This device is able to catch the fuel vapours emitted by the fuel tank during the parking phases, avoiding the atmosphere pollution by Volatile Organic Compounds (VOC) contained in the fuel vapours. Each time the engine is started, the fuel vapours kept by the canister are sucked and are used complementary to the fuel of the tank. This system has the double efficiency to avoid pollution and to spare the vapours which would be lost by evaporation.

Groupe PSA has chosen to enlarge the canister size and to optimize the fuel tank and engine design in order to improve the protection against the VOC emissions. These improvements lead to an important reduction of the evaporative emissions (ratio near from 50% compared to the previous technical definition) and have been put in force by Groupe PSA on new vehicles of European market at the end of year 2017, so 2 years before application date of Euro 6d-TEMP-EVAP-ISC.

2.2.1.3. ENVIRONMENTAL IMPACT OF MATERIALS: THE CIRCULAR ECONOMY AND SUSTAINABLE MATERIALS MANAGEMENT

2.2.1.3.1. Responsible use of materials DPEF.23

Proactive use of green materials

Groupe PSA has undertaken to incorporate, on average, 30% natural and recycled materials in the Group's vehicles.

The Group defines three categories of materials as "green": recycled materials (including polymers and metals), materials of natural origin (wood, plant fibres, etc.) and bio-sourced materials (polymers not made from petrochemicals but from renewable resources). Their use has several advantages: such as reducing the use of fossil or mined materials, and fostering the development of recycling processes, by boosting demand.

A wider application of green materials requires the development of robust supply chains and more research on new materials. To meet its targets, the Group is actively selecting and certifying materials that offer the best cost/technical trade-offs, to create a portfolio of solutions for future vehicle projects.

The use of green materials is now standard in engineering design and in specifications for calls for tender from suppliers of components and parts. The incorporation of green materials is also one of the selection criteria used when choosing suppliers.

The latest vehicles to be marketed show the results obtained: common programme between the New Peugeot 208, the New Peugeot 2008 and Opel Corsa, have led to the common use of recycled and natural materials in the polymers and these vehicles reach the target of 30% of global green material content. Significant applicants include the use of natural hemp fibers in white edge reinforcement, the use of recycled polypropylene in baffles (underfloor air, under tank, airbag, front/rear fenders), and in the front/rear bumpers. One can also mention the use of recycled polyamide in the hubcaps and the intake manifold, as well as the motor-fan unit.

On average, the percentage incorporation of green materials on vehicles sold worldwide in 2019 was over 30% (weighted average on 2019 PCD volumes of vehicle sales in Europe).

Reducing hazardous substances DPEF.18 DPEF.36

Regulatory requirements, combined with the use of hazardous substances, are factored into all phases of vehicle life, from design and manufacture to use and end-of-life recycling, in close collaboration with suppliers. The Group asks its suppliers to provide a compliance certificate for each part delivered using the IMDS (International Material Data System) with regard to regulations on chemical substances. The integration of these requirements focuses on two major objectives:

- the elimination of four heavy metals (lead, mercury, cadmium and hexavalent chromium): for example, from January 2016, lead could no longer be used in the solders of the electronic boards and on glass applications of new vehicles;
- compliance with the REACH regulation: the Group has set up an organisation and a communication system to monitor its partners and suppliers and ensure that they comply with the REACH regulation. The Group has set itself the goal of minimising the use of substances on the REACH candidate list and anticipating the restrictions in Annexes XIV and XVII by working on new materials right from the research and innovation phase. For example, DEHP (DiEthylHexyl Phtalate), used as a plasticiser in PVC sheaths for wiring harnesses, has been replaced.

Vigilant scrutiny of materials' criticality

Bearing in mind the growing scarcity and increasing cost of raw materials over the long-term, the Purchasing Department and the R&D Department are working together, *via* a Materials Strategy Committee, to manage and secure the Group's supply of materials over the long term and to direct the focus of its R&D towards replacement materials. This strategy, which was originally applied to source materials is now being extended to synthetic raw materials.

2.2.1.3.2. Eco-design for better recycling DPEF.20 DPEF.23

The Group's initiatives in this area come under European Directive 2000/53/EC of 18 September 2000 on end-of-life vehicles (ELVs), which sets out the requirements for vehicle design and the operational requirements for the treatment of end-of-life vehicles. It identifies three types of ELV recovery: reuse of parts, recycling of materials, and energy recovery. Up until 2015, it required vehicles to be overall 85% recoverable by vehicle weight (of which 80% is actually reusable or recyclable) and after that, vehicles had to be 95% recoverable (of which 85% reusable or recyclable).

To fulfill these obligations, Groupe PSA has set up a dedicated network. This highly cross-functional structure pools the expertise necessary for the upstream and downstream treatment processes. The activity is managed at two levels: upstream, which seeks eco-design solutions, and downstream, which involves monitoring the collection and treatment of end of life vehicles. These are handled in close collaboration with the Group's partners, such as suppliers, recycling operators and car manufacturers associations.

Prevention measures: recyclability commitment

Upstream, the impacts of recycling end-of-life vehicles (ELVs) are taken into account in every new model and component. To ensure that its vehicles are highly recyclable, the Group is committed to:

- using easily recyclable materials;
- reducing the variety of plastics in a car, to facilitate sorting after shredding, optimise the related recovery processes and ensure their profitability;
- using a single family of plastics per major function, so that an entire sub-assembly can be recycled without prior dismantling;
- marking plastic parts with standardised codes, to ensure identification, sorting and traceability;
- introducing green materials, especially recycled materials, into vehicle design to support the emergence or development of new markets for certain materials;
- integrating recycling considerations very far upstream, starting with the innovation phases, with particular attention to new materials or vehicle parts;

- designing in vehicle depollution or pre-treatment requirements, the first mandatory phase of end-of-life vehicle disposal which consists of draining all fluids from the vehicle, neutralising pyrotechnical components and dismounting parts considered harmful to the environment so as to prevent any transfer of pollution during end-of-life vehicle disposal. As a participant in the International dismantling information system (IDIS) project, the Group provides recycling facilities with disassembly instructions for the Group's vehicle brands.

On 30 May 2018, the Group's UTAC certificate was renewed for three years, demonstrating its ability to implement the processes needed to meet the requirement of 95% recyclability/recoverability (by weight), of which 85% through reuse or material recycling: all Peugeot, Citroën, DS, Opel and Vauxhall vehicles are now certified to meet this requirement.

2.2.1.3.3. **Management of end-of-life products**

DPEF.16 DPEF.20

A business unit is dedicated to the circular economy in the aftermarket, from business development to manufacturing and marketing. The goal of this business unit is to build a sustainable and profitable business based on circular economy principles everywhere (worldwide scope) and whenever (technical limitation) it makes sense.

This includes notably reusing of plant surplus, network-issued damaged parts and end-of-life vehicle parts. So that to provide, after Groupe PSA remanufacturing and testing, high and sustainable quality parts to all customers everywhere in the world. A label "Renew" makes any related service recognisable.

Re-use and remanufacturing of parts

The Group participates in the circular economy by offering a standard exchange programme (remanufactured high-value parts and subassemblies), as well as second-hand spare parts (parts recovered from end-of-life vehicles). It has also introduced a new "repair & return" service.

Since 2019 in France, Groupe PSA has made available a reuse catalogue to its authorized repairers, in accordance with French Decree (n° 2016-703), which requires availability of circular economy parts in France. At the end of 2019, this offer was also made available for independent repairers.

These programmes are described in greater detail in the CSR Report which is available on the Group's website.

Recycling of end-of-life vehicles (ELV)

Downstream, the Group has been involved in collecting and processing ELVs from its dealership networks for almost 30 years, through partnerships with vehicle demolition and shredding companies. Dismantlers (ELV Centres) are in charge of depolluting and partially or entirely dismantling end-of-life vehicles, while shredding companies extract then process scrap aluminium, copper and other important materials for sale in the international marketplace.

Apart from metals and plastics, Groupe PSA aims to recover a wider range of materials. This supplies two sectors of business activity:

- recovery and recycling of materials;
- recovery and recycling of energy.

<u>In France</u>, the Group relies on industrial partnerships that are technically and economically efficient. These ensure full traceability of ELVs and guarantee the achievement of the overall recovery rate.

The Group's partners work with networks of certified dismantlers (447 ELV Centres at year-end 2019) that collect end-of-life vehicles, deregister and depollute them, and then dismantle them to resell certain parts for reuse.

The Group's performance in France in overall recovery of ELVs collected through its network is compliant with European regulations and better than the national average: in 2018, it amounts to 95%, of which 88% reused or recycled [(1)].

Groupe PSA made a major contribution to pilot the action plan for the re-absorption of historic stocks in the French overseas territories in which the French Environmental Code applies (Guadeloupe, St Martin, Martinique, French Guyana, Reunion Island and Mayotte). This plan, which addresses the environmental and health issues that arise when vehicles are abandoned by their last owner, resulted in the signing of a framework agreement between manufacturers on 24 October 2018. The Group started by anticipation in 2018 in Martinique. At the end of 2019, this action plan is already active in all French overseas departments, with more than 4,500 discarded ELVs collected.

<u>On the European markets</u>, in appliance of the EU End-of-Life Vehicle Directive, all vehicle producers are required to take back vehicles from last owners or holders, when the cars have reached the end of their life. For that purpose and by following the different national requirements, Groupe PSA has built up take back networks in each EU member state.

After 18 years of successful implementation and execution of all legal requirements, the EU decided to review the EU ELV Directive and if deemed necessary, to come up with proposals for a revision until end 2020. Groupe PSA together with the other members of ACEA are currently focusing on defining country-specific best processes for treatment of ELVs, in order to ensure best environmental results within the framework of a self-sustainable ELV business. This will also be still valid for the United Kingdom after Brexit.

<u>In regions outside Europe</u>**,** the Group is actively analysing the regional and local market situation as well as ELV related legislation. If required, the Group adopt and develop strategies and plans for implementation. The Group continued to maintain and supervise its ELV's take-back network, according to our targets.

<u>In Africa,</u> the Group discussed with Morocco's government to implement a study on how to improve collection and treatment of ELV.

<u>In Asia,</u> some countries have developed some dynamics around waste legislation. The Group is in close cooperation with its joint venture partners for China.

Groupe PSA ensures legal compliance for all automotive brands of the Group with all legal requirements from ELV-Directive 2000/53/EC and its national transcriptions in the respective EU member states.

In accordance with Directive No. 2006/66/EC, the Group has implemented collection and treatment procedures for its High Voltage batteries (HV Batteries) used in hybrid and electric vehicles sold in Europe. The battery technology in electric and hybrid vehicles requires specific handling methods.

(1) *Since ADEME has not released official statements for the end of 2019 concerning ELV operators in France, the Group is not yet able to determine its performance for 2019.*

Focus on batteries from hybrid and electric vehicles

Repair and remanufacturing

To extend the use phase and to avoid the premature recycling of High Voltage (HV) batteries, the Group started the remanufacturing in 2012. Since then, 439 HV batteries have been remanufactured.

To reinforce the sustainability of its high-voltage batteries, for the new generation developed for all its automotive brands, Groupe PSA will introduce a “repair and remanufacturing” process in 2020. If the battery fails, it will either be repaired in the network or sent to a remanufacturing centre for repair, after analysis by the Groupe’s dealer network. The repaired battery will be then reinstalled on the vehicle from which it had been removed whereas the remanufactured one will be used in another used electric vehicle to maintain the electric mobility of the Group’s customers as much as possible.

Second life

Groupe PSA is working on solutions to reuse High Voltage batteries in electric stationary storage facilities. As a proof of this plan, a first container including eight used batteries, from vehicles Peugeot-ION and Citroën C-ZERO, is installed in Carrières-sous-Poissy. This container enables to optimise the energy consumption in buildings by many ways including load shifting, storage of energy during the night and use during the day, or balancing services to the grid. Another project, entering a real-life phase at the Group’s test center of Dudenhofen in 2020, where a container based including eighteen used Opel E-AMPERA-A batteries, will be installed to enable energy buffering for charging station used for driving test of electric vehicle thereby. In addition, in order to study next generation of electric vehicles batteries ability to be reused in second life for stationary storage applications, Groupe PSA is exploring the reuse of those batteries by designing, building and testing electric stationary storage demonstrators in 2020, focused on residential, commercial and industrial use.

Recycling

Groupe PSA has already signed a contract for the entire European market with an efficient partner, whose recycling rates in 2018 were 70,7% for Lithium-ion (Li-ion) batteries of electric vehicles and 82,8% for the Nickel Metal Hydrure (Ni-MH) batteries of hybrid vehicles.

These rates are significantly higher than the 50% regulatory thresholds for materials recycling. The agreement covers all dealership networks and industrial sites for all current Li-ion and Ni-MH batteries across all European marketing countries. For the new generation of PHEV and BEV traction batteries, Groupe PSA will extend partnership with recyclers to cope with higher battery volumes in Europe. In terms of battery legislation, the Group is actively involved with its expertise *via* the European Automobile Manufacturers’ Association (ACEA). Outside Europe, particularly in China, Groupe PSA makes an active contribution in partnership with local joint ventures.

Recycling tires

In France, based on the principle of extended producer responsibility, the Group’s brands have implemented procedures for collecting and processing the tyres held by authorised ELV centres. In 2019, 8,033 tonnes of tyres from ELVs were at least 50% treated as “materials recovery” (for reuse, drainage solutions, granulation, etc.).

The Group signed in July 2019 a general agreement with all producers of tires to take in account 5 engagements on: recyclability improvement of tires recyclability, consumer information about durability of tires, help to overseas territories, free return of all tires waste, and treatment of tires of ensilage from farms.

2.2.1.3.4. Vehicle life cycle and carbon footprint analyses DPEF.18 DPEF.19 DPEF.20 DPEF.27

Life cycle analysis to improve vehicles environmental footprint

The Group conducts life cycle analyses of its vehicles and components that comply with the framework defined in the ISO 14040/044 standards. These studies analyse the multi-criteria environmental footprint of a vehicle and validate its component and materials design. The entire product life cycle is taken into account from raw material extraction, to manufacture, use and end-of-life recycling.

The Group has set itself the goal of performing a life cycle analysis for each new family of vehicles. In addition, for each major technological change or strategic innovation, a study is carried out, in conjunction with suppliers, to assess changes in the environmental impacts of these modifications.

As a result, in 2019, life cycle analyses covered 62.1% of the total fleet sold. The LCA methodology used was certified during a critical review by THINKSTEP, a firm specialising in life cycle analysis.

Environmental impacts are taken into consideration in the innovation process and a complete evaluation is made of each critical innovation. The goal is to guarantee that the environmental impacts from a new model are less than for the previous generation.

In 2020, the Group plans to conduct a life cycle analysis on the first Plug-in Hybrid vehicles. The Group will continue to study major innovations and the introduction of green materials or composite materials.

Monitoring the carbon footprint of a vehicle

Groupe PSA has begun a process to determine the total CO_2 equivalent of its worldwide operations.

This footprint considers, over a year of activity, emissions from the production of materials and components for the vehicles manufactured, emissions from the Group’s production plants, service activities, fuel extraction/production and electricity production necessary to use the vehicles manufactured, the use phase of the vehicles manufactured (emissions in real driving conditions, according to the hypothesis validated by the SBTi) and the treatment of end-of-life vehicles.

The method was verified and approved by Eco Act, a firm specialising in environmental analysis and greenhouse gas diagnostics.

The detailed methodology is available in section 2.1 of the Group's CSR Report.

Overall carbon footprint of vehicles produced worldwide by the Group during the year

UPSTREAM ACTIVITIES
SCOPE 3
(Indirect emissions)

PURCHASING
14.39%
Extraction of materials and production of parts used by the Group for its business

UPSTREAM TRANSPORT
0.47%
Transport of materials and parts to Groupe PSA plants

WORK-RELATED TRAVELS
0.02%
Movement of employees (estimation)

COMPANY ACTIVITIES
SCOPE 1 AND 2
(Direct and indirect emissions)

BUILDING PERFORMANCE
0.97%
Fuel and electricity consumption in plants = 0.92%, tertiary sites = 0.03%, dealership networks = 0.02%

DOWNSTREAM ACTIVITIES
SCOPE 3
(Indirect emissions)

USE OF VEHICLES SOLD (WtW*)
81.63%
Fuel and electricity production (WtT*) = 12.60%
Exhaust emissions (TtW*) = 69.03%

VEHICLE MAINTENANCE
1.51%
Extraction of materials and production of spare parts

PRODUCT END OF LIFE
0.83%
Recovery and recycling of end-of-life vehicles

DOWNSTREAM TRANPORT
0.17%
Transport of produced vehicles to retail outlets for sale

**WtW= Well-to-Wheel   WtT= Well-to-Tank TtW= Tank-to-Wheel*

The total CO_2 equivalent emissions of vehicles produced by the Group in 2019 worldwide amounted to 125.9 million tonnes.

The usage phase of the vehicle represents 81.63% of the vehicle's overall carbon footprint. Hence Groupe PSA is focusing its R&D efforts on the issues of fuel consumption and vehicle weight (see 2.2.1.1.1).

2.2.1.4. THE DEVELOPMENT OF MOBILITY AND CONNECTIVITY SERVICES DPEF.27 DPEF.36

Groupe PSA reached a new strategic milestone in its role as a mobility service supplier.

In order to rise to new mobility challenges, Groupe PSA is continuing to roll out its "Push to Pass" plan with the construction of a multi-services ecosystem.

The Group's strategy is to simplify mobility through sustainable, smart, safe and shared solutions, guaranteeing freedom of movement for all, is being demonstrated by:

- the launch of Free2Move, its new mobility services brand which bring together all of its connected and mobility service offerings;
- the acquisition of TravelCar, a startup offering peer to peer carsharing, parking and car rental solutions;
- the launch of Free2Move Business Solutions. These services are dedicated to corporate customers, with a connected fleet management system (Connect Fleet), a carsharing service (Fleet Sharing) and a consulting service in electro-compatibility (E-mobility advisor);
- a partnership with IBM as part of the Smarter cities project currently being rolled out in the Nice Côte d'Azur, Lyon, Lille and Tours Metropolis, Gironde, Loire Atlantique, Val d'Oise, Seine et Marne, Yvelines and the Wallonia (Belgium) region;
- the launch of the Free2Move app, a mobility services platform for sharing cars, scooters or bikes. The app is now available in 34 cities of 11 European countries (Germany, Italy, Austria, Sweden, United Kingdom, Spain, France, Belgium, Portugal, Netherland and Denmark) and the USA (Portland, Seattle and Washington).

The Free2Move app allows to use the services of around 50 operators. End 2019, the app was downloaded nearly 2,000,000 times.

2.2.2. Environmental aspects of Groupe PSA industrial activities

THE GROUP'S ENVIRONMENTAL PROTECTION POLICY AT THE INDUSTRIAL LEVEL

The environmental policy of the Industrial Department applies to all industrial entities of the regional divisions. It aims to be among the best in terms of operational efficiency by 2025. This vision requires all Group plants to embrace the "Excellent Plant" concept, which will conduct each plant to the best level of performance of efficiency in all domains, on a par with the world's leading car manufacturers. This policy addresses the main environmental aspects of industrial activities, emission to air (VOC and CO2), water consumption and discharge, waste management, energy use and biodiversity management, in the context of continuous improvement.

A solid and proven organisational structure implementing measures to prevent environmental risk DPEF.15 DPEF.18

Automotive Activities

The Group has been engaged in proactive environmental stewardship at its production, research and development sites, with a commitment to ensuring that their operations comply with local regulations, fully safeguarding the surrounding natural environment and the quality of life of host communities.

The Group's industrial strategy combines environmental stewardship with a commitment to continuous improvement based on a disciplined organisation, a methodology structured around environmental management (ISO 14001) and the allocation of significant financial resources.

Environmental data reporting has been in use for long time (1989) and, since 2015, is done with a new tool, which supplements and harmonizes Group applications used in this area and allows building a strong database of all environmental KPIs.

Some 500 people actively participate in environmental risk and performance management.

The Group has tried-and-tested organisational structure in which each facility has an environmental manager coordinated centrally by a team of experts, with every employee committed to managing potential impacts at each stage of the process. This results in an effective and reliable Group environmental strategy.

Automotive Trade

The Group site environmental policy is also being rolled out at brand dealership networks. The Retail Department encourages its points of sale to manage their environmental aspects (water, energy, waste) so as to improve performance.

Since 2008, the Group has used an information system to collect, monitor and consolidate environmental data from across its proprietary network. Since 2016, a multi-year capital expenditure budget has been introduced to maintain the assets position, and also to incorporate new technologies such as LED lighting and the energy self-sufficiency of buildings, and thus streamline the energy footprint.

An active certification policy DPEF.15

Automotive division

Implementation of certified management systems started in 1999 and today all production plants are ISO 14001 certified, according to new standard entered into force in 2015. Kenitra which entered in production enf of 2019 will be certified in the first half of 2020. Automotive industry cooperation agreements with Toyota, Dongfeng Motor Corp., Mitsubishi in Russia and Fiat in Italy are also certified.

Faurecia

Faurecia's strategy about ISO 14001 certification is detailed in Faurecia's Universal Registration Document. Share of certified facilities continue to increase in 2019, at around 77% of all facilities.

Actions to train and inform employees about protection of the environment DPEF.10

Automotive division

Within the Automotive division, to ensure that the targets are met, the Group has identified Environment as a key function within the business channels developed to cover all of its core operations. According to this conclusion, necessary skills are listed and the training path for every major environmental contributor are defined, thus contributing to the full completion of his or her activity. In 2019, 17,212 hours of training were provided to people in the plants. Beside technical training the Group is also providing awareness training and using public events such as the World Environment Day for educational exhibitions to increase employees environmental knowledge.

On operational level, in each facility an Environmental Engineer is in charge to implement and manage the Environmental Management System according to Groups' generic commitments, and compliant with ISO 14001 standard. They rely on representatives appointed in each workshop, and is part of a network of specialists in Environmental management coordinated by Environment Central Department.

The Environmental Central Department is in charge to help the facilities in legal compliance and to coordinate Environmental Management System of all facilities to ensure compliance to ISO Standard and continuous improvement in line with the environmental targets detailed below.

Resources implemented DPEF.16

Production plants

Environmental impacts are identified and taken into account since the beginning of a new project, and the design of the equipment aims to reduce these incidences. Around 1% of the investment in manufacturing tools is dedicated to reduce environmental impact of industrial activity. In addition, the Industrial Environment Department manages an annual investment plan that provides for plant compliance operations relating to regulatory changes and the reduction of pollution and environmental risks.

Provisions for environmental risk DPEF.17

Automotive division

In accordance with Decree No. 2012-633 of 3 May 2012, since July 2014 the Group has established financial guarantees of €4.9 million as security for some installations of its French facilities classified as environmentally sensitive. By 2024, the Group will have financial guarantees of approximately €5.3 million, due to perimeter extension according to French regulation. In Germany, a reserve of €4.2 million is in place to cover remediation operations. Similar regulation is now implemented in Spain, but the 3 Spanish plants remain below the threshold.

Faurecia

Detailed information on the provision made by Faurecia are available in Faurecia Universal Registration Document.

Compensation paid pursuant to a legal decision for environmental damage

Groupe PSA did not have to pay any such compensation in 2019.

2.2.2.1. ENERGY PERFORMANCE AND REDUCTION IN CARBON FOOTPRINT IN THE FACE OF CLIMATE CHANGE

The Group's manufacturing facilities are committed to reduce their carbon footprint. The overview of GHG emissions from the Group's worldwide industrial activities shows that 89% of total emissions come from energy use in plants. The remaining emissions come from mobile sources (forklifts, company cars) amounting to around 8%, specific casting processes (2%) and refrigerant leakages (less than 2%). This analysis confirms that the main potential method to reduce GHG emission is energy consumption management. Within the Automotive division, vehicle production uses energy for a wide range of industrial processes, such as casting, machining, paint curing, heat treatment, etc.

2.2.2.1.1. Managing energy consumption DPEF.24

The Group has implemented for many years an energy management plan for all its production plants that has helped to reduce energy consumption of 4.5% in 2019 compared to 2018 in absolute.

This energy management plan is based on best available techniques:

- mapping the energy performance of all industrial sites to optimize their energy use. Today, the Group's commitment to managing energy consumption has come to maturity. 8 facilities are ISO 50001 standard certified and the lessons learned from the certification process have been shared with the Group's other plants to confirm and improve the robustness of their internal energy-control procedures;
- reducing surface areas and optimizing means of production within the framework of plans to make plants more compact;
- developing ways of collecting and reusing lost heat from industrial processes and equipment;
- increasing the proportion of renewable energy in industrial processes, when an economically viable opportunity occurs;
- reducing logistics-related CO_2 emissions with an action plan extending until 2022.

Overall energy consumption

DETAILED ENERGY CONSUMPTION

		Combustible energy							
				Non-renewable		Renewable	Non-combustible energy		
(unit: MWh NCV)	Year	Heavy fuels	HHO	NG + LPG	Coke	Biomass (wood)	Electricity	Steam	Total energy consumption
Automotive Activities	**2019**		**592**	**2,155,400**	**80,250**	**17,673**	**2,939,799**	**753,016**	**5,946,730**
	2018		1,477	2,272,343	86,946	17,190	3,100,239	763,858	6,242,053
Automotive Trade	**2019**	**344**	**2,719**	**61,601**			**49,422**	**1,512**	**115,598**
	2018	419	4,464	91,191			77,217	1,865	175,156
Faurecia	**2019**	**1,023**	**6,263**	**528,894**		**5,316**	**1,437,229**	**23,194**	**2,001,919**
	2018	1,102	7,380	556,284		5,363	1,457,681	21,572	2,049,382
TOTAL	**2019**	**1,367**	**9,574**	**2,745,895**	**80,250**	**22,989**	**4,426,450**	**777,722**	**8,064,247**
	2018	1,521	13,321	2,919,818	86,946	22,553	4,635,137	787,295	8,466,591

Heavy fuels = HSFO + LSFO + VLSFO.
HSFO = High-Sulphur Fuel Oil.
LSFO = Low-Sulphur Fuel Oil.
VLSFO = Very Low-Sulphur Fuel Oil.
HHO = Home Heating Oil.
NG = Natural Gas.
LPG = Liquefied Petroleum Gas.

Automotive Activities

The figures provided above represent the energies consumption in all the plants for car production. In addition, we can also indicate that 1,938.161 MWh NCV of gas were used to produce electricity (730,114 MWh) and steam or hot water (559,593 MWh). 62% of the electricity produced and 15% of the steam produced have been sold to external customers.

The average result of energy consumption per car produced reaches 1.97 MWh par car, in progress of 1.5% compared to 2018. Replacement of forklifts using HHO by gas (Charleville), plants surface reduction and continuous improvement in paintshops, share of best practices and monitoring of electricity usage explain this performance.

Coke consumption deals only with cast iron production in Sept Fons foundry and is linked with scrap reuse, in circular loops.

Automotive Trade

The Scope of reporting changed in 2019 to concentrate on those facilities with the most significant environmental impacts. Compared with 2018 if we consider the same perimeter, the situation is quite stable. The improvements achieved in the previous years are now stabilized.

Data from Groupe PSA brands related on average to 100% of sites in 2019 for direct energy consumption, as it was in 2018 and 2017. 97% of sites in 2019 for indirect energy consumption, as in 2018, and 96% in 2017.

Faurecia

Detailed information about energy performance of Faurecia are available in the Universal Registration Report of Faurecia.

The data covers 97% of Faurecia sites for direct energies consumption and 100% for indirect energies.

2.2.2.1.2. Reducing industrial greenhouse gas emissions DPEF.26 DPEF.27 DPEF.28

Groupe PSA ambition by 2050 is to reach the carbon neutrality of its plants (zero CO_2 emissions), using renewable energies (mostly through self-energy supply) and offsetting residual emissions.

On its way to carbon neutrality, Groupe PSA follows a glidepath consistent with CO_2 reductions required to keep global warming at 2°C (certified by SBTi): it commits to reduce, by 2034, absolute greenhouse gas emissions from energy consumption of industrial activities (“scope 1 and 2”) by 20% from the 2018 base year.

Automotive Activities

Since 1990, upgrades of facilities, substitution of fuel oil and coal with natural gas, development of cogeneration and energy consumption control efforts have contributed to improve energy efficiency and reduce greenhouse gas emissions.

Direct air emissions from combustion plants

Direct emissions are calculated based on the direct energy consumption by applying emission factors acknowledged by the greenhouse gas emissions trading system (EU ETS) in compliance with the Decree of 31 October 2012 or European Decision 2012/601 in the case of CO_2 and the circular of 15 April 2002 for all other gases. Emission factors for electricity and steam are updated annually using data provided by the suppliers. These emission factors can vary slightly from year to year, depending on how the electricity used is generated, but this does not have a strong influence on the figures between one year and the next.

SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS (GHG)

(unit: tonnes)	Year	CO_2	N_2O	CH_4	Direct GHG emissions in CO_2 eq. (Scope 1)	GHG emissions from renewable sources (CO_2 eq.)*	Indirect GHG emissions in CO_2 eq. (Scope 2)	Total GHG emissions in CO_2 eq. (Scope 1 + Scope 2)
Automotive Activities	**2019**	**842,656**	**35.67**	**58.64**	**853,715**	**5,853**	**326.026**	**1,179,741**
	2018	845,348	35.74	58.73	857,661	5,693	416,827	1,274,488
Automotive Trade	**2019**	**13,496**	**0.57**	**0.90**	**13,686**		**10,247**	**23,933**
	2018	20,072	0.85	1.34	20,352		19,116	39,468
Faurecia	**2019**				**130,322**		**612,658**	**742,980**
	2018	118,796	5.07	7.58	120,466		596,327	716,793
TOTAL	**2019**	**856,152**	**36.24**	**59.54**	**997,723**	**5,853**	**948,931**	**1,946,654**
	2018	984,216	41.66	67.65	998,479	5,693	1,032,270	2,030,749

* *Greenhouse gas emissions from the combustion of biomass (wood at the Vesoul site) are not included in direct emissions in accordance with the GHG Protocol guidelines.*
GHG emissions expressed in tonnes of CO_2 eq. are calculated by applying coefficients (global warming powers) of, respectively, 298 for N_2O and 21 for CH_4 (source: IPCC Reports, 2006 and 1995 respectively). Indirect emissions are calculated based on the purchase of electricity and steam in compliance with emissions factors obtained from steam suppliers and by using the same factors as the year before for electricity.

The above data take into account all emissions from Groupe PSA facilities worldwide, and in particular includes emissions from the cogeneration plants for their total emissions. Three OV facilities operate cogeneration plants, and the emission of these installations are integrated in the above scope 1 data. Part of the electricity and steam produced by these facilities are sold to external customers. The amount of energy sold represents 146,668 tonnes of CO_2. Another part of this electricity produced by one of the cogeneration plants feeds also other OV plants, and the emissions linked are 18,690 tonnes of CO_2. It could also be mentioned that the electricity production by cogeneration from gas emits less CO_2 per MWh than the electricity provided by external suppliers.

The improvement of total emissions, in absolute but also in relative value at 341 kg/car compared to 372 last year, is directly linked with Scope 2 emission reduction, and most precisely with electricity emission. This progress is due to green electricity supply in Madrid and Zaragoza, for two third of the result, and the last third part comes from high volumes of production in French plants where the electricity is very low in carbon.

The use of renewable energies in 2019 was 23% of the electricity purchased by the Group throughout the world.

The Automotive Trade data provided in the previous table was reported from the same percentage of sites as for energy consumption (see 2.2.2.1.1). The share of renewable energy consumed is 20.23%. CO_2 emission from energy use decrease slightly due to the important activity in France, where electricity is widely from nuclear source.

For **Faurecia**, due to a change in calculation methodology, detailed emission for CO_2, N_2O and CH_4 is no longer provided.

Participation in the CO2 emission allowance scheme

The Group qualifies for the CO_2 emission allowance scheme set up in application of European Union Directive No. 2003/87/EC, amended, on greenhouse gas emissions trading, due to its combustion activities within its main units (heating and processes) on the one hand and, on the other hand, to its casting activities. As regards the third phase of the CO_2 emission allowance scheme scheduled from 2013 to 2020, 14 facilities are involved in this regulation (Sochaux, Mulhouse, Rennes, Poissy, Vesoul, Sevel Nord and Sept-Fons in France; Madrid, Vigo and Zaragoza in Spain; Luton and Ellesmere Port in UK; Rüsselsheim and Eisenach in Germany).

From 1 January 2015, pursuant to an EU decision, the Automotive division has been included in the list of sectors exposed to a carbon leakage risk, which includes a revised allocation of free quotas.

The scorecard showing quotas for and emissions from the above-mentioned 14 sites was as follows:

the deficit is only linked with emission from cogeneration plants which do not receive any free allocation.

Year	Allowances (quotas)	Emissions* (tonnes of CO_2)
2019	**527,322**	**681.535**
2018	553,543	668,653

* *Sum of verified Groupe PSA emissions and theoretical emissions related to purchased steam, for which the Group receives allowances.*

2.2.2.1.3. Environmental optimization of logistics DPEF.28

The logistics operations are identified as having a core impact on the carbon footprint of the Group's manufacturing operations. They represent 1.5% of the Group's total CO_2 emissions.

Supply chain ambition for carbon footprint has been defined on a long term horizon. It aims at reducing carbon emission for logistics per vehicle of one third between 2016 and 2035, in continuation with previous carbon footprint roadmap. This means an average 2.1% decrease per year.

Groupe PSA and GEFCO signed an exclusivity agreement under which the car manufacturer entrusts GEFCO with the management and optimisation of its entire global manufacturing supply chain.

As a strategic supplier, GEFCO is requested to be fully involved in the Group's strategy for assessing social and environmental performance. Its results are regularly monitored at the Executive level of the Company under a Corporate Business Review. 23 GEFCO subsidiaries have ISO 9001 certification (concerning 254 sites), and 15 have ISO 14001 certification (concerning 61 sites).

GEFCO is committed to implementing a strict sustainable development policy with the following aims as agreed in the contract with Groupe PSA:

- make every effort to use the least polluting transport methods available, in line with the most stringent environmental standards;
- prioritise alternatives to road transport and make proposals to reduce CO_2 footprint of transport.

Actions undertaken by the Groupe PSA and associated results are presented in the CSR Report (Section 2.5.3.1).

Greenhouse gas emissions per type of shipment

The methodology to assess greenhouse gas emissions is implemented by GEFCO in collaboration with Eco Transit World. Energy consumption is determined for each traffic flow and by mode of transport, by using an emission factor corresponding to this energy. This measurement is performed in CO_2 equivalent (thus including other greenhouse gases). The scope for downstream distribution includes capillary flows to the dealers.

		CO_2 eq. emissions in tonnes – 2018		CO_2 eq. emissions in tonnes – 2019	
TOTAL		**879,344**		**808,674**	
Upstream transport	Road	479,086	74%	459,187	78%
	Air	133,952	21%	100,815	17%
	Rail	8,668	1%	3,534	1%
	Sea	29,696	5%	23,510	4%
	Total	**651,401**	**100%**	**587,046**	**100%**
Ratio of kg of CO_2 from transport/vehicle produced upstream		204		192	
Downstream transport	Road	182,494	80%	181,123	82%
	Rail	7,547	3%	7,108	3%
	Sea	37,900	17%	33,396	15%
	Total	**227,941**	**100%**	**221,627**	**100%**
Ratio of kg of CO_2 from transport/vehicle distributed downstream		62		67	

2.2.2.2. INDUSTRIAL DISCHARGES AND POLLUTANTS: MANAGING THE IMPACTS ON THE ENVIRONMENT AND LOCAL RESIDENTS

2.2.2.2.1. Controlling atmospheric emissions DPEF.18

The processes put in place in automotive manufacturing use chemical products, and the Group is seeking to limit their use and impact.

Volatile organic compounds

Volatile organic compounds (VOCs) are monitored, and an action plan is created to reduce their emissions.

Within the Automotive activities, overall emissions of VOCs from the Group's paintshop facilities remain marginal compared with the total VOCs discharged into the atmosphere. As an illustration, VOC emissions of Groupe PSA French plants represent less than 1% of total emission in France (source CITEPA: emissions inventory of atmospheric pollutants and GHG in France 2014, or 689 kt), Despite this fact, VOC emission remain the main challenge of car assembly plants, due to paint shops emissions.

The strategy to reduce these emissions is being deployed, using best available technologies in the following directions:

- optimising paint shops by using equipment with higher application efficiency to reduce the use of conventional paints and related solvents, by selecting low-solvent paints and by recycling used solvents;
- designing low-emission paint shops in the new plants by manufacturing a narrower range of products (reducing the primer stage);
- installing air treatment equipment that incinerates VOCs on site when necessary;
- encouraging the sharing of experience and best practices among Group plants.

Continued systematic implementation of the best technologies at cost-effective prices is enabling the Group to steadily improve its performance. VOC emissions per vehicle produced have been below 3kg since 2013, with each plant complying with VOC Directive 2010/75/UE requirements, including plants out of Europe.

VOC Emissions from paintshop facilities

Nota: VOC emissions from paintwork and presses (emissions attributable mainly to separating agents) are determined by a material balance method compliant with the principles of the 1999/13/EC Directive. They represent a very low part of emission (estimated lower than 1% of total emission).

(in tonnes)	Year	VOCs	Ratio (in kg vehicle produced)
Automotive Activities	**2019**	**8,952**	**2.96**
	2018	9,294	2.97
Faurecia	**2019**	**1,672**	
	2018	2,086	
TOTAL	**2019**	**10,624**	
	2018	11,380	

For the Automotive Activities, 2019 results are at the same level than in 2018. Car size increase continues, in line with success of SUV, LCV in terms of car design. Two colours cars have also an impact in terms of solvent consumption. SUVs and LCVs are currently manufactured at plants using solvent based paints, what negatively impacts the average VOC emissions per vehicle. These negative impacts are compensated by process improvement and share of good practices in management. This conducts to an average result of 28.7g/m^2, in progress of more than 2% compared to 2018, and in line with future emission limit values.

Other regulated atmospheric pollutants

The gradual replacement of conventional high-sulphur fuel oil with low-sulphur fuels and natural gas has helped to substantially reduce worldwide sulphur dioxide (SO_2) emissions from the Group's plants. Since 2012 and the permanent elimination of fuel oil usage, SO_2 emissions are marginal and around 9 tonnes per year. At the same time, nitrogen oxide (NO_x) emissions have also declined sharply thanks to improvements in thermal power stations, and the choice of fuels (natural gas as a substitute for fuel oil). NO_2 emissions approach 850 tonnes per year, and the emissions are evenly distributed over all the sites, generating a very limited local impact.

Other direct emissions

SO_2/NO_2 emissions have been calculated from fossil fuel energy consumption (fuel oil, coal, coke, natural gas and LPG), using emissions factors as recognised by the regulations.

(in tonnes)	Year	SO_2	NO_2
Automotive Activities	**2019**	**8.74**	**862.8**
	2018	9.03	864.53
Automotive Trade	**2019**	**1.68**	**14.5**
	2018	2.47	21.56
Faurecia	**2019**	**6.78**	**118.07**
	2018	7.64	124.82
TOTAL	**2019**	**17.2**	**995.37**
	2018	19.14	1,010.91

The above-mentioned data from brands and Faurecia was reported from the same proportion of sites as for indirect energy consumption (see 2.2.2.1.1).

2.2.2.2.2. **Protecting the soil** DPEF.18 DPEF.25

Automotive Activities and Faurecia

Strict procedures are applied to prevent soil pollution, in particular through the use of retention basins for liquid storage and limiting, to the extent possible, the use of underground pipelines for fluids transport and conducting checks and maintenance on the existing underground pipelines.

In addition, it aims to discover what past pollution may be present in the soils of its sites.

Either at the instigation of public authorities or at the Group's initiative, soil contamination has been assessed at a large number of sites. For some plants with no significant impact, monitoring of underground water is conducted to control that no transfer occurs. For other, remediation operations have been conducted or are continuing according to the programme validated with administration.

Automotive Trade

Since 2016, the Automotive Trade Department has chosen to carry out soil studies on the installations identified as potentially the most polluting at the time of sale or transfer. Particular attention is paid to all points of sale with underground structures. The objective is to ensure that the Group's installations are well-maintained. In case of proven pollution, the Group implements an action plan to treat this pollution, in compliance with regulatory constraints.

2.2.2.3. WASTE AND MATERIALS CYCLES: PRODUCTION PROCESSES DESIGN TO REDUCE USE OF RESOURCES AND INCREASE WASTE RECOVERY

The Group's industrial sites are committed to developing a circular economy wherever they are located. This expresses itself in the desire to avoid any wasting of natural resources and to use only the quantity of raw materials necessary. This strategy also extends into waste management, through the achievement of zero landfill waste and encouragement of recycling and recovery.

2.2.2.3.1. Reducing material consumption via optimised manufacturing processes DPEF.23

In addition to efforts to reduce vehicle mass on the product design phase, Groupe PSA plants' stamping business line has developed an approach to the Material Use Coefficient (MUC), which optimises consumption of sheet metal during the process of forming body parts. This action contributes directly to keeping the main source of industrial waste under control, as two thirds of the 637,055 tonnes of waste metal are scraps from stamping. Even though all of these scraps are recycled in foundries, their reduction remains a major issue. The MUC strategy helps people to measure the progress made in stamping design. It quantifies the proportion of stamped material used to produce the cars compared to the amount of sheet metal that was received. Last launches, new DS3 and new Peugeot 208, show that MUC continues to improve, and reach a level of 63%, compared to an average result of 55% for previous generation..

For the other third of waste metal, which consists essentially of machine shavings, the development of aluminium parts and pressure die casting design have been determining factors in reducing the quantities of machining waste. Pressure die casting, which limits the thickness of materials, is now widely used to produce the Group's engine blocks. Chips, which are dried and compressed into briquettes to recover the cutting fluids reintroduced into the machining process as much as possible, are then returned to the Group's foundries or to steelmakers.

As for production processes, paint solvent regeneration is a process that has been in place for many years. Technical cleaning and purging solvents used by facilities are recovered and regenerated at a service provider before reintegration into the same cleaning process, following a circular loop.

2.2.2.3.2. Reducing waste and promoting recycling by introducing circular economy loops DPEF.20

Within the Automotive Activities, the Group aims to reduce the mass of waste per vehicle manufactured, as well as eliminating landfill waste in favour of recovery and recycling efforts in European plants.

Introduced in 1995, the policies, which exclude metal and demolition waste, have demonstrated their effectiveness:

- the weight of waste per vehicle processed outside of Groupe PSA sites has been reduced by more than 63%;
- analysis and characterisation of waste produced during the different stages of production (casting, foundry work, mechanical parts manufacture, stamping, paint and final assembly) have made it possible to identify processing channels that provide an alternative to landfill. The gradual deployment of new outlets, depending on locally available treatment solutions, is driving a steady increase in the waste recovery and on-site recycling rate, which continues to increase slightly at 91.7%, compared to 91.2% in 2018.

In addition, almost all scrap metal (sheet metal, filings, etc.) is recovered and recycled in the steel industry or the Group's foundries.

When waste metal is taken into account, Group plants reclaim or recycle 97% of their industrial waste.

For Automotive Trade in Europe, the Group is reinforcing its ambition to sign framework agreements with specialist hazardous and non-hazardous waste management providers. This approach makes it possible to optimise waste monitoring and to ensure its traceability within treatment networks and is one of the performance objectives for personnel responsible for overseeing business and financial performance within PSA Retail Management bodies.

Pursuant the action already engaged, a better characterization of the waste gives the opportunity to reduce the amount of waste landfilled.

Total weight of waste by type and disposal method

AUTOMOTIVE ACTIVITIES

(in tonnes) *(excluding metal waste, totally recycled)*	Year	Landfilling	Recovery and recycling	Other disposal methods	Total	On-site recycling
Foundry waste	**2019**	**16**	**58,595**	**33**	**58,644**	**103,372**
	2018	0	58,539	2,113	60,653	103,313
Non-hazardous process waste	**2019**	**5,524**	**109,111**	**3,569**	**118,204**	**937**
	2018	4,233	112,339	6,114	122,686	1,478
Hazardous process waste	**2019**	**1,031**	**26,746**	**16,553**	**44,330**	
	2018	479	27,889	16,848	45,216	
TOTAL	**2019**	**6,571**	**194,452**	**20,155**	**221,178**	**104,309**
	2018	4,712	198,767	25,067	228,155	104,791

The table above does not include recycled waste metal (637,055 tonnes in 2019).

Waste recycled internally is not reported in the total. This consists mainly of foundry sand regenerated on site by a thermal process, allowing it to be re-used in the process, and of wood waste that is reused as fuel in the biomass heating equipment.

In 2019, the total quantity of waste output by the Automotive division is at a ratio of 107kg/car, at the same level than in 2018.

Compared with 2018 results, it can be noted an increase of buried waste, at 2.16kg per car. This is mainly due to demolition waste linked with surface reduction in some plants, with an important contribution of Sochaux and Caen this year. Part of this waste is considered as hazardous when they contain asbestos. This waste cannot be considered as production waste, and when we exclude it the ratio falls at 1.67kg/car, in line with 2018 result. Kenitra's start of production contributes also to the result, while all waste treatment solutions are not yet in place, because of low production in the first months. As for previous years south America and Russian plants remain the main users of this way of treatment, due to the lack of alternative solutions.

The average amount of waste per car remains stable from one year to the other. However, the reduction of non hazardous waste in other treatment solutions can be highlighted. It results of better sorting in plant, which allows to transfer the waste in more appropriated treatment solutions.

The target of landfill-free car production plants in Europe is not met for Trnava due to overcharge of incineration with heat recovery treatment plant. A solution is in construction, which will allow to come back to the target. For Mangualde and Madrid, common waste is collected by city, and plant cannot manage the ways of treatment. Some other component plants facilities are also landfill-free (except the tiny fraction required by law to be buried): Aspern, Szentgotthard, Tychy, Hérimoncourt, Valenciennes and Saint Ouen.

AUTOMOTIVE TRADE (OWN BRAND NETWORK SCOPE)

(in tonnes) *(excluding metal waste, totally recycled)*	Year	Landfilling	Recovery and recycling	Other disposal methods	Total
Non-hazardous process waste	**2019**	**121**	**4,134**	**242**	**4,498**
	2018	717	5,039	55	5,812
Hazardous process waste	**2019**	**30**	**1,720**	**142**	**1,893**
	2018	52	2,620	124	2,796
TOTAL	**2019**	**151**	**5,855**	**385**	**6,391**
	2018	769	7,659	179	8,608

Major efforts to define waste treatment processes were conducted in the dealership network since 2016 in order to assign treatment processes to the waste produced, thus helping to reduce the amount of waste going to landfill by default. These actions are fruitful and the recovery rate of waste is around 94%.

The above-mentioned data from brands was reported from an average 93% of their sites in 2019 as it was in 2018.

This table does not include metal waste (750 tonnes in 2019), which is totally recycled.

FAURECIA

(in tonnes) *(excluding metal waste, totally recycled)*	Year	Landfilling	Recovery and recycling	Other disposal methods	Total	On-site recycling
Non-hazardous process waste	**2019**	**44,795**	**98,300**	**10,898**	**153,993**	**2,213**
	2018	46,854	99,223	10,065	156,143	2,067
Hazardous process waste	**2019**	**1,088**	**8,111**	**8,972**	**18,171**	**202**
	2018	1,420	7,514	8,760	17,694	126
TOTAL	**2019**	**45,883**	**106,411**	**19,870**	**172,164**	**2,415**
	2018	48,273	106,737	18,825	173,837	2,193

This table does not include metal waste (77,676 tonnes in 2019), which is totally recycled.

2.2.2.4. CONTROLLING THE WATER CYCLE ON FACILITIES

2.2.2.4.1. Reducing water consumption DPEF.22

For the Automotive division, saving water is a challenge for every manufacturing plant. As with energy, each plant has its own water consumption management plan based on metering systems, the display of the least water-intensive operating parameters for each workstation and the deployment of recycling systems. Compared to 2018, first year of perimeter extension with OV integration, the water consumption remains stable, in line with production volume change at 3.79 m^3/car.

Beyond these efforts to save water based on management actions, the Group has long deployed reverse cascade rinsing to its painting activities. As a result, the water can be used for six cycles of successive rinses depending on its cleanliness. Today, to curb consumption of natural water resources, the Group works on solutions for the recycling of wastewater from industrial processes, including implementation of widespread innovative technologies such as evapo-concentration, which separate the oil phase from the water phase of aqueous discharges for water reuse in the process.

WATER USE

(in m^3)	Year	City water	Surface water	Underground water	Total
Automotive Activities	**2019**	**2,554,540**	**5,573,822**	**3,337,556**	**11,465,918**
	2018	2,511,557	6,096,420	3,313,731	11,921,708
Automotive Trade	**2019**	**194,699**			**194,699**
	2018	329,203			329,203
Faurecia	**2019**	**2,144,464**	**39,890**	**793,686**	**2,978,040**
	2018	2,090,818	381,770	894,854	3,367,442
TOTAL	**2019**	**4,893,703**	**5,613,712**	**4,131,242**	**14,638,657**
	2018	4,931,578	6,478,190	4,208,585	15,618,353

The data provided above do not take into account 64,195,252m^3, from surface water used for cooling cogeneration plants. This abstracted water is directly rejected in the river, and the sole impact on quality is a slight increase of the temperature, largely below 1°C. The amount of cooling water increases from 2018, due to higher operational time of cogeneration plant. For industrial use, it can be noted strong improvement in water consumption per car produced in Rennes, which ends the year below 1m^3/car and in Sochaux which reduces its average consumption of around 20% per car produced. Difference between best and worst in class increases to 1 (Trnava, Mangualde, Rennes) to 6 (Luton, Ruesselsheim), and share of good practices has been engaged to reduce this gap.

For Automotive Trade, water consumption decreases in line with change of reporting perimeter.

Data was reported from 91% of sites in 2019 (99% in 2018). Water consumption at dealerships was mainly for sanitary use and vehicle maintenance for points of sale with their own car wash.

2.2.2.4.2. Water treatment

Whether connected to the public wastewater treatment network or equipped with their own integrated treatment plant, each facility tracks effluent systematically using indicators, defined in the operating permits. The results of the tracking operations are reported to administrative authorities on a frequent basis. Additionally, the continued application of the nickel-free surface treatment process undertaken for several years now in the body factories has made it possible to significantly reduce the quantities of this heavy metal in the factories' end waste.

GROSS DISCHARGES INTO WATER FROM PLANTS DPEF.18

(in kg/year)	Year	COD	BOD5	SM
Automotive Activities	**2019**	**1,675,843**	**454,131**	**377,925**
	2018	1,849,692	579,551	242,527
TOTAL	**2019**	**1,675,843**	**454,131**	**377,925**
	2018	1,849,692	579,551	242,527

COD = chemical oxygen demand. BOD5 = biochemical oxygen demand in five days. SM = suspended matter.
Nota: Data for Faurecia have not been consolidated because the differences in regulatory requirements worldwide mean it is not possible to consolidate indicators in a uniform manner.

For Automotive Activities, all the effluents are treated before discharge into rivers, either in plant and/or in city,waste water treatment plant according to legal requirements. Polluting discharge remains globally constant, thus illustrating the stability and performance of internal treatment facilities. Increase in suspended maters discharge come from a more efficient monitoring in Kaluga.

For Faurecia, when water is contaminated during the manufacturing process and must be treated before discharge, the sites most often use the collective network (for 67% of water discharged). Other sites have in-house installations (14% of discharges). Other, uncontaminated water is discharged directly into the natural environment.

2.3. SOCIETAL COMMITMENT TO SUSTAINABLE DEVELOPMENT

2.3.1. Responsible supply chain management

2.3.1.1. SUPPLIERS: VITAL LINKS IN THE VALUE CREATION CHAIN DPEF.30

Purchasing is a key function for the Group's international development and its integration in the industrial landscape of all countries having local operations. Long-term relationships with its suppliers are crucial for Groupe PSA. The Purchasing Department pursues on creating a "win/win" situation. The aim of this approach is that each partner will share its know-how and establish a long-term relationship through an ongoing improvement process.

Automotive purchases

The Group's purchases include:

- direct material parts: purchases of direct vehicle parts and mechanical subassemblies, direct purchase of materials. Purchasing of serial parts represent more than 75% of production cost of a vehicle;
- spare parts and accessories;
- indirect machinery & equipment: SG&A, services, commercial facilities, competition, information technology and telecoms.

WORLDWIDE PURCHASES IN 2019 BY REGION

(in million euros)	Europe	Eurasia	Latin America	China and Southeast Asia	India-Pacific	Middle East Africa	Total
Direct parts	30,740	162	543	32	15	261	31,753
Spare parts	1,669						1,669
Indirect Machinery & Equipment	8,466	24	151	272		102	9,015
TOTAL	**40.875**	**186**	**694**	**305**	**15**	**363**	**42.438**

Groupe PSA Automotive division purchases amount in 2019 reached €42 billion, which corresponds to 57% of the Group's revenue.

Faurecia has a special status – on the one hand being a subsidiary, on the other also a supplier to other car manufacturers which are direct competitors of Groupe PSA. This requires these units to be strictly separated, including the purchasing function. However, the principles of responsibility within the Group and a strategic supplier apply.

The Group aims to surround itself with suppliers who, by virtue of their sound financial structure and capacity for innovation, are capable of supporting the Group's global expansion.

Local sourcing a key element of Groupe PSA procurement policy

Given the economic challenges of its presence in host countries, the Group is committed to make supplier relationship management a key element of its strategy. It believes that deploying a responsible purchasing policy means sourcing suppliers as close as possible to its production plants. This enables to:

- reduce the Group's carbon footprint by means of environmental optimization of upstream logistics;
- enroll suppliers in a forward-thinking approach to technology, logistics and CSR;
- increase the Group's due diligence by virtue of operational proximity to its partners.

The local sourcing ratio is the value of purchases for a region from Tier 1 suppliers divided by the total value of the purchases for this region. For example, the local sourcing rate is 89% in Europe, 60% in Marocco and 58.9% in Latin America.

Groupe PSA is a full-fledged partner to its host countries. Thus, it commits to continue to enforce its strategy to source as close as possible nearby its production plants, which also contributes to maintain subcontracting activities on-site.

Thanks to its deep manufacturing roots in France (1,226 million vehicles produced in France in 2019, the Group has once again made a strong positive contribution to France's trade balance, with €4.4 billion surplus and a positive import-export balance of 379,000 vehicles in 2019. In total, 12 Group vehicles are currently certified *Origine France Garantie*, a label which ensures consumers that the product is French-made.

Focusing on the Moroccan supplier cluster: Groupe PSA almost finished the engine and vehicle assembly plant at Kenitra (near Rabat) in Morocco. The production plant is built on an area of 100 hectares, of which 40 are reserved as supplier cluster. By the end of 2020 the plant will already increase capacity from initial 100,000 to produce 200,000 vehicles. The Group has achieved 60% local integration (vehicle and engine components) as the first vehicle has been produced in September 2019, with a long-term goal of 80%. At the end of 2019 the project has created 1,800 direct jobs for Groupe PSA, 3,700 direct jobs with our suppliers and 20,000 indirect jobs.

2.3.1.2. SUPPLIERS: LINCHPINS OF THE SUSTAINABILITY CHAIN DPEF.30 DPEF.34 DPEF.35

Groupe PSA believes that there can be no performance without responsibility. As a member of the United Nations Global Compact, the Global Purchasing procurement policy contains the rules set by the International Labour Organization (Human Rights, child and forced labour), health and safety standards, environmental practice standards (ISO 14001) and strict regulations on the use of materials and substance emissions (REACH regulations for example). Procurement of specific materials such as conflict minerals is also the subject of particular attention. This policy is published and can be accessed on the Group's website.

Considering the limited sphere of influence though the entire supply chain, Groupe PSA expects all its suppliers to share the equal due diligence in regard to CSR risks in their entire downstream supply chain as well.

2.3.1.2.1. Groupe PSA procurement policy: performance and responsibility

The Purchasing Department determines and manages procurement policies and strategies globally and acts as interface between Groupe PSA and its suppliers. Its role is to build and maintain a robust supplier data base at the best technical, industrial and economic level. It also guarantees the quality and security of the Group's supplies, by ensuring that suppliers comply with Group standards, particularly in terms of quality, logistics and sustainable development. The Purchasing Department is responsible for purchasing of all departments of the Group (excluding Faurecia).

Procurement policy social, ethical and environmental standards DPEF.21 DPEF.42

CSR is implemented globally. This enables to bring all stakeholders together to ensure that progress already made will be long-term persistent and will be valid and respected across the entire supply chain. By joining the United Nations Global Compact in 2003, Groupe PSA pledged to uphold and promote, and to encourage its suppliers to uphold and promote the ten principles inspired by the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

Incorporating workforce-related and social criteria into the purchasing process: focusing on Human Rights

Groupe PSA Human Rights policy is implemented in line with OECD recommendations. For further details, please refer to Chapter 6.2 of the CSR Report.

Focus on conflict minerals

A specific clause has been inserted in the general terms and conditions of purchase (clause 12), stating that the supplier must disclose the detailed composition of the materials used to manufacture the parts supplied, as well as any changes in that composition. This requirement is got updated in 2019 to specifically comply with the *Devoir de Vigilance* legislation. The supplier must also provide the written information necessary to comply with the legislation in force, particularly on consumer protection and conflict minerals. From the R&D Department, who in charge of the management of sensitive products, the Purchasing Department has begun to systematically request the entire supplier base to identify the suppliers concerned. Additionally, after having joined the Responsible Minerals Initiative (RMI) the Group has access to a wider range of information and data to ensure that sustainability standards are implemented by the smelters and the mining industry.

The Conflict Minerals Reporting Template that is provided by the RMI is requested for the suppliers using the 3TG metals (tungsten, tantalum, tin and gold). If they have not sourced any compliant raw materials, the suppliers have to set up alternative sources. The Group thus seeks to exercise its duty of care and foster sustainable procurement.

Focus on mica

All Groupe PSA paint suppliers that supply products containing mica are committed to a sustainable supply chain. All of them confirmed that their lower tier suppliers or they themselves are member of the Responsible Mica Initiative. This proofs the seriousness of CSR efforts that are undertaken to ensure sustainable mica supply to Groupe PSA by all actors.

Suppliers largely contribute to achieve Groupe PSA environmental objectives

Most of the Group's suppliers are from industries that are faced with the same environmental challenges as the Group itself Groupe PSA involves them in initiatives that follow its environmental roadmap.

The Group's environmental objectives for its products are translated into contractual commitments *via* specifications and purchasing policies targeting two areas: the nature of the materials used and CO_2 emissions generated.

Moreover, collective catering service providers of Groupe PSA are committed to struggle against food waste.

Groupe PSA strong commitment to the adapted sector

For over 20 years, Groupe PSA has been sourcing direct parts (*e.g.*: instrument panels, interior trim, pedals, etc.) from the sheltered sector. Subcontracting to this sector is one aspect of the Group's agreement for the social and occupational inclusion of people with disabilities. The sixth agreement was signed on 21 February 2017.

Nowadays, suppliers from the sheltered sector are expected to meet the same criteria as the rest of the Group's suppliers in terms of quality, reactivity, economic performance, etc. The Purchasing Department, alongside with all other Groupe PSA departments, supported these suppliers to evolve in order to achieve this level of performance. As a result of this support, improved expertise enabled some sheltered workgroups/companies to demonstrate their know-how to other clients and other business segments (railways, aeronautics, etc.).

Services bought from the adapted and sheltered sector have generated €58 million in added value for these companies which represents more than 2,600 full time workers in the sheltered sector, in France and Spain.

100% of the cars built in France, Spain and Portugal have at least one part manufactured by the adapted and sheltered sector. Also, to ensure the transition to the new mobility, 100% of the Group's plug-in hybrid vehicles have at least one part coming from the adapted and sheltered sector.

2.3.1.2.2. Exercising due diligence DPEF.35 DPEF.44

Groupe PSA follows OECD Directives on exercising a duty of due diligence within its supply chain.

This is based on analyzing risks (mapping) to identify and prioritize the actual, or potential, negative impacts of its suppliers' activities (section 6.2.3.1 of the CSR Report). If risks are identified, Groupe PSA has a prevention system which includes implementing and monitoring specific action plans with the suppliers in question, to prevent or mitigate any impacts. In the event of actual incidents, Groupe PSA is set up to contribute to remedial actions in resolving the issue. To enable full transparency, diligence, measures taken, and results obtained are published in the annual CSR Report.

Identifying CSR risks in the supply chain

The numerous crises experienced by the automotive industry over the last few years have enabled the Group to develop its risk analysis process to improve the ability on early risk prevention and be more reactive once a risk has been identified.

In line with the Group's risk policy (see section 1.), purchases can be broken down into 724 different commodities to which the Purchasing Department applies a multi-criteria (quality, logistics, financial, CSR, etc.) risk analysis to define "Technical and Industrial Purchasing Policy" for each commodity. The policy is drawn up by the buyers in collaboration with experts from other divisions of the Group: financial analysts, logistics experts, quality experts, engineers, etc.

Please refer to the section 1.6.1.2 for reading the method for design the matrix of the risks entailed in the activities of the subcontractors and suppliers.

Steps taken to prevent risks: training and systematic CSR Performance evaluation for suppliers

Buyer trainings

Every year, the Group's purchasing school organizes training sessions for new buyers in Europe and in Latin America. A special CSR module, annually updated, is deployed for this occasion. In 2019 again 231 people have been trained in Europe. In Latin America. 82% of Global Purchasing & Supplier Quality division (GPSQ) population were trained up, which represents an increase from the 78% reached in 2018.

In addition, each operational buyer is trained on an ongoing basis in developments in regulatory constraints, best practices, tools responsible purchasing (including ethics, Human Rights, environment, etc.).

Following the Group's decision to have its entire approved supplier panel assessed by an external provider, EcoVadis, all buyers were trained in the changes to the CSR regulatory framework and the Group's expectations.

Supplier training

Ambition of Groupe PSA is to have 90% of its suppliers trained in the Group's CSR risks and requirements by 2025. To achieve this objective, it supports its suppliers by providing them with lots of information and training tools to enable them to improve their practices:

- supplier information meetings are organized on a monthly basis to inform suppliers about the latest developments in CSR, to let them know about the Group's expectations in terms of CSR and to inform them of legal and regulatory changes regarding CSR matters;
- together with Ecovadis, a webinar specifically for suppliers based in Asia was provided. All relevant details regarding the Groupe PSA CSR Requirements were explained to the suppliers in addition to what needed to be done to comply with the Group's corporate level of expectation;
- an e-learning training course on CSR principles is available on their CSR performance evaluation platform.

Formal commitment from suppliers and evaluation of their CSR performance

Evaluation of suppliers' CSR performance is a key factor for the Group when it comes to selecting suppliers during calls for tenders. More than 95% of supplier selections were made with a strong CSR assessment in 2019. This assessment consists comprises suppliers' commitment to comply with CSR requirements of the Group and the results of assessment questionnaires and audits.

Signature of the Responsible Purchasing Policy

The Responsible Purchasing Policy outlines the Group's CSR policy and sets out the commitments that suppliers working with Groupe PSA must abide by, including respect for animal welfare (see 6.2.3.2 of CSR Report). The policy is available in several languages on the Groupe PSA website as well as on Group's B2B portal.

The Group's CSR requirements:

- are based on a personal commitment to monitoring: since 2010, the Group's Code of Ethics has specifically mentioned the integration of ethical and environmental criteria into the supplier relationship;
- are gathered in an *ad hoc* reference guide for suppliers: these requirements make explicit reference to the Global Compact, the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on the Environment and the United Nations Convention against Corruption;
- are distributed to the most important suppliers of the Group and to suppliers associated with high-risk countries or commodities. These suppliers are asked to formally commit to comply with Groupe PSA guidelines or to demonstrate their compliance with equivalent guidelines. As of end 2019, 1,486 suppliers had made this commitment, accounting for 93% of the purchasing spend managed by the Purchasing Department;
- are incorporated into the fundamental principles of supplier relationship management, in contractual documents such as purchasing contracts and purchasing terms and conditions, and in the Group's purchasing processes.

76% of the revenue generated by Mister Auto (equivalent to 0.26% of the annual value of Groupe PSA purchases) consists of parts purchased from major equipment manufacturers who have signed the "Responsible Purchasing Policy" as tier 1 suppliers.

Audits of supplier production plants to IATF (International Automotive Task Force) standard 16949

Groupe PSA requires that supplier production plants are certified to IATF 16949. This certification is awarded for three years and the certifying body conducts an annual audit to check compliance. Major non-compliances result in suspension of the certificate and supplementary audits to rectify non-compliances. 85% of supplier production plants are certified to ISO/TS 16949 or IATF 16949, and remaining sites have at least ISO 9001 certification.

External assessment

To supplement the supplier assessment system and make it more robust, the Group undertook to assess its entire supplier base on the basis of environmental, social, ethical and sustainable procurement. Groupe PSA has chosen to entrust this evaluation to an external provider, EcoVadis. An initial step has helped identifying supplier risks to a greater degree.

The Group informed its suppliers that this process is mandatory if they wish to remain in the supply base and that suppliers failing to achieve the required level would be systematically expected to implement corrective action plans.

In 2018, 1,507 supplier groups, or 95% of the amount of purchases, were assessed.

Audits of critical suppliers

In addition, social and environmental audits are conducted at selected suppliers' plants in accordance with the risk level associated with their country, product or process. Since 2008, 98 social and environmental audits have been performed at tier 1, 2 or 3 suppliers. Chapter 6.2.3.5 of the CSR Report presents the results of these audits in detail.

2.3.2. Consumer safety and protection DPEF.36

2.3.2.1. COMMITMENT TO ROAD SAFETY

The safety of each individual road user has always been the primary priority of Groupe PSA.

At all stages of the vehicle lifecycle, Groupe PSA implements and maintains a global state-of-the-art safety approach.

The Group is continuously improving three aspects of vehicle safety: primary, secondary and tertiary. It is also carrying out vital work on the vehicle resistance to intrusion and new threats linked to cyber security of the connected vehicle.

Response to road safety problems is based not only on the introduction of increasingly sophisticated safety systems onboard vehicles. Roadway infrastructure must also be upgraded, while motorists and other road users must be effectively educated in safe driving and road use practices. The systems described below, as well as the results, are shown in greater detail in section 5.1 of the CSR Report.

Primary safety: avoiding accidents

Groupe PSA develops devices to improve:

- chassis systems, such as Tyre Pressure Monitoring System;
- control of trajectory and safety distances systems, such as Adaptive Cruise Control and Autonomous Emergency Braking System;
- systems to better perceive and be perceived, such as Adaptive Forward Lighting (including IntelliLux LED Matrix headlights);
- ergonomics and Human Machine Interface, such as the i-cockpit. The launch of the new Peugeot 208 in October 2019 has revealed for the first time in the automotive industry a 3D effect cluster, which has been praised by critics and customers.

Secondary safety: protection during an accident

The *Laboratoire d'Accidentologie, de Biomécanique et d'Étude du comportement humain* (LAB) is a road safety association created jointly by Groupe PSA and Renault. Unique in its kind, LAB has conducted, since 1969, research projects (28,332 accidents in its database) to enhance understanding of accident mechanisms and their related injury mechanisms.

Groupe PSA is primarily working in two areas:

- <u>chassis and body structure</u>: to make the passenger compartment a real survival cell by reducing strain and intrusion;
- <u>airbags and restraint systems</u>: to ensure a reduction in the impact on occupants in crashes through sophisticated restraint systems.

The LAB is at the service of Road Safety since 1969 and has pointed out that the number of road fatalities has decreased in France by some 80% within the last 50 years.

Tertiary safety: post-accident emergency response

Groupe PSA has played a pioneering role and remains the European leader in post-accident or tertiary safety, which helps to attenuate the effects of an accident by facilitating emergency rescue in two ways:

- <u>emergency call system</u>**:** implementing the devices before European regulation PE/112 comes into effect on 30 March 2018, the Group is the only mainstream car manufacturer to have deployed since 2003 a wide-scale, location-aware emergency call system, without a subscription or any cut-off date and operational 24/7. In the event of an accident in an ATB-equipped vehicle, the system automatically alerts a dedicated assistance centre that can accurately locate the vehicle. In case of medical emergency or aggression, the occupants can manually alert the assistance centre. This saves time and allows for more effective assistance to be provided. According to the European Commission, equipping every vehicle on the road with such a system would save more than 2,500 lives a year in Europe;
- <u>victim removal instructions and rescue sheets</u>: to facilitate the job of first responders after a casualty, the Group works with French rescue teams to prepare victim removal instructions for each of its models. Meanwhile, Groupe PSA steered ISO work on defining an international standard for victim removal instructions. This standard has been applicable since January 2015 and will become an international standard.

Cybersecurity of the connected vehicles

Faced with the emergence of new threats linked to malicious attacks on vehicle computer systems (hacking), Groupe PSA has introduced operating safety guidelines and a set of procedures, together with a special operating safety organisation, based on the work of a group of experts who are also working on drafting international standards on operating safety and personal data such as the General Data Protection Regulation (see 2.3.2.2). The organisation is tasked with compiling immediate responses in the event that risks are detected at the design stage, or by customers on existing vehicles, and with constructing a secure onboard electronic architecture for future Group vehicles, beginning with the driverless connected vehicle. The Group is in particular involved in research work on transport safety (IRT SystemX) to define security solutions.

Groupe PSA has participated to UN Cybersecurity Regulation Phase Test for evaluation on Cybersecurity Management System. The objective was to evaluate the level and quality of Cybersecurity Management Processes for "Design Phase" and also "Lifetime" with remediation plan. The test was done with 2 independent laboratories (UTAC and IDIADA) to evaluate effort for homologation when regulation will be applied, post 2023.

Groupe PSA plans to be audited every year until 2022 to converge to objectives to be compliant with ISO 21434 Standard and world Regulations.

2.3.2.2. CONSUMER PROTECTION

Protection of personal data

For Groupe PSA, the collection and processing of personal data is essential to build, maintain and personalise the link between customers and the organisation, to enable us to offer them the services and products they want. These processes must respect the principles of lawfullness, fairness and transparency, to ensure that consumers trust the use that will be made of their data, in the context of the new European privacy regulation (General Data Protection regulation - GDPR) which applies since 25 May 2018.

For many years, Groupe PSA committed to an active process with the French Data Protection Commission, CNIL. The Group is also represented in local or European bodies such as CCFA (*Comité des Constructeurs Automobiles Français*), VDA (*Verband Der Automobilindustrie*), ACEA (European Automobile Manufacturers' Association), in order to work with the European authorities to define how the GDPR will be applied to car manufacturers' activities.

Groupe PSA has designated two Group Data Protection Officers (DPO). They are in charge of monitoring compliance with the rules of protection of personal data, to inform, advise and issue recommendations, establish the respective data protection culture and cooperate with the respective responsible authorities of supervision (*e.g.* CNIL in France) on issues related to the processing of personal data.

Two networks of in-house representatives back up the Group DPOs:

- one dedicated to business divisions: the network of Internal Control and Risk managers;
- and one for European National Sales Companies: the Privacy Champions.

Managers of Groupe PSA ensure integration by design for the protection of personal data and compliance when processing the affected activities, even when working with external subcontractors or services. Each employee is involved in respecting the Group's Data Protection Policy and is able to find relevant support by using data protection guidelines and training.

Groupe PSA published an internal Group Data Protection Policy whose purpose is to ensure to set up appropriate governance and control structures, methods and procedures, regarding the protection of personal data.

Consumer credit

The distribution of retail credit, which accounts for nearly 70% of loans distributed by Banque PSA Finance subsidiaries and branches (approximately 70% of retail credits for customers and companies and 30% to dealers), has been subject to specific legislation to protect consumer rights, particularly in the European Union since the adoption of the Consumer Credit Directive 2008/48/EC, which has now been transposed into national law by the various EU member states.

This directive creates stricter obligations for advertising, pre-contractual information, solvency studies of borrowers and contractual information, all of which have been implemented by Banque PSA Finance and its affected subsidiaries and/or branches.

2.3.3. Ethical practices – anti-corruption DPEF.37 DPEF.45

The Group's history has engendered a corporate culture based on respect and responsibility. This ethical outlook is formalised through policies, signing of agreements (Global Framework Agreement) and adhering to international standards (Global Compact). Groupe PSA reaffirms its ambition to be the industry benchmark for responsible development. This ambition implies compliance by leaders and all employees with shared ethical rules of conduct.

THE GROUP'S ETHICS POLICY AND ITS REFERENCE DOCUMENTS

The Group ethics and compliance organisation policy is set out in its Code of Ethics, organised around the following requirements: respect for the law, respect for people and the environment, respect for customers and respect for the Company.

The Code of Ethics includes detailed information regarding the prohibition of anti-competitive practices and corruption, the prevention of conflicts of interest, gifts and non-interference with political activities. The Code is expanded and includes a foreword on the formal commitment made by the Group's executive managers, which has been signed by the Executive Committee. The Code is accompanied by an illustrative document "Daily ethics", an operational guide comprising examples of situations that might occur in respect to each rule. These documents are available on the Group's intranet and internet site. They form part of the new employee documents given to all new staff.

Groupe PSA also adopted an Anti-corruption Code of conduct annexed to the internal rules and applicable to all employees. The Code sets out the Group's zero tolerance policy with regard to corruption in all its forms: active corruption, passive corruption, direct or indirect, influence peddling, corruption in public or private organisations, facilitating payments, favouritism, extortion, collusion with a supplier, client or partner, money laundering, misappropriation of funds, excessive gifts or advantages, given or received, which may compromise the impartiality of a supplier, customer or partner.

In 2018, a comprehensive anticorruption programme including elaboration of a Group risk mapping, validated by the Executive Committee, roll out of this Code in all countries, implementation of the whistleblowing system, training of around 17,700 people, a new screening tool for further enhancement of Due Diligence process of partners, etc. are being rolled out (see 6 of CSR Report). Due to the co-determination requirements, negotiations with the Opel/Vauxhall Germany Works Council caused a delay of the Anti-corruption code of conduct roll out for this unit as well as anti-corruption training campaign launch. Upon obtaining the approval, the Anti-corruption Code and the training campaign were successfully launched in 2019. 4,073 OV Germany employees took the training.

In July 2019, the new Due Diligence policy was announced and the implementation was started in all the Group's locations worldwide.

A set of precise educational internal control procedures which deal with the major themes of business ethics and compliance (anti-corruption, compliance with competition law, Data Privacy, export control) are available for the different departments. As part of its internal control measures, the Group's structuring processes are assessed to ensure that they incorporate, in particular, the principles intended to prevent corruption: segregation of tasks, double or triple validation, proper treatment of conflicts of interest, verification of partner integrity, declaration of gifts, etc.

GOVERNANCE, WHISTLEBLOWING AND MONITORING SYSTEM

In 2010, the Group created an Ethics and Compliance Committee, which reports to the Executive Committee. It is chaired by the Group General Secretary and brings together the Director of Human Resources, the Head of Protection Audit and Risk Department and the Chief Legal Officer. If a case of non-compliance poses a major risk to the Company, this committee alerts the Managing Board, which then decides whether to inform the Supervisory Board's Finance and Audit Committee.

The Ethics and Compliance Committee relies on five compliance officers who are tasked respectively with ensuring compliance with competition law, anti-corruption law, data privacy, vehicle certification compliance and export control. Led by the Chairman of the Ethics and Compliance Committee, to which they report, they have a network of internal control and risk coordinators (ICRCs) to ensure the rollout of the compliance programme of which they are tasked with verifying.

The METRIC (Management of Ethics, Risks, Internal Control and Compliance) team overseen by the Corporate Secretary assists the Compliance Officers and supervises the ICRCs.

These 23 internal control and risk coordinators (ICRC) – one representative per department reporting to the Chairman of the Managing Board – are, under the leadership of their Head of department, who stays responsible for ethics and compliance in his department, ICRCs are tasked with ensuring deployment, creating and monitoring the corruption risk mapping and the related action plans, and for ensuring compliance of the operations. They are supported by the Fraud Detection Managers, who are responsible for fraud risk mapping (including external fraud), analysing deficiencies, adapting corrective and prevention measures and leading action plans to fight against fraud. The anti-fraud system is structured, under the control of the Ethics and Compliance Committee, around processes for prevention, detection, investigation and treatment, as well as continued improvement.

Group Executive Management are called to evaluate, within their sphere of activity, by means of annual METRIC (Management of Ethics, Risks, Internal Control and Compliance) reviews, the risks of fraud and their own practices with regard to the Company's ethics and compliance. Reporting directly to their Head of department and led by the network of Internal Control and Risk Coordinators, they are responsible for applying the Anti-corruption Code of conduct in their area and for implementing suitable prevention systems.

Finally, the Protection, Audit and Risk Management Department checks that the processes have actually been implemented. Each year it conducts several Compliance audits. Each audit of a site or subsidiary includes a section focusing on risk analysis.

In 2018, Groupe PSA considerably strengthened its whistleblowing system by implementing, with the help of an external supplier, a global alert system. This provides all Group employees with a completely secure means, to report their concerns *via* a website. These reports relate to actions that are contrary to law and could have an impact on the Group's reputation, its business or results.

The system is designed to ensure that procedures are in place and efficient processing of these reports, while ensuring complete confidentiality.

RESULTS IN 2019

(consolidated Group, excluding Faurecia)

One case of non-compliance with competition law was reported in 2019:

- in July 2015, the Spanish Markets and Competition National Commission ruled that 21 car manufacturers had exchanged sensitive commercial and strategic information. The Spanish subsidiaries of the Peugeot España Group and Citroën España were fined €15.7 million and €14.7 million respectively, while Opel España was €22.8 million fined as well. The Group exercised its right of appeal before the Spanish courts and decided to seize the final court of appeal on the three files;
- in December 2015, the French competition authority handed down overall fines of €672.3 million to courier companies, of which €30.6 million on GEFCO, for breach of competition law. Groupe PSA is involved because GEFCO was a wholly-owned subsidiary at the time of the events. Both companies have appealed this decision. The proceedings are ongoing;
- on 9 January 2019, the Italian Competition Authority issued a decision concerning its investigation of alleged exchange of sensitive information, partly through trade associations, between captive financial companies. Banque PSA Finance, who operated in Italy through a branch prior to the creation of its current joint venture with Santander, BANCA PSA ITALIA SpA and Opel Vauxhall Finance Italy (jointly with GM Company) have been respectively fined €38.5 million, €6.1 million and €10 million. BPF, BANCA PSA ITALIA SpA and Opel Vauxhall Finance Italy appealed this decision.

There were no cases of corruption reported in 2019.

Tax policy of the Automotive division

Compliant with the Code of Ethics, based on long-term objectives and in line with its global strategy and targets, the Group's tax policy complies with rules of transparency and responsibility. It is based on the following principles:

1. fiscal policy always complies with applicable laws and regulations. It is guided by relevant international standards (for example OECD Guidelines). Groupe PSA aims to comply with the spirit as well as the letter of the law. Tax filings and payments as well as book-keeping and tax reporting are carried out in compliance with all local regulations in the countries where the Group operates;

2. the Group addresses all tax matters with integrity and transparency. It strives to maintain constructive partnerships with the tax authorities as this can result in the more timely resolution of any disputes. Tax legislation and procedures are, however, complex areas: when it is not possible to resolve a disagreement with the tax authorities quickly and professionally, the Group uses all the available remedies to assert its rights and its interpretation of the law;
3. in all the countries where the Group operates, it manages its tax matters in a pro-active manner:
   - it does not use contrived or abnormal structures that are intended for tax avoidance, have no business justification (tax haven) and do not meet the spirit of local or international law,
   - it strives to meet a two-fold objective: increases the values created for its shareholders and comply fully with all relevant legal and regulatory requirements in line with stakeholder expectations;
4. the Group's fiscal policy also attests to its responsibility. It pays the taxes and duties legally due in the countries where direct economic value is created within the normal course of its industrial or commercial activity. Consequently, all transfers of goods and services among Group companies are conducted under arm's length conditions. The prices of these operations are based on market conditions and reflect the commercial nature of transactions.

For more details on the Group tax organizational structure, see 8.2.3.2 of CSR Report.

2.3.4. Partnerships and sponsors to promote local community development DPEF.31 DPEF.33 DPEF.43

Groupe PSA is firmly convinced that mobility is a global societal challenge and a fundamental right, as a cause of autonomy, progress and innovation. Groupe PSA commitment is demonstrated through the actions of its Corporate Foundation and deepened by the discussions that take place within the *Laboratoire de la Mobilité inclusive*. The mobility access experiments conducted also allow the Group to explore new, more inclusive business models.

Through its Foundation, the Group supports actions to remove obstacles to mobility for fragile or precarious groups, promote social integration, strengthen social ties, expand access to culture and education. Some of the projects supported contribute to the fight against precariousness, which leads to lack of food.

Detailed information is available in Section 8.3.3 of the Group's CSR Report or on the Fondation PSA website: www.fondation-psa.com.

2.4. HUMAN RESOURCES: DRIVING GROUPE PSA TRANSFORMATION

To engage an agile co-construction of the Company's future, Groupe PSA relies on an active dialogue with employee representatives. It is committed to protect employees' health and safety in the workplace to unleash the full potential of their talents.

2.4.1. Social dialogue

Based on a responsible relationship built on trust and transparency, quality social dialogue developed within Groupe PSA helps reconcile economic performance and social performance by implementing the most suitable and pragmatic solutions. This ability is held as a competitive advantage for the Group, in an increasingly demanding environment.

The Group acknowledges the central role of unions in the Company's social dialogue and cohesion. It actively supports employee freedom of association and representation and is committed to respecting the independence and pluralism of unions at all its facilities and implements an active collective agreements policy. 99% of employees are represented by unions or by employee representatives. Employee representation is part of the Group governance (see 3.1.2).

2.4.1.1. CO-CONSTRUCTION WITH SOCIAL PARTNERS

Company agreements DPEF.8 DPEF.9

Groupe PSA is committed to driving a collective agreements policy based on a sound understanding of the Company, which looks for innovative solutions and shows its capacity to conciliate the Company's economic and social priorities. In 2019, 177 Company agreements were concluded.

Worldwide, 94% of Group employees are covered by a collective bargaining agreement at sectorial and/or Company level.

Each industrial site has its own site project aiming for sustainable performance, supported by a performance collective agreement co-constructed with unions' representatives.

The Global Works Council

The Global Works Council is the body bringing together employee representatives of Groupe PSA at global level. It is part of the co-constructing efforts conducted at international level, with employee representatives from the all with at least 500 employees. The Global Works Council comprises a European body (Group European Works Council) and an extra-European body. Through the extra-European body, all Groupe PSA employees benefit from global representation.

The Global Works Council met once in 2019, the European Works Council met three times and its Liaison Committee met four times.

The joint Union-Management Strategy Committee

This international body resulting from the initiative of a Company agreement allows more and earlier involvement of the employee representatives in the Group strategy. The Group has stepped up communication with the committee with a view to increasing sharing, exchanges and transparency upstream in relation to strategic topics such as the product plan, the guidelines of the three-year medium-term plan and the industrial strategy.

The French representative organisations and the main unions of the non-French European companies are represented on the committee. The Joint Union-Management Strategy Committee met twice in 2019.

2.4.1.2. HUMAN RIGHTS DPEF.8 DPEF.14 DPEF.32 DPEF.37 DPEF.38 DPEF39 DPEF.40 DPEF.41

The Global Framework Agreement on Groupe PSA social responsibility

Groupe PSA has chosen to get a wide range of stakeholders involved in the corporate social responsibility process by signing a Global Framework Agreement on corporate social responsibility in 2006. In 2017, Groupe PSA and the trade union federations IndustriALL Global Union and IndustriALL European Union signed a new agreement in Geneva.

This agreement reflects Groupe PSA will to co-construct its future with employee representatives on a global scale and to involve all employees in its global human resources policy. It applies to all Group companies controlled by the Group, excluding Faurecia, and was contractually extended to its partners, suppliers and dealer networks.

This agreement is made up of two parts. The first part gives a formal framework to Groupe PSA social responsibility policy, enrolls stakeholders and sets forth its social requirements in terms of supply chain. The second part adds the goal of introducing an international human resources policy that develops talent and skills, quality of life and well-being in the workplace, with respect for diversity and equality of treatment.

Groupe PSA thus has an adapted framework to efficiently and transparently implement the United Nations Guiding Principles on Business and Human Rights ("Ruggie Principles") and the OECD Guidelines for Multinational Enterprises. This is part of the Company's duty of vigilance with regard to daughter companies.

Since 2006, the application of this Global Framework Agreement is monitored and assessed on an ongoing basis using a structured system. IndustriALL and all unions exercise continuous vigilance and can report non-compliance.

The agreement has been translated into 14 languages. Employees are kept regularly informed of progress. The text of the agreement is public and available on the Group's Internet website.

Management of salient human rights issues

With the Global Framework Agreement, Groupe PSA undertakes to go beyond simply complying with local and national standards and to work within a framework for fundamental human rights. The agreement refers to conventions 87, 135 and 98 of the International Labour Organization respectively on freedom of association and protection of the right to organise, on workers' representatives, on the right to organise and to bargain collectively, conventions 29 and 105 on the abolition of forced labour, convention 138 and 182 on the abolition of child labour and the minimum age for admission to employment, convention 111 on preventing discrimination, convention 100 on equal compensation and convention 155 on occupational safety and health.

Since joining the United Nations' Global Compact in 2003, the Group committed to respecting and promoting its ten principles as well as the Universal Declaration of human rights, the ILO Declaration on Fundamental Rights and Principles at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption, the United Nations Guiding Principles on Business and Human Rights ("Ruggie Principles") and the OECD Guidelines for Multinational Enterprises.

The annual monitoring process of the Global Framework Agreement provides trade unions with the opportunity to report non-compliance regarding human rights.

Groupe PSA is committed to ensuring that respect of human rights is a determining factor in selecting its suppliers and has implemented a due diligence plan with regard to respect of human rights in accordance with the recommendations of the OECD. By signing Groupe PSA "Responsible Purchasing Policy" the Group's suppliers agree in particular not to use forced or obligatory labour or child labour. This practice has been applicable since 2006, well before the entry into force of regulations such as the UK Modern Slavery Act.

Groupe PSA is committed to respecting privacy and to protecting employee personal data, which is held as a fundamental right. Its global policy in this matter complies with the European Union regulation while respecting local laws and regulations. In addition, Groupe PSA has introduced in 2018 extensive information and training for employees and has updated for employees the means of exercising their rights.

2.4.2. A responsible employment policy

To achieve its transformation plans, the Groupe PSA engages in ongoing dialogue with employee representatives and promotes a contractual approach.

Workforce

NUMBER OF EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS OVER THREE YEARS BY REGION DPEF.1.a DPEF.1.d

(At 31 December)

		Europe	Rest of the world	Total
Automotive division	**2019**	**106,336**	**7,984**	**114,320**
	2018	110,081	7,252	117,333
Faurecia	**2019**	**45,575**	**48,124**	**93,699**
	2018	46,052	46,832	92,884
Other Activities	**2019**	**751**	**10**	**761**
	2018	785	11	796
TOTAL	**2019**	**152,662**	**56,118**	**208,780**
	2018	156,918	54,095	211,013

At 31 December 2019, there were 208,780 employees within the Group of which 190,226 were on permanent contracts (91% of the workforce).

The fixed-term contracts include apprenticeships, skill-acquisition contracts and PhD student contracts. The workforce is quantified on the 31 December of each year without scope adjustment.

73% of employees work in Europe. The headcount was broken down into 21% managers, 18% technicians and administrative employees and 61% operators.

EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS BY GENDER DPEF.1.b

(At 31 December)

	Women	Men
Automotive division	20,372	93,948
Faurecia	30,581	63,118
Other Activities	344	417
TOTAL	**51,297**	**157,483**

EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS BY AGE GROUP DPEF.1.c

(At 31 December)

	< 30 years old	30-39 years old	40-49 years old	50 years and +	Total
Automotive division	14,358	21,843	35,314	42,805	114,320
Faurecia	27,096	27,868	22,500	16,235	93,699
Other Activities	82	137	282	260	761
TOTAL	**41,536**	**49,848**	**35,596**	**59,300**	**208,780**

Cross-functional management of Group job families and professions

In a context of challenges in technology shifts, energy transition and societal evolution, Groupe PSA has developed at the heart of its human resources policy a job family and profession strategy.

This skills management at global level is based on 20 job families and 102 professions throughout all of the Group's organisations.

Each of the Group's 20 job families creates the forward-looking vision of the professions by anticipating strategic changes and identifying the skills that the business line will need in the future. This strategy makes it possible to prepare for transitions and design appropriate skill development programmes and training plans. It gives employees points of reference to help them construct their career paths. It also allows for recognition by experts in order to retain them and to prepare the future according to the needs of the Company.

2.4.2.1. RECRUITMENT DPEF.2.a

The Group has been hiring actively worldwide, with the recruitment of 20,000 permanent contracts.

Almost 80% of these hirings took place at Faurecia.

In addition, the Group hired more than 4,000 apprentices.

PERMANENT CONTRACT HIRINGS BY REGION

(Including transfers from fixed-term to permanent contracts)

		Europe	Rest of the world	Total
Automotive division	**2019**	**4,398**	**926**	**5,324**
	2018	4,726	681	5,407
Faurecia	**2019**	**4,760**	**10,014**	**14,774**
	2018	6,906	12,103	19,009
Other Activities	**2019**	**33**	**0**	**33**
	2018	36	1	37
TOTAL	**2019**	**9,191**	**10,940**	**20,131**
	2018	11,668	12,785	24,453

FIXED-TERM CONTRACT HIRINGS BY REGION

(Including apprentices)

	Europe	Rest of the world	Total
Automotive division	8,256	1,700	9,956
Faurecia	3,995	8,055	12,050
Other Activities	49	0	49
TOTAL	**12,300**	**9,755**	**22,055**

A youth employment policy to foster integration into the labour market

Groupe PSA implements a voluntary youth employment policy based on a responsible commitment. 4,658 apprentices were employed within Groupe PSA at end 2019. In addition, 5,289 school internships have taken place in the Group. The Group's employment policy for young people also includes contracts for PhDs students and international corporate volunteering contracts.

To attract a diverse range of talents, PSA University currently partners thirty scientific and management schools and universities in Europe, China, Brazil, the United States and Morocco.

2.4.2.2. ANTICIPATING THE COMPANY'S NEEDS

Groupe PSA wants to secure its sustainability and the employment of its employees based on operational excellence, performance and agility. The Group leads a policy of responsible employment, with a will to anticipate transformations and demands for skills, and to boost its workers' employability. As such, the Group offers employees secure careers internally, such as through retraining, and externally.

A joint body implemented by the Group, the Professions and Skills Observatory, helps develop a prospective vision of the evolution of Group professions and establish shared analyses of professions in high demand (unmet needs) and at-risk professions (downsizing and retraining needs). The Observatory implements ongoing action plans to restore balance among the business lines.

Internal career paths are safeguarded through the global internal reconversion programme "Top Competences". During the year 2019, 1,260 employees have had the opportunity to train in a new Group profession, through courses lasting 80 hours on average, over periods of 18 to 24 months.

Safeguarding career paths also means promoting external professional mobility accompanied by schemes to help employees find new employment, retrain for a new activity or set up a business.

LEAVERS UNDER PERMANENT CONTRACTS BY REGION DPEF.2.b

(At 31 December)

	Europe	Rest of the World	Total
Automotive division	10,738	1,034	11,772
Faurecia	6,066	13,830	19,896
Other Activities	73	0	73
TOTAL	**16,877**	**14,864**	**31,741**

2.4.2.3. ORGANISATION OF WORKING HOURS

In every host country, working hours are equal to or less than the legal work week or industry practices.

Short-time work DPEF.4

Short-time work provides leverage for the Group to avoid job losses during a period of recession in the automotive markets that calls for significant and rapid adjustment of activity.

The Group has set up schemes for modulating working hours, also called banks of hours, in most countries where it has industrial or logistics facilities. Thus, in these countries, working hours are determined on an annual or multi-year basis.

In 2019, the number of short time work hours amounted to 1,523,158 of which 706,817 for Faurecia.

Absenteeism DPEF.5

In 2019, based on 309 million hours worked, absenteeism for sickness stood at 2.9%. Paid absences for sickness amounted at 6,091,311 hours within Automotive division, at 2,978,963 hours within Faurecia and at 12,033 hours within other activities.

2.4.3. Developing human capital

Groupe PSA aims to offer the best opportunities for development and employability to all its employees and intends to build talent. The success of the Push to Pass plan is due to the management of talent at each level of the organisation.

The aim is to allow each individual to express their talent on an individual and collective basis. The human resources ambition is summed up in the slogan: “Unleashing the power of our talent to win”. The talent development programmes aim to constantly encourage initiative and creativity and to reward performance based on results.

2.4.3.1. TALENT MANAGEMENT DPEF.10

Contributing directly to the Company’s strategy, the talent management implemented by Groupe PSA aims to diversify profiles and experiences, identify talent more extensively within the organisation, assign young talent to key positions, support new businesses, protect expertise and know-how, promote and develop local skills, and objectify and reward performance.

Groupe PSA talent management priorities are to identify and develop key talents, increase the number of women and international profiles in top management as a lever of performance, promote expatriation for high potentials while developing local talent, implement specific development actions of key talents.

A fundamental part of the Talent Management Cycle, Talent Review provides all levels of management (including the Executive Committee) with an opportunity to identify and evaluate the talents within the organisation to ensure that succession plans are ready for all of our key and/or strategic roles.

Development plans exist for all levels of employee within Groupe PSA and are updated as part of a mid-year professional development review, this action allows the Group to focus on specific development actions to help to reach operational objectives, *e.g.* career plans for key local talents or women, retention actions, annual promotions, etc.

The Annual Appraisal is a fundamental strategy to assess individual performance and development. Groupe PSA applies the same process globally for all staff and manager level employees using a common IT system around three key milestones: objective setting, professional development review, annual appraisal.

2.4.3.2. PROFESSIONAL TRAINING DPEF.10

PSA University, launched to support employees as the Group’s dynamic changes, is a powerful lever for performance and the development of human capital within the Group. The purpose of PSA University is to pass on expertise and know-how to all the women and men working for Groupe PSA worldwide. The University is committed to developing the employability of employees and contributing to cultural change, both of which are essential to ensuring success.

PSA University is structured in four academies: Research & Development Academy, Industrial Academy, Sales & Marketing Academy and Corporate Academy. They act to implement job families objectives by providing an adequate learning offering and organizing the rollout of this offering according to the priorities of the business lines concerned throughout the diverse countries.

To support change, PSA University seeks to transform the Group into a “learning organization” and give employees ownership of their own development. As part of the ongoing update of knowledge and skills, employees have access to new educational resources, in particular through digital training.

The Leadership Academy, part of PSA University, runs programmes that are specially designed for managers. The “Leadership In Action” programme, which works on leadership concepts and is based on collective intelligence, was designed to help managers become motivating leaders for their teams who can keep up with the cultural changes under way by adopting new values and behaviors. This programme is implemented internationally, notably in Latin America and Asia.

AVERAGE HOURS OF TRAINING PER EMPLOYEE BY SOCIO-PROFESSIONAL CATEGORY AND GENDER DPEF.11

(for the year) – Number of training hours based on present employees* on fixed-term contracts and permanent contracts

	Operators and Administrative Employees			Technicians and Supervisors			Managers			Total (all categories combined)		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Automotive division	**16.8**	**19.0**	**18.7**	**19.8**	**19.0**	**19.2**	**26.6**	**21.7**	**22.6**	**20.0**	**19.5**	**19.6**
Faurecia	**16.6**	**18.3**	**19.5**	**20.6**	**21.7**	**21.3**	**28.8**	**24.7**	**25.7**	**19.2**	**20.5**	**20.1**
Other Activities	**1.7**	**2.7**	**2.2**	**18.6**	**2.8**	**11.4**	**21.0**	**16.5**	**18.5**	**19.3**	**14.9**	**17.0**
AVERAGE	**16.6**	**18.7**	**18.2**	**20.1**	**19.8**	**19.9**	**29.2**	**25.1**	**26.0**	**19.5**	**19.9**	**19.8**

* *Employees present (excluding reclassification leave and job retention leave for seniors).*

3,967,000 hours of training were delivered throughout the Group, representing an investment of €121 million. Each employee received an average of 19.8 hours of training in 2019.

2.4.3.3. COMPENSATION POLICY

Groupe PSA compensation policy aims to be coherent, competitive and fair in relation to the reference markets of the different countries in which it operates.

The goal is to design a comprehensive reward policy based on three main rules: respect for the interests of employees and social dialogue, respect for fair treatment of employees allowing equivalent remuneration for comparable responsibilities and respect for sustainable collective performance consistent with good market practices.

Variable compensation DPEF.3

Collective variable compensation is a component of the comprehensive compensation offered by Groupe PSA to its employees. The variable compensation schemes target all categories of employees and aim to compensate collective performance and engage employees in value creation for the Company.

These collective compensation schemes may be specific to certain countries, as is the case in France with non-discretionary and discretionary profit-sharing, and in Brazil with the *Programa de Participação nos Resultados*. In the other countries, the Group has instituted a Collective Local Performance Incentive (CLPI) scheme. The CLPI, which is deployed on the basis of the Group's economic performance, is distributed among the countries involved on a shared basis and is paid out according to terms defined by each country based on collective economic performance achievement criteria. The CLPI is progressively being implemented in countries with no profit-sharing scheme.

In addition to this fixed and variable compensation, there is an individual bonus scheme. The Group's determination to reward merit was expressed through the expansion of the bonus schemes. In 2019, 21,514 Group employees were eligible to receive bonuses.

Groupe PSA offers a long-term incentive for limited top managers and key talents. Based on long-term Company ambitious performance criteria, LTI schemes aims to attract and retain key people.

Employee savings schemes

Employee saving schemes enable employees in several countries to invest in the Group's shares or other diversified instruments (shares, bonds, monetary) with a varied yield/risk ratio depending on the instrument. At the end of December 2019, employee savings schemes represented €600.1 million.

Health and welfare insurance

Employee benefits in the various host countries supplement the Group's compensation policy in an "overall compensation" approach designed to meet the challenges of offering competitive and motivating compensation while controlling costs and meeting the Group's social responsibility commitments. As such, the Group guarantees that it insures all its employees worldwide against major risks, offering life insurance in all countries where Group insurance can be set up.

Wage costs DPEF.3

In 2019, total wages paid came to €10,140 million, while related payroll taxes amounted to €1,981 million.

GROUP MINIMUM WAGE VERSUS LOCAL STATUTORY MINIMUM WAGE BY COUNTRY DPEF.30 DPEF.31

(Scope not including Faurecia, at 31 December, base 100)

Country	Ratio	Legal minimum salary
Argentina	215%	Minimum legal salary of country (ratio = 110 over minimum salary of UOM Convention)
Austria	116%	Sector-based agreement
Belgium	121%	RMMMG (Guaranteed Minimum Average Monthly Salary)
Brazil	139%	Minimum legal salary of country
China	Wuhan: 431% Shanghai: 302%	Minimum legal salary of region
France	117%	SMIC (Minimum legal salary of country)
Germany	161%	Minimum legal salary of country
Hungary	144%	Minimum legal salary of country
Italy	118%	Minimum legal salary of country
Morocco	100%	Minimum legal salary of country
Poland	144%	Minimum legal salary of country
Portugal	134%	Minimum legal salary of country
Russia	250%	Minimum legal salary of region (Kaluga)
Slovakia	154%	Minimum legal salary of country
Spain	109%	Minimum legal salary of country
UK	101%	Minimum legal salary of country > 21 y.o. (hourly)

Information is reported for countries representative of the Group's organisation (not including Faurecia), where there are more than 300 employees. The ratio is calculated based on each country's statutory minimum wage (when one exists), without considering any regional variations.

2.4.4. Well-being, health and safety at work DPEF.6

Groupe PSA health and safety results are among the best of the manufacturing sector thanks to its policy that places health preservation as the first requirement.

Groupe PSA is committed to taking all the necessary steps to guarantee the health and safety of everyone who is part of the Group's business, everywhere in the world. This commitment is manifested in a structured guided approach designed to reduce risks and control safety in every workplace scenario. The Group is bolstering these actions in order to enhance all employees' health capital throughout their working lives and their well-being at work.

A Global Health and Safety Policy revamped at the beginning of 2018 was signed by all members of the Executive Committee. This policy is applicable everywhere within the Group and displayed at every site.

This policy asserts the following principles: Groupe PSA lives values that return people home healthy: every person, every site, every day. Its vision is to eliminate occupational fatalities, disabilities, injuries and illnesses for every individual working for the Group: employees, temporary employees and contractors.

The Group's strategy aims at:

- protecting people;
- engaging people;
- promoting Health and Wellbeing.

Three behaviours support this policy:

- setting an example;
- vigilance;
- responsiveness.

"We all care" is the motto to rally to this policy, gathering initiatives from every region where the Group operates and disseminating good practices of vigilance and prevention.

2.4.4.1. GROUPE PSA WORKPLACE HEALTH AND SAFETY MANAGEMENT SYSTEM DPEF.6

The Group's Workplace Health and Safety Management System (WSHMS) is based on the principle that safety can be designed for, planned for and implemented everyday. Management at all levels of the Company ensures that fundamentals are respected at all times and that the principles set out in the health and safety policy are rolled out in a rationale of continuous improvement.

With the WHSMS, Groupe PSA is in compliance with the occupational health and safety recommendations of the International Labour Organization (ILO-OSH 2001) and performs its obligations in all countries. This management system was designed and rolled out in 2009, with the roadmap being applied methodically to ensure step-by-step acquisition and control of its requirements.

The five essential steps to maturity included in the roadmap (raise awareness, change mind-sets, change behaviours, change habits and align the corporate culture) are essential to bringing about lasting change.

The WSHMS, which has taken over all OHSAS 18001 areas, supports evaluation, monitoring and risk control. The WSHMS goes even further and also includes specific requirements regarding policy, commitment and the role of the Health and Safety Committee. These requirements are in effect at all sites and at all levels. The WSHMS also includes a description of personal protection equipment, the *modus operandi* for handling external visitors and contractors. It also outlines various risks (psychosocial risks, chemical risks, musculoskeletal disorders, commuting risks, etc.). Thus, with regard to the principles described in OHSAS 18001, the WSHMS appraises them according to six maturity steps, facilitating support for and control of their progression. The Group's best practices are also incorporated into the reference guide before being shared with other entities and becoming a standard.

Performance in safety and workplace accident prevention DPEF.7

The Group achieved a total lost-time accident frequency rate of less than one for the second time. This 1 point target rate was set in 2010 with the launching of the Workplace Health and Safety Management System.

The Group has among the best performance in industry. These results reflect safe practices by both permanent and temporary employees.

Since 2009, with a view to ensuring the protection of all employees, the Group decided to manage this indicator (TF1 Management) by using the total lost-time incident frequency rate including Group employees and temporary employees. With emphasis on training from the first day on the job and to the attention paid to all categories of workers, the lost-time accident frequency rate for temporary workers is now as low as for Group employees.

TOTAL MANAGEMENT LOST-TIME ACCIDENT FREQUENCY RATE (TF1 MANAGEMENT)

(Scope not including Faurecia, at 31 December)

	2019	2018
Automotive division	**0.9**	**0.8**
Other Activities	**1.1**	**1.0**
TOTAL	**0.9**	**0.8**

Management lost-time accident frequency rate includes Group employees and temporary employees. It corresponds to the "number of lost-time occupational accidents multiplied by one million divided by the number of hours worked".

Concerning Faurecia, in 2019, it reached a FR0t rate of 0.8 point (number of workplace accidents involving a Faurecia employee or an interim employee and resulting in a stoppage of work for one million hours worked). Faurecia remained at the level of the best practices worldwide.

SEVERITY RATE

(Scope not including Faurecia, at 31 December)

Severity rate	Europe	Rest of the world	Total
Automotive division	**0.07**	**0.03**	**0.07**
Other Activities	**0.05**	**-**	**0.05**
TOTAL	**0.08**	**0.03**	**0.07**

The severity rate corresponds to the number of consecutive days lost to accidents multiplied by 1,000 divided by the number of hours worked.

Occupational illnesses

Good health is essential to sustaining the performance of human resources and business operations.

Ergonomists, doctors, safety engineers and health and safety experts work together with management to set specific operational action plans toward preventing occupational illnesses and controling the frequency rate of occupational illnesses (including musculoskeletal disorders).

Preventing Musculoskeletal disorders (MSD), which account for most of the Group's occupational illnesses, is a priority for the workplace health and safety policy, and in particular involve setting up rating tools for workstations, analysing why MSD occur and finding solutions in preventing them. Every year, action plans are set and implemented in all Group plants, especially based on the Work Related Alert (WRA or ALT in French) process, allowing every worker to escalate any difficulty that he faces at workstation. From 1999 to the end of 2019, the proportion of "heavy" work stations fell from 35% to 9%, while "light" work stations rose from 26% to 59%.

Preventing chemical risks is a major focus of the Group health and safety management. All chemical products have to be approved by the Group Toxicology Department, led by a toxicologist physician. All manufacturing, R&D and sales facilities have a surveillance plan for air quality indoor.

Preventing psychosocial risks and, more generally, promoting well-being in the workplace are not only critical to keeping employees healthy and safe at work but also have a direct impact on the Company's performance. With support from the occupational health services, Groupe PSA has developed expertise in detecting stress and identifying motivation factors, and accordingly a constant ambition to decrease stress and improve motivation. Using these evaluation tools, the Company reports publicly its results on stress frequency rates and on the related improvement objectives.

The Stress Measuring and Monitoring Programme is based on individual questionnaires. It is operational in Europe, Latin America and in Russia. In 2019, 17,872 confidential surveys were completed and revealed that the work-related excess stress frequency rate was 7.5%. Moreover, the Group is extremely focused on providing managers with psychosocial dedicated training, "Creating the conditions for sustainable performance", which is mandatory for every manager worldwide.

Preventing road risks

As a car manufacturer, the Group naturally puts a high priority on road safety. In collaboration with employee representatives, the Group issued a work-related road Risk Prevention Charter setting out the principles to be respected.

Awareness-raising initiatives, training and monitoring helped lower the number of road accidents resulting in days lost by 20% over the last three years.

Joint management-worker health and safety agreements and committees DPEF.9

In most host countries, joint management-worker organisations are in charge of monitoring the application of employee health and safety practices.

More than 95% of Group employees are represented by Joint Management-Worker Health and Safety Committees (indicator not including Faurecia).

The Group is also committed to implementing the best workplace health and safety standards and practices, which led to 23 health and safety agreements signed in 2019.

2.4.4.2. QUALITY OF LIFE AT WORK DPEF.4 DPEF.6

Groupe PSA stated an ambition to offer an employee experience based on well-being at work by laying the groundwork for the future with new work methods and consequently providing a space for individual and Group talent to blossom.

Health capital

Groupe PSA views health as a state of physical, psychological and social well-being, and as a foundation of its performance.

Its policy aims to maintain and improve employee health capital. It is based on following priorities:

- health monitoring through the health services, to highlight the main health determinants;
- targeted communication and trainings regarding those determinants;
- ergonomic study of workstations, their design and their management in daily life;
- a structured approach to reporting difficulties experienced in the workplace, the work-related alerts (ALT). A few thousands of them are issued every year. On top of that, some plants experience an original problem-solving process (BEST *Bien-Être en Situation de Travail* or Wellbeing at the Workplace), based on the self-treatment of the difficulties expressed by the working teams. Providing every participant the occasion to express difficulties and contribute to solve them by themselves, it shows interesting results in terms of social relations and motivation.

Work-life balance

The Group endeavours to apply teleworking at global level on a volunteer basis and as a flexible organisation improving working conditions.

Teleworking: There are now nearly 17,950 teleworkers worldwide. The Group fosters teleworking at global level on a voluntary basis and as a flexible organization improving working conditions. Driven by this aspiration, teleworking is now also in use in 13 countries.

Part-time employees

Employees' requests for part-time work are approved whenever possible, with individualised solutions that align employee needs with efficient team performance. Part-time contracts are chosen by employees and not dictated by the Group.

PART-TIME EMPLOYEES (PERMANENT OR FIXED-TERM CONTRACTS)

(At 31 December)

	Europe	Rest of the world	Total
Automotive division	10,660	0	10,660
Faurecia	699	7	706
Other Activities	30	0	30
TOTAL	**11,389**	**7**	**11,396**

At 31 December 2019, the Group had more than 11,000 part-time employees. 39% of these were women and 61% were men.

2.4.5. Diversity and equal opportunity

By encouraging equal opportunity and founding its practices on objective criteria based on skills and results, the Group is encouraging the commitment and motivation of each employee and developing a culture of performance and economic efficiency.

This societal challenge concerns all the Group's host countries. Stakeholders were included in this commitment through the signing of a Global Framework Agreement on corporate social responsibility which sets out non-discrimination and equal treatment rules. All stakeholders are thus involved in practising inclusive management, taking skills into account in hiring and career development, recognising merit and preventing all forms of discrimination and intolerance towards differences.

2.4.5.1. GENDER EQUALITY DPEF.12

Groupe PSA has adopted for the past 15 years a proactive policy to promoting gender diversity and professional equality between men and women. In view of its traditionally male sector of activity, Groupe PSA considers the feminisation of its core businesses and key positions as a fundamental objective of its responsible development and of employee's well-being at work.

The Group has designed a new long-term objective to this policy. It is based on a business case of gender diversity held as a challenge for the transformation of the Company through creativity, performance and development of new businesses in digital activities. This objective is broken down into two indicators and is planned for the medium and long term as follows (indicators not including Faurecia):

- gender diversity of top management: 20% by 2021, achieving an equal ratio that eliminates women under-representation in top management. 30% by 2035 for doing better and supporting Company transformation;
- gender balance in our recruitment and development of our attractiveness: 30% by 2021 by developing a women's friendly employer brand. 50% by 2035 to look like our customers.

Considering that the presence of women in management positions is of particular importance to bring about cultural and sustainable change, the indicator of gender balance of senior and executive managers is a key indicator of the Group. In 2019, the proportion of female senior and executive managers was 17.6%. Groupe PSA has a comprehensive policy that includes all professional levels and measures progress. The rate of women is 16.7% for the Executive Committee, 15.8% for the Top 100, 20.5% for managers, figures to be compared with an overall women rate of 18% for all Group employees (not including Faurecia).

The French law of 5 September 2018 introduced new measures for professional equality between men and women. In particular, it imposes an obligation of results on companies by measuring an index that measures equal pay. For its first edition, calculated on 2018 data, the index standed at 89 points out of a scale of 100 for PSA Automobiles. For 2019, the index stands at 94 points at PSA Automobiles SA, 91 points at Peugeot S.A., 84 points at PSA retail France SAS. This outcome shows the absence of pay gaps between women and men, at comparable positions and ages, and the same chance of having a pay increase or promotion for women as for men, in the Group. It is the result of the policy being applied for 15 years within the Company.

Groupe PSA was the first company to receive "Workplace Equality" certification in France in 2005. The renewal of this label in 2017 marks the Group's long-term commitment and ongoing progress.

2.4.5.2. ANTI-DISCRIMINATION POLICY AND PROMOTION OF DIVERSITY DPEF.14

On an international scale, the Global Framework Agreement on Groupe PSA social responsibility is committed to exceeding local legal requirements in applying and promoting the fight against racism, sexism, xenophobia and homophobia and, more generally, against intolerance of differences and ensuring respect for privacy.

The hiring channels are diversified, in particular in building partnerships with academic organisations and state employment services, developing online job offers and using social networks to reach a wider public. The Group strives to ensure that no stages in the hiring process are discriminatory. A best practice guide is given to recruiters and a service agreement concluded with line managers involved in recruitment, setting out the assessment procedures. Candidates are selected objectively using tools such as the skill-based and simulation-based recruitment method.

The Group contributes to the formulation of public policies put in place in various countries to promote diversity and prevent workplace discrimination. In France, in 2009, the Group was one of the first French companies to obtain the Diversity label in recognition of the Group's human resources policy and best practice in promoting diversity, equal opportunity and preventing discrimination. Groupe PSA has maintained its commitment and obtained this label again in 2012 and 2018.

Preventing all forms of discrimination, bullying and violence in the workplace

The Group condemns all infringements of respect for individual rights and dignity, verbal or physical abuse, harassment, workplace violence and discrimination. These behaviors are liable to sanctions and specific measures have been set in every country to prevent it. Employees are regularly informed about these policies and a large number of managers have participated in awareness raising campaigns.

In addition, Speak4Compliance is a whistleblowing system serving for securely and confidentially receiving, processing and managing reports regarding violations of the compliance rules of Groupe PSA. One category of reporting concerns non-respect and infringement of the rights and dignity of people, as well as verbal or physical abuse and harassment.

A standard handling and tracking procedure aligned with the local legal framework has been introduced in every host country. When a problem is identified, the information is reported to the Human Resources Department and a review is conducted. In 2019, 80 cases of harassment, discrimination and violence in the workplace were handled *via* this procedure.

2.4.5.3. PROMOTING THE EMPLOYMENT AND INTEGRATION OF PEOPLE WITH DISABILITIES DPEF.13 DPEF.33

The Group has 6,828 employees with disabilities worldwide. Disability recognition is specified by various local laws. 77% of employees with disabilities are manual workers, 16% are technicians and administrative employees and 7% are managers.

This policy is deployed globally through the Global Framework Agreement with the aim of helping disabled employees remain at work, implementing preventative actions and fostering their integration into the workplace.

Today, thanks to the various initiatives conducted, and taking as an example France in its Automotive division, Groupe PSA has achieved a rate of employment of disabled persons of 7.3%, above the 6% legal requirement. This employment rate increases to 10.3% when taking into account sheltered workshops.

In France, the 6th agreement on employment and inclusion of people with disabilities was signed in 2017, confirming Groupe PSA strong determination to step up its existing efforts in that direction. This agreement is structured around four main areas of application:

- changing how we look at disability;
- promoting recognition of the status of disabled workers;
- taking action to integrate and retain disabled;
- mobilising all those involved in coordinated.

2.5. GROUPE PSA CSR PERFORMANCE

The Group has demonstrated its sustainability by being included in various specialised socially responsible investment indices such as Dow Jones Sustainability Indices, FTSE4Good, the four Vigeo-Eiris indices (World 120, Eurozone 120, Europe 120 and France 20), Ethibel Sustainability Index, Stoxx ESG Leaders Indices, CDP Climate A List, CDP Supplier Engagement Leader and ISS ESG Prime.

The Group’s performance as scored by non-financial ratings agencies is presented in details in the CSR Report.

2.6. REPORT BY THE INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENT INCLUDED IN THE GROUP MANAGEMENT REPORT

The Company has decided to seek an independent expert's opinion on the fair presentation of consolidated social, environmental and societal indicators included in the Management Report, in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code. The firm Grant Thornton was appointed as an independent third party by Carlos TAVARES, Chairman of the Managing Board, on 25 June 2019. Grant Thornton submitted its expert report to the Company's Managing Board on 26 February 2020. The conclusions of this report are presented below.

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Peugeot S.A.

For the year ended 31 December 2019

To the Shareholders,

In our capacity as an independent third party of Peugeot S.A. and accredited by COFRAC under number n°3-1080 (1), we hereby report to you on the consolidated non-financial statement for the year ended 31 December 2019 (hereinafter the "Statement"), included in the Group Management Report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (code de commerce).

THE ENTITY'S RESPONSIBILITY

Pursuant to legal and regulatory requirements, the Executive Board is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics *(code de déontologie)* of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE INDEPENDENT THIRD PARTY VERIFIER

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with Article R. 225-105 I, 3° and II of the French Commercial Code, *i.e.*, the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

At your request, our responsibility is also to express a reasonable assurance conclusion that the non-financial information selected (2) by company has been established, in all material aspects, in compliance with the Guidelines.

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of anti-corruption;
- the compliance of products and services with the applicable regulations.

(1) Whose scope is available at www.cofrac.fr
(2) Refer to footnote number 1 on page 90

1. Conclusion on the compliance of the non-financial Statement and the Information fairness[1]

NATURE AND SCOPE OF OUR WORK

The work described below was performed in accordance with the provisions of Articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and the impact of this activity on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in Article L. 225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement provides the information required under Article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under Article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important[2];
- we verified that the Statement covers the scope of consolidation, *i.e.* all the consolidated entities in accordance with Article L. 233-16 of the French Commercial;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes[3] that we considered to be the most important, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities[4] and covers between 26% and 38% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of the entity the consolidated entities.

We believe that the work performed, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

MEANS AND RESOURCES

Our work involved 6 persons and was conducted between September 2019 and February 2020 during a 15 week period.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility.

(1) *The work carried out in this part as part of a regulatory process is covered by our scope of accreditation.*
(2) ***Qualitative information:** "responsible supply chain management"; "consumer safety and protection"; "combating global warming and adapting to the consequences of climate change"; "preserving air quality"; "environmental impact of materials: the circular economy and sustainable materials management"; "the development of mobility and connectivity services"; "ethical practices – anti-corruption".*
(3) ***Social quantitative information**: number of employees under permanent or fixed-term contract by region, gender and age group; hiring for open-end contracts; breakdown of leavers under permanent contracts and dismissals; total management lost-time accident frequency rate (TF1 Management); severity rate; occupational illnesses; hours of training.*
***Environmental quantitative information:** water use; overall energy consumption; scope 1 and 2 greenhouse gas emissions (GHG); VOC emissions from paint shop facilities; gross discharges into water from plants (COD, DBO5, MES); total weight of waste by type (foundry waste, non-hazardous waste, hazardous waste) and disposal method.*
(4) ***For social and environmental information related to production site:** Douvrin; Kaiserslautern; Rennes; Rüsselsheim; Sochaux; Trnava; Vesoul.*
***For environmental information related to retail:** NL Saarbrücken - Güdingen; NL Wiesbaden; Peugeot SCA SIAN Lille Villeneuve d'Ascq; Peugeot SAC SIAN Lille Roncq; SCDPR Lille Seclin.*

CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

2. Reasonable assurance on a selection of non-financial information

NATURE AND SCOPE OF WORK

Regarding the information selected[(1)] by the Company, we undertook work of the same nature as those described in the part 1 above for the non-financial information considered the most important, but in a more in-depth manner, in particular in relation to the number of tests.

The sample selected[(2)] represents between 38% and 56% of quantitative information selected.

We consider that this work allows us to express a reasonable assurance opinion on the information selected by company.

CONCLUSION

In our opinion, the information selected by the Company has been established, in all material aspects, in compliance with the Guidelines.

Neuilly-sur-Seine, 26 February 2020

Original French report signed by:

Independent third-party body

Grant Thornton

French member de Grant Thornton International

Vincent Frambourt	Tristan Mourre
Partner	Director

(1) ***Environmental quantitative information:*** *water use; overall energy consumption; scope 1 and 2 greenhouse gas emissions (GHG); VOC emissions from paint shop facilities; total weight of waste by type (non-hazardous waste and hazardous waste).*
Social quantitative information: *number of employees under permanent or fixed-term contract; total management lost-time accident frequency rate (TF1 Management); severity rate.*
Qualitative information: *supplier self-assessment results; number of suppliers evaluated by an external body (ECOVADIS); CSR supplier performance evaluated by an external body (ECOVADIS).*

(2) ***For social and environmental information related to production site:*** *Douvrin; Kaiserslautern; Luton IBC; Porto Real; Rennes; Rüsselsheim; Sochaux; Trnava; Vesoul.*
For environmental information related to retail: *NL Saarbrücken - Güdingen; NL Wiesbaden; Peugeot SCA SIAN Lille Villeneuve d'Ascq; Peugeot SAC SIAN Lille Roncq; SCDPR Lille Seclin.*

2.7. REPORTING SCOPE, METHODOLOGY AND CROSS-REFERENCE TABLES

2

2.7.1. Reporting scope

REGULATORY REFERENCES AND INTERNATIONAL STANDARDS

The social, environmental and societal information contained in this section meet the requirements of:

- Article L. 225-102-1 and Articles R. 225-105 *et seq.* of the French Commercial Code, transposing Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014: the "DPEF" (*Déclaration de Performance Extra-Financière*);
- the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Cross-reference indexes with GRI and SASB indicators may be found at the end of the CSR Report, published by the Group for its Automotive division.

Data have been consolidated ad relate to the parent company Peugeot S.A. and all of its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and its controlled companies within the meaning of Article L. 233-3 of the French Commercial Code with the exception of the subsidiaries Faurecia, PSA Finance France (see 2.1 for more details).

However, as an exception to the above:

Quantitative information on Banque PSA Finance (BPF) and Faurecia is published separately in this section and accompanied by specific explanations, if necessary. For further information, especially about CSR initiatives implemented by these two companies over the period, please refer to ESG Reports from PSA Banque France (the joint venture between Banque PSA Finance and Santander Consumer Finance in France) and Faurecia: website, Registration Document, etc.

ACTIVITIES INCLUDED IN REPORTING AND DEVELOPMENTS

Detailed social, environmental and societal data as well as information on sustainable development initiatives also covers:

- **Automotive Activities**:

  It includes manufacturing facilities, R&D facilities, office sites and commercial subsidiaries of the brands.

  PCMA Automotiv RUS, located in Kaluga in Russia, a joint venture with Mitsubishi Motors Corp., is also included in the scope for societal and environmental reporting, because the Group has a 70% stake in its shares;
- **Automotive Trade Activities**:

  It includes proprietary dealership network, training centres for network personnel, spare parts warehouses, regional offices and import subsidiary registered offices.

  The "Automotive Trade Activities" scope is included under the "Automotive division" heading in the HR section but are stated separately in the environmental sections;
- **Automotive division**:

  Automotive division gathers Automotive Activities and Automative Trade Activities;
- **the equipment subsidiary**:

  Faurecia, a listed company in which Groupe PSA has a 46.3% stake remains fully consolidated because Peugeot S.A. has retained control (62,9% of theoretical voting rights). In accordance with the legal provisions, Faurecia manages its business independently and therefore prepares and publishes its social, environmental and societal indicators in its own Registration Document;
- **other activities**:

  These now comprise the Peugeot S.A. holding company and Banque PSA Finance (BPF).

  The social and societal information published in the BPF annual report consolidates entities wholly owned by BPF at 31 December 2019. This methodology linked to the BPF consolidation rules, excludes the joint ventures created with Santander from the CSR reporting scope. These joint ventures are listed in the BPF Management Report.

In compliance with regulations, quantitative data were reported using cross-functional, comparable indicators when relevant.

THE EXCLUSIONS FROM THE CSR REPORTING VERSUS THE FINANCIAL REPORTING

The scope of reporting does not include joint ventures with other car manufacturers accounted for using the equity method, due to the lack of exclusive control:

- TPCA (Toyota Peugeot Citroën Automobiles), located at Kolín in the Czech Republic, in a joint venture with Toyota;
- DPCA (Dongfeng Peugeot Citroën Automobiles), at Wuhan in China, in a joint venture with Dongfeng Motor Corp.;
- CAPSA (Changan PSA Automobiles), at Shenzhen in China, in a joint venture with China Changan Automobiles;
- SEVELSUD at Val Di Sangro in Italy, in a joint venture with Fiat;
- Dangote Peugeot Automobiles Nigeria Limited joint, in Kaduna (Nigeria) with Dangote Industries Limited and the Kaduna State Government;
- Nidec PSA e-motors joint venture in Carrières-sous-Poissy (France) with Nidec Leroy-Somer Holding;
- PSA AVTEC Powertrain Pvt. Ltd. joint venture in Hosur in the Tamil Nadu region (India), with AVTEC (CK Birla Group).

In these joint ventures, the Group exercises its role as shareholder and industrial partner in a commitment to supporting each venture's long-term development.

The joint ventures report their CSR data at different levels, depending on the management structure in place with the industrial partner.

Other items, including examples of actions undertaken, are described in greater detail in the CSR publications for each of the entities. The Group's CSR Report and Faurecia's Registration Document notably describe the policy, commitments and results of the automotive, banking and equipment supply divisions.

2.7.2. Reporting methodology

The reporting standards are presented in Section 9.4 of the Group's CSR Report.

2.7.3. Cross-reference table with regulatory requirements

The index below presents the items required by Articles L. 225-102-1 and R. 225-105 *et seq.* of the French Commercial Code having transposed Directive 2014/95/EU.

The items required by Articles L. 225-102-1 and R. 225-105 *et seq.* of the French Commercial Code are identified in the present report by:

- an icon **DPEF.A** [1] for the presentation of the Groupe PSA business model;
- an icon **DPEF.B** [1] for the description of the main risks linked Groupe PSA's business in terms of social and environmental responsibility;
- icons **DPEF.X** [1] for the other indicators (of which 3 indicators reported with anticipation to the Decree of application expected for the Law n° 2018-938 of 30 October 2018 - art. 55 for the balance of trade relations in the agricultural and food sector and healthy, sustainable and accessible food for all, and the Law n° 2018-898 du 23 October 2018, on the fight against fraud, and featured at the end of the index, which have modified Article L. 225-102-1 of French Commercial Code.).

Expected	Coding of DPEF indicators	Universal Registration Document (relevant sections)	Degree of response*
Company business model	DPEF.A	1.3	
Main CSR risks linked to the Company's business	DPEF.B	1.5 / 2.1.1	
1° SOCIAL INFORMATION			
a) Employment			
Total workforce	DPEF.1.a	2.4.2	
Employees by gender	DPEF.1.b	2.4.2	
Employees by age	DPEF.1.c	2.4.2	
Employees by region	DPEF.1.d	2.4.2	
Hirings	DPEF.2.a	2.4.2.1	
Dismissals	DPEF.2.b	2.4.2.2	
Compensation and changes therein	DPEF.3	2.4.3.3	
b) Work arrangements			
Organisation of working hours	DPEF.4	2.4.2.3 / 2.4.4.2	
Absenteeism	DPEF.5	2.4.2.3	
c) Health and Safety			
Workplace health and safety conditions	DPEF.6	2.4.4 / 2.4.4.1	
Workplace accidents, particularly their frequency and severity, along with occupational illnesses	DPEF.7	2.4.4.1	
d) Employee relations			
Organisation of social dialogue, especially procedures for informing, consulting and negotiating with personnel	DPEF.8	2.4.1.1 / 2.4.1.2	
Summary of labour agreements, particularly relating to occupational health and safety	DPEF.9	2.4.1.1 / 2.4.4.1 / 2.4.4.2	
e) Training			
Policies put into practice with regard to training, particularly relating to protection of the environment	DPEF.10	2.2.2 / 2.4.3.1 / 2.4.3.2	
Total number of hours of training	DPEF.11	2.4.3.2	
f) Non-discrimination			
Measures taken to ensure equality between men and women	DPEF.12	2.4.4.2 / 2.4.5.1	
Measures taken to ensure the hiring and integration of handicapped persons	DPEF.13	2.4.5.3	
Anti-discrimination policy	DPEF.14	2.4.1.2 / 2.4.5.2	

(1) *Déclaration de Performance Extra Financière (DPEF).*

Expected	Coding of DPEF indicators	Universal Registration Document (relevant sections)	Degree of response*
2° ENVIRONMENTAL INFORMATION			
a) General environmental policy			
The organisation of the Company so as to take environmental questions into consideration and, where appropriate, environmental assessment or certification initiatives	DPEF.15	2.1.1 / 2.1.2 / 2.2.1 / 2.2.2	
Resources committed to prevent environmental risks and pollution	DPEF.16	2.2.1 / 2.2.1.1.1 / 2.2.1.2 / 2.2.1.3.3 / 2.2.2 / 4.5.1.2	
The amount of the provisions and warranties made for environmental risks, provided this information is not of a nature that might be seriously adverse to the Company in a current legal dispute.	DPEF.17	2.2.2	
b) Pollution			
Measures to prevent, reduce or repair emissions into the air, water or ground that seriously affect the environment	DPEF.18	2.2.1.2 / 2.2.1.3.1 / 2.2.1.3.4 / 2.2.2 / 2.2.2.2.1 / 2.2.2.2.2 / 2.2.2.4.2	
The handling of any other form of pollution specific to an activity, in particular sound and light pollution	DPEF.19	2.2.1.3.4	
c) The circular economy			
I) Waste prevention and management			
Measures to prevent, recycle, reuse waste, and other forms of waste recovery and elimination	DPEF.20	2.2.1.3.2 / 2.2.1.3.4 / 2.2.2.3.2	
Actions to combat food waste	DPEF.21	2.3.1.2.1	
II) Sustainable use of resources			
Water consumption and sourcing in light of local constraints	DPEF.22	2.2.2.4.1	
Consumption of raw materials and measures taken to use them more efficiently	DPEF.23	2.2.1.3.1 / 2.2.1.3.2 / 2.2.2.3.1	
Consumption of energy, measures taken to improve energy efficiency and use of renewable energy	DPEF.24	2.2.1.1.1 / 2.2.2.1.1 / 4.5.1.2	
Use of land	DPEF.25	2.2.2.2.2	
d) Climate change			
Significant greenhouse gas emissions due to the Company's activity, notably through the use of goods and services it produces	DPEF.26	2.2.1.1.2 / 2.2.2.1.2	
Measures taken to adapt to the consequences of climate change	DPEF.27	2.2.1.1 / 2.2.1.3.4 / 2.2.1.4 / 2.2.2.1.2 / 4.5.1.2	
The reduction targets fixed voluntarily for the medium and long term to reduce greenhouse gas emissions and the methods implemented for this purpose	DPEF.28	2.2.2.1.2	
(e) Protection of biodiversity			
Measures taken to preserve or develop biodiversity	DPEF.29	See section 5.6. of CSR Report	
3° SOCIETAL INFORMATION			
a) Societal commitment for sustainable development			C3 - libre
Impact of the Company's activity on employment and regional development	DEPF.30	2.3.1.1 / 2.3.1.2 / 2.4.3.3	
Impact of the Company's activity on neighbouring or local residents	DEPF.31	2.3.4 / 2.4.3.3	
Relations with stakeholders and means of dialogue with them	DEPF.32	2.1.3 / 2.4.1.2	
Support, partnerships and philanthropy provided	DEPF.33	2.3.4 / 2.4.5.3	
b) Sub-contractors and suppliers			C3 - libre
Consideration given to social and environmental issues in procurement policies	DEPF.34	2.3.1.2 / 2.3.1.2.1	
The importance of subcontracting and the inclusion in subcontractor and supplier relationships of their social and environmental responsibility	DPEF.35	2.3.1.2 / 2.3.1.2.1 / 2.3.1.2.2	

Expected	Coding of DPEF indicators	Universal Registration Document (relevant sections)	Degree of response*
c) Fair operating practices			
Measures taken benefiting the health and safety of consumers	DEPF.36	2.2.1.2 / 2.2.1.3.1 / 2.2.1.4 / 2.3.2	
Anti-corruption actions	DPEF.37	2.3.4 / 2.4.1.2 / 2.4.6	
4° INFORMATION RELATING TO ACTIONS TO PROMOTE HUMAN RIGHTS			
a) Promotion and observance of the core conventions of the International Labour Organization relative			
To respect for freedom of association and the right to collective bargaining	DPEF.38	2.4.1.2 / 2.4.6	
To the elimination of discrimination in terms of hiring and occupation	DPEF.39	2.4.1.2 / 2.4.6	
To the elimination of forced or obligatory labour	DPEF.40	2.4.1.2 / 2.4.6	
To the effective abolition of child labour	DPEF.41	2.4.1.2 / 2.4.6	
b) Other actions to promote human rights	**DPEF.42**	**2.4.1 / 2.3.1.2.1**	
MOST RECENT ADDITIONAL REQUIREMENTS INCLUDED IN ARTICLE L. 225-102-1 MODIFIED IN AUTUMN 2018			
Fighting food insecurity	DPEF.43	2.3.4	
Respect for animal welfare	DPEF.44	2.3.1.2.2	
Fighting tax evasion	DPEF.45	2.3.3	

* *The reporting status indicates a response by the Group to each of 45 DPEF topics and the coverage rate for this response among the relevant subsidiaries.*

= the Group has responded to the DPEF topic and the response covers 100% of subsidiaries required to publish detailed information.

CORPORATE GOVERNANCE

Governance principles

For many years, Peugeot S.A. has complied with the recommendations contained in the AFEP-MEDEF Corporate Governance Code, after adapting it for a joint-stock company with a Managing Board and a Supervisory Board, and with its application guide. This Code may be viewed online at http://www.medef.com/.

A table summarising the departures from the AFEP-MEDEF Code with the related explanations can be found in [Section 3.1.6].

Report of the Supervisory Board on corporate governance

This section on corporate governance reports on:

- the membership of the Managing Board and the Supervisory Board, and it presents the corporate officers, listing their directorships and positions;
- the diversity policy implemented on the Supervisory Board, with particular reference to the balanced representation of women and men;
- the methods and procedures for preparing and organising the work of the Supervisory Board, and its operating procedures;
- the principles and standards set by the Supervisory Board to determine the policy for compensation of corporate officers, and the total compensation, the benefits of all kinds awarded to the corporate officers in respect of the elapsed financial year, and the commitments of all kinds made by the Company in favour of the corporate officers.

This information forms part of the Report of the Supervisory Board on corporate governance pursuant to Article L. 225-68 of the French Commercial Code.

For information, the Report on corporate governance was approved by the Supervisory Board at its meeting on 25 February 2020.

For all detailed information concerning the share capital and financial matters with likely repercussions in the event of a public offer for purchase or exchange, please refer to Section 7 of this Universal Registration Document.

For any information concerning related-party agreements, please refer to Section 6.7; for the Supervisory Board's observations on the activity for the past financial year, the financial statements and the Management Report of the Managing Board, please refer to Section 5.6 of this Universal Registration Document.

3.1. MANAGEMENT AND SUPERVISORY BODIES

Since 1972, Peugeot S.A. has had the form of a *Société Anonyme* (joint stock corporation) with a two-tier management structure comprising a Managing Board, responsible for strategic and operational management, and a Supervisory Board, responsible for oversight and control. This separation is particularly well-suited to meeting concerns about the balance of powers between the executive functions and oversight functions as reflected in the principles of corporate governance.

3.1.1. The Executive Management of Groupe PSA and the Managing Board

GROUP EXECUTIVE MANAGEMENT

The Global Executive Committee (GEC) is responsible for the Group's executive management.

Its members are detailed in the Group organisational structure in Section 1.2 of this Universal Registration Document.

THE MANAGING BOARD

Managing Board members are appointed by the Supervisory Board for four-year terms. They may be removed from office by the Supervisory Board pursuant to the Company by-laws, or by shareholders in a Shareholders' General Meeting, in accordance with French company law.

The term of office of the serving members of the Managing Board was renewed by the Supervisory Board at its meeting on 22 February 2017, for a four-year term, until April 2021.

CHANGES IN 2019

On 25 February 2019, the Supervisory Board decided to appoint Olivier BOURGES, Executive Vice-President, Programmes and Strategy, to the Managing Board, effective 1 March 2019 until the expiry date of the term of office of the Managing Board on 2 April 2021.

Jean-Christophe QUEMARD resigned from his position as a member of the Managing Board; this resignation, about which the Supervisory Board was notified on 23 July 2019, took effect on 1 September 2019.

In addition, at its meeting on 23 July 2019, the Supervisory Board decided to appoint Michael LOHSCHELLER (who serves as Managing Director of the Group's largest German subsidiary, Opel Automobiles GmbH) to the Managing Board, effective 1 September 2019 until the expiry date of the term of the Managing Board on 2 April 2021.

Date of effect	Change occurred
1 March 2019	Appointment of Olivier BOURGES by the Supervisory Board at its meeting on 25 February 2019
1 September 2019	Resignation of Jean-Christophe QUEMARD from the Managing Board
1 September 2019	Appointment of Michael LOHSCHELLER by the Supervisory Board at its meeting on 23 July 2019

INFORMATION ABOUT CURRENT MANAGING BOARD MEMBERS

CARLOS TAVARES

Portuguese national

Born 14 August 1958

Business address:
Groupe PSA,
7, rue Henri Sainte Claire Deville, 92500 Rueil-Malmaison, France

First appointed to the Managing Board:
1 January 2014

Date of last renewal:
22 February 2017

Current term expires:
2021 (4-year term)

Chairman of the Peugeot S.A. Managing Board

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Chairman of the Board of Directors, PSA AUTOMOBILES S.A.		√
Director of Airbus Holdings S.A.	√	
Director of TOTAL S.A.	√	

Other directorships and positions in the past five years:

- Director of Banque PSA Finance
- Director of Faurecia
- Director of PCMA Holding B.V.
- Chairman of the Supervisory Board of Opel Automobiles GmbH
- Chief Operating Officer of Renault
- Member of the Managing Board of the Renault-Nissan Alliance
- Director of RENAULT NISSAN B.V.
- Director of AVTOVAZ
- Director of ALPINE-CATERHAM
- President of the European Automobile Manufacturers' Association (ACEA)

Relevant expertise and professional experience:

After graduating from École Centrale de Paris, Carlos TAVARES held various management positions within the Renault Group between 1981 and 2004 before joining the Nissan Group. He headed that group's operations in the Americas region, after which in 2011, he was appointed Chief Operating Officer of the Renault Group, a position he held until 2013. He joined the Peugeot S.A. Managing Board on 1 January 2014, becoming the Board's Chairman on 31 March 2014.

Number of Peugeot S.A. securities owned as of 31 December 2019: 196,000 shares.

MAXIME PICAT

French national

Born 26 March 1974

Business address:
Groupe PSA,
7, rue Henri Sainte Claire Deville, 92500 Rueil-Malmaison, France

First appointed to the Managing Board:
1 September 2016

Date of last renewal:
22 February 2017

Current term expires:
2021 (4-year term)

Member of the Managing Board of Peugeot S.A.

Director, Europe Region

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Director of PSA AUTOMOBILES S.A.		√
Director and Deputy Director of Peugeot Citroën Automóviles España S.A.		√
Chairman of the Board of Directors of Peugeot Citroën Automoveis Portugal S.A.		√
Director and Joint Deputy Director of Opel España S.L.U.		√

Other directorships and positions in the past five years:

- Chairman and Chief Executive Officer of AUTOMOBILES Peugeot S.A.
- Chairman of the Board of Directors of Peugeot Motor Company PLC
- Director of Dongfeng Peugeot Citroën Automobiles company Ltd.
- Director of Dongfeng Peugeot Citroën Automobiles Sales Company Ltd.
- Director of BERI ITALIA SRL
- Director of the PSA Corporate Foundation
- Permanent Representative of AUTOMOBILES Peugeot S.A. on the Board of Directors of Banque PSA Finance S.A.
- Director of Peugeot ESPAÑA S.A.
- Chairman of the Board of Directors and Member of the Supervisory Board of Peugeot Motocycles
- Member of the Supervisory Board of Opel Automobile GmbH

Relevant expertise and professional experience:

A graduate of École des Mines de Paris engineering school, Maxime PICAT joined the Group in 1998. He has extensive experience in manufacturing: having held several positions in Mulhouse, France, he became manufacturing manager of the Sochaux plant before being appointed as Plant Manager of the Wuhan production plant in November 2007. In January 2011, Maxime PICAT was appointed Chief Executive Officer of Dongfeng Peugeot Citroën Automobiles (DPCA), after serving as Chief Operating Officer from August 2008 to January 2011. On 1 October 2012, he was appointed Chief Executive Officer of the Peugeot brand. Since 1 September 2016, he is Executive Vice-President, Europe, and a member of the Managing Board.

Number of Peugeot S.A. securities owned by Maxime PICAT as of 31 December 2019: 21,000 shares.

Number of units in the Groupe PSA Employee Stock Ownership Fund as of 31 December 2019: 2,510 units.

MICHAEL LOHSCHELLER

German national

Born 12 November 1968

Business address:
Opel Automobile GmbH - Bahnofsplatz
65423 Rüsselsheim am Main, Germany

First appointed to the Managing Board:
1 September 2019

Current term expires:
2021 (3-year term)

Member of the Managing Board of Peugeot S.A.

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Chief Executive Officer of Opel Automobile GmbH		√
Member of the Supervisory Board of Bochum Perspective		

Other directorships and positions in the past five years:

None

Relevant expertise and professional experience:

Michael LOHSCHELLER has been the Chief Executive Officer of Opel Automobile GmbH since 2017. Before that, he served as CFO of Opel. Before joining Opel in September 2012, Mr LOHSCHELLER was Executive Vice-President and Chief Financial Officer of Volkswagen Group of America. Michael LOHSCHELLER has more than 20 years' experience in the automotive industry, and has held a wide array of business responsibilities in different fields of finance, marketing and sales, procurement and logistics. After studying at the Osnabrück University of Applied Sciences in Germany and the University of Barcelona in Spain, he went on to earn a degree in business administration in 1992. From 1993 to 1996, when his career was already underway, he studied European marketing at Brunel University London, where he earned a Master of Arts degree.

Number of Peugeot S.A. securities owned as of 31 December 2019: None.

Number of units in the Groupe PSA Employee Stock Ownership Fund as of 31 December 2019: 0 unit.

OLIVIER BOURGES

French national

Born 24 December 1966

Business address:
Groupe PSA –
Route de Gisy
78140 Velizy Villacoublay,
France

First appointed to the Managing Board:
1 March 2019

Current term expires:
2021 (4-year term)

Member of the Managing Board of Peugeot S.A.

Executive Vice-President, Programmes and Strategy

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Chairman of the Board of Directors, Banque PSA Finance S.A.		√
Member of the Supervisory Board, Dongfeng Peugeot Citroën Automobiles Sales Company Ltd.		√
Director of Dongfeng Peugeot Citroën Automobiles Company Ltd.		√
Director of PCMA Holding B.V.		√
Member of the Supervisory Board, PSA (Wuhan) Management Company Co. Ltd.		√

Other directorships and positions in the past five years:

- Director of Automobiles Peugeot S.A.
- Manager of DJ 56 S.N.C.
- Permanent Representative of Peugeot S.A. on the Board of Directors of Automobiles Citroën S.A.
- Permanent Representative of Peugeot S.A. on the Supervisory Board of Banque PSA Finance S.A.
- Director and Chairman of the Audit Committee of Peugeot Citroën Automóviles España S.A.
- Director of Iran Khodro Automobiles Peugeot Co. Ltd.
- Chairman of the Board of Directors, SAIPA Citroën Company Co. Ltd
- Member of the Supervisory Board of Opel Automobiles GmbH
- Permanent Representative of Automobiles Peugeot S.A. on the Supervisory Board of Football Club Sochaux Montbéliard S.A.
- Director of CREDIPAR S.A.
- Member of the Supervisory Board of GEFCO S.A.
- Director of Alstom S.A.

Relevant expertise and professional experience:

Olivier BOURGES graduated from Sciences Po Paris and the École Nationale d'Administration and joined Groupe PSA in 2014. He was appointed General Secretary of Groupe PSA and was responsible for BPF (Banque PSA Finance) within Groupe PSA's Executive Committee. On 1 February 2018, he took charge of Programmes and Strategy. He continues to manage the two joint ventures financing the Group's sales.

He began his career at the Ministry of Economy and Finance, in the Treasury Department, where he held the positions of Deputy Head of the Banking Office, Alternate Director representing France at the World Bank and then Chief of the Housing Finance Office.

Subsequently, in 2000, he joined Renault as Director of Investor Relations, where he then held several operational positions, including within Nissan. He returned to the Ministry of Economy and Finance in 2009 as Deputy Director General in the State Investment Agency then as Deputy Director General in the Public Finance Department.

At its meeting on 25 February 2019, the Supervisory Board appointed him to the Managing Board of Peugeot S.A. His term will take effect on 1 March 2019.

Number of Peugeot S.A. securities owned as of 31 December 2019: 55,000 shares.

Number of units in the Groupe PSA Employee Stock Ownership Fund as of 31 December 2019: 1,758 units.

In accordance with the recommendation set out in paragraph 18 of the AFEP-MEDEF Corporate Governance Code, Managing Board members systematically consult the Supervisory Board before agreeing to become a corporate officer of any listed company outside the Group.

3.1.2. The Supervisory Board

3.1.2.1. CURRENT MEMBERSHIP

The Supervisory Board's size and membership reflect the capital structure of Peugeot S.A., which is set out in greater detail in Section 7.3 of this Universal Registration Document.

In accordance with the shareholders' agreement signed on 28 April 2014 between the three main shareholders and the Company, each of the three main shareholders namely, the Peugeot Family Group (Établissements Peugeot Frères – hereafter "EPF" – and FFP), Dongfeng (*via* Dongfeng Motor (Hong Kong) International Co. Ltd., hereafter "DMHK") and Bpifrance (Lion Participations and Bpifrance Participations) – which in June 2017 bought out the whole of SOGEPA's interest in the Company's share capital proposed the appointment of two members of the Board. One of the two members recommended by the main shareholders was appointed Vice-Chairman, in accordance with the agreements between the Company and the main shareholders stipulated in the shareholders' agreement.

The composition of the Supervisory Board reflects the legal obligations regarding equal gender representation, employee representation on the Supervisory Board and the recommendations of the AFEP-MEDEF Code on the proportion of independent members.

At 31 December 2019, the Supervisory Board comprised twelve members, of whom:

- five members proposed by the three main shareholders;
- five independent members;
- one member representing the employees and one employee shareholder representative.

Following the co-opting of YOU Zheng on 25 February 2020, the Supervisory Board comprised thirteen members, of whom:

- six members proposed by the three main shareholders;
- five independent members;
- one member representing the employees and one employee shareholder representative.

In addition, in accordance with the law, meetings of the Supervisory Board are attended by one non-voting member of the Peugeot S.A. Works Council.

The mandates and functions of Chairman and Vice-Chairman are undertaken by two independent members.

The members of the Supervisory Board are appointed for four-year terms and, as recommended in the AFEP-MEDEF Code (paragraph 13.2), those terms are staggered, making for harmonious renewal of the Board's membership and allowing detailed examination of candidatures to cater for the expertise required.

3.1.2.2. CHANGES IN 2019

Date of effect	Change occurred
24 April 2019	Resignation of Geoffroy ROUX de BEZIEUX as independent member
24 April 2019	Resignation of Henri Philippe REICHSTUL as independent member
25 April 2019	Appointment by the Annual Combined Shareholders' Meeting of Gilles SCHNEPP as independent member
25 April 2019	Appointment of Gilles SCHNEPP as Vice-Chairman and Senior Independent Member, Chairman of the Appointments, Compensation and Governance Committee and member of the Finance and Audit Committee
25 April 2019	Appointment by the Combined Shareholders' Meeting of Thierry de LA TOUR D'ARTAISE as independent member
25 April 2019	Appointment of Thierry de LA TOUR D'ARTAISE to the Strategic Committee and the Asia Business Development Committee
13 September 2019	Resignation of Helle KRISTOFFERSEN from her position as independent member of the Strategic Committee and Asia Business Development Committee
17 September 2019	Resignation of AN Tiecheng from his position as Chairman of the Asia Business Development Committee and member of the Strategic Committee and Finance and Audit Committee

3.1.2.3. TABLE OF SUPERVISORY BOARD MEMBERSHIP

This table summarises the membership of the Supervisory Board and of its committees at period-end.

Also shown is the overall length of tenure of office of each of the members, reckoned at 31 December 2019, the percentage of independent members on the Supervisory Board, the gender equality ratio and the attendance rate of members at the Supervisory Board and committee meetings.

Members of the Supervisory Board	Date of appointment	Overall length of tenure[1]	Nationality	Number of shares	Number of positions in listed companies	Term of office expiry date	Age	Independent according to the AFEP-MEDEF Code	Equality Men/Women	Membership on a committee	Main function
Louis GALLOIS Chairman	12/02/2013	6	French	1,065	1	SGM 2022	75	√	M	FAC/ACGC	Chairman of the Supervisory Board of Peugeot S.A.
Gilles SCHNEPP Vice-Chairman Senior Independent member	25/04/2019	1	French	1,000	3	SGM 2023	61	√	M	ACGC (Chairman), FAC	Chairman of the Board of Directors of Legrand
Marie-Hélène PEUGEOT RONCORONI (Permanent representative of EPF) Vice-Chairwoman as defined in the shareholders' agreement	02/06/1999	20	French	1,150	4	SGM 2022	59		W	ACGC, Asia Business Development Committee	Chief Operating Officer of EPF
LI Shaozhu (Permanent representative of DMHK and Vice-Chairman under the shareholders' agreement)	25/04/2014	6	Chinese	0	2	SGM 2022	59		M	ACGC	Director Managing Director and Deputy Secretary of the Party Committee of Dongfeng Motor Corporation
Anne GUERIN (Permanent representative of Bpifrance Participations) Vice-Chairwoman as defined in the shareholders' agreement	25/07/2017	2	French	0	1	SGM 2022	51		W	ACGC, FAC	Bpifrance's Finance and Network Executive Director
Catherine BRADLEY	23/02/2016	3	French and British	1,000	2	SGM 2020	60	√	W	FAC (Chairwoman), ACGC	Independent director
Pamela KNAPP	31/05/2011	8	German	1,938	5	SGM 2021	61	√	W	ACGC, FAC	Independent director
Christian LAFAYE Employee representative *(appointed pursuant to Article L. 225-79-2 of the French Commercial Code)*	22/06/2018	1	French	0	1	CGE 2022	63		M	Strategic Committee, Asia Business Development Committee	Groupe PSA employee
Robert PEUGEOT (Permanent representative of FFP)	25/04/2014	12	French	1,000	5	SGM 2022	69		M	Strategic Committee (Chairman), FAC	Chairman and Chief Executive Officer of FFP S.A.
Thierry de LA TOUR D'ARTAISE	25/04/2019	1	French	1,000	4	SGM 2023	65	√	M	Strategic Committee, Asia Business Development Committee	Chairman and Managing Director of SEB S.A.
Bénédicte JUYAUX Member representing employee shareholders *(appointed pursuant to Article L. 225-71 of the French Commercial Code)*	10/05/2017	2	French	0	1	SGM 2021	58		W	ACGC, FAC	Groupe PSA employee
Daniel BERNARD (Permanent representative of Lion Participations)	25/07/2017	2	French	0	2	SGM 2021	73		M	Strategic Committee, Asia Business Development Committee	Vice-Chairman of the Board of Directors of Cap Gemini S.E.
Corporate governance indicators		5.3[2]						50%[3]	45%[4]		

SGM: Shareholders' General Meeting. Asia Business Development Committee; ACGC: Appointments, Compensation and Governance Committee; FAC: Finance and Audit Committee; Strategic Committee.

(1) The balance sheet date of the 2019 financial year is used to determine the overall length of tenure.
(2) Average overall length of tenure, calculated by taking into account all members of the Supervisory Board.
(3) Members representing employees and employee shareholders are not taken into account to establish this percentage (AFEP-MEDEF Code, Article 8.3).
(4) The member representing employees is not taken into account to establish this percentage. (Article L. 225-27 of the French Commercial Code).

3.1.2.4. THE DIVERSITY POLICY AND THE BALANCED REPRESENTATION OF WOMEN AND MEN

In accordance with the recommendation of the AFEP-MEDEF Code, paragraph 6.2, the Board regularly examines whether the desired balance is struck in its membership and that of its committees, with regard to the composition of and changes to the ownership structure of the Company and the need for diversity on the Board.

Pursuant to Article L. 225-69 of the French Commercial Code, at 31 December 2019 the Board comprised five women and seven men, *i.e.*, a difference of two between each gender. In accordance with applicable law (Article L. 225-18-1), the proportion of women, which is 45%, is calculated without taking into account the employee representative who currently sits on the Board. This will be the case until the expiry of their term of office.

Following the resignations of Helle KRISTOFFERSEN and AN Tiecheng on 13 and 17 September 2019, respectively, at 31 December 2019, five of the ten Board members, or 50%, were independent, in accordance with the recommendation of the AFEP-MEDEF Code.

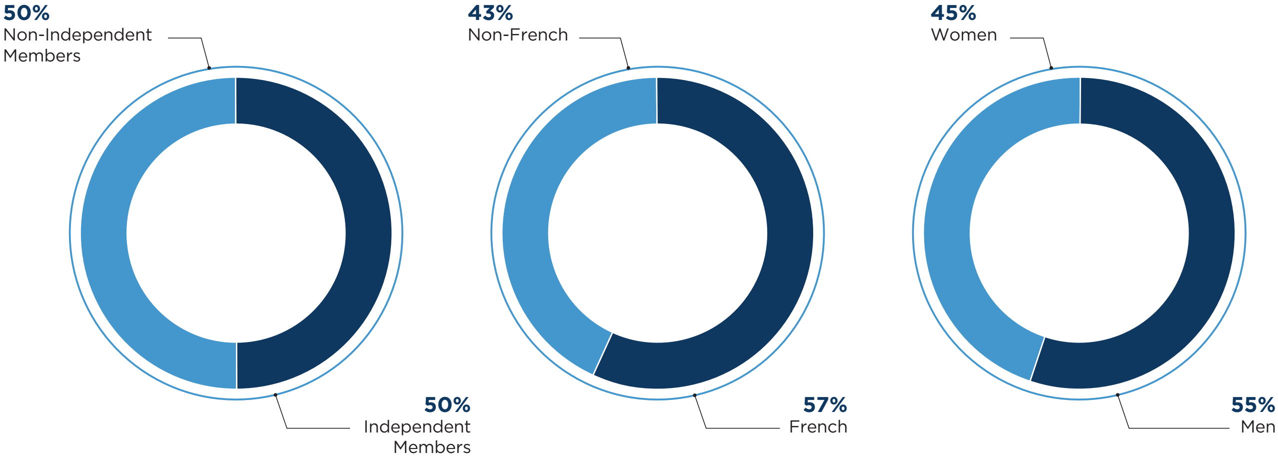
Following the resignation of Helle KRISTOFFERSEN on 13 September 2019 and the co-option of YOU Zheng, which occurred on the date of approval of this report, that is, on 25 February 2020, the proportion of independent members has been 46%.

The Board points out that as soon as Helle KRISTOFFERSEN resigned, the Appointments, Compensation and Governance Committee began a search for candidates who have the background and skills needed to sit on the Supervisory Board of Peugeot S.A. The Supervisory Board subsequently decided to temporarily suspend this search in light of new developments applying to the Group regarding the cross-border merger with the FCA Group and possible dissolution of Peugeot S.A.'s Board in the near future.

Until 13 September 2019, the Board included five non-French members: Pamela KNAPP, who is German; Catherine BRADLEY, who is a French and British dual national; LI Shaozhu and AN Tiecheng, who are Chinese; and Helle KRISTOFFERSEN, who is a French and Danish dual national.

As of this writing, the Board has four non-French members. In addition, all of the non-employee members have experience working in one or more international entities.

The chart below summarises the diversity represented on the Board as it stood on 31 December 2019.



As part of its tasks, when reviewing the Board's succession plan, the Supervisory Board assesses the candidacies of people who have international experience and expertise that will help them perform the duties assigned to them by the law and the Company by-laws. The Board believes that this approach aligns with Groupe PSA's increasingly international character.

In this vein, when looking for independent members, the Board reviews candidacies with the goal of satisfying the demand for diversity and internationalisation. Furthermore, the Supervisory Board asks Executive Management to draft an Annual Report on the enactment of the non-discrimination and diversity policy within the Group and, particularly, the Group's other management bodies, especially the Global Executive Committee.

To achieve this goal, in 2019 the Group formulated new medium- and long-term strategies tied to this policy. These strategies are grounded in the idea that increasing gender diversity addresses the priorities of Groupe PSA's transformation as an ingredient of creativity, performance and the development of new digital activities and services.

The related key indicators break down into two focuses and two-time frames, medium and long term:

- **gender diversity of the senior management**: the target is 20% women among the executive and senior managers in 2021 to counteract under-representation of women in senior management, and 30% by 2035 to support the Group's transformation;
- **gender diversity of hires and amplification of the Group's appeal among women**: hiring target of 30% women in 2021 while developing the employer brand to speak to women and aim for 50% by 2035 to reflect the Group's customers.

The Group provides shareholders with more information on the Diversity policy within Groupe PSA and the management bodies and on the future targets in Section **2.4.5** and in Section **3.5** of the CSR Report, which focuses on this topic.

3.1.2.5. THE INDEPENDENT MEMBERS

The Appointments, Compensation and Governance Committee ensures that the proportion of independent members on the Supervisory Board remains consistent, in accordance with the recommendations of the AFEP-MEDEF Code (paragraph 8.3), which state that independent members should make up at least one-half of the Board's members.

As stated in the Internal Rules of the Supervisory Board, "*members of the Supervisory Board represent all shareholders and must always act in the corporate interests of the Company. Each member of the Supervisory Board shall strive to ensure that their analysis, judgement, decision-making and action are independent, to benefit the Company's interest. They agree not to seek out or to accept any benefit likely to undermine this*".

On a recommendation of the Appointments, Compensation and Governance Committee, the Supervisory Board reviewed the position of each of its members with regard to the independence criteria selected by the Company (paragraph 8 of the AFEP-MEDEF Code) at its meeting on 25 February 2020:

- not to be and not to have been within the last five years: an employee or Executive Company Officer of the Company; an employee, Executive Company Officer or director of a company consolidated within the Company; an employee, Executive Company Officer or director of the Company's parent company or of a company consolidated within the parent company;
- not be an Executive Company Officer of a company in which the Company holds directly or indirectly a directorship or in which an employee designated as such or an Executive Company Officer of the Company (either currently or in the last five years) holds a directorship;
- not be a major client, supplier, investment banker or corporate banker, or consultant of the Company or its Group, or for which the Company or its Group represents a significant part of its business;
- must have no close family ties with a corporate officer;
- must not have been a Statutory Auditor of the Company in the last five years;
- must not have been a Company director during the last 12 years.

On the basis of these criteria, at its meeting on 25 February 2020, the Supervisory Board classified five members as independent:

- Mr Louis GALLOIS (Chairman of the Supervisory Board);
- Mr Gilles SCHNEPP (Vice-Chairman and Independent Member);
- Mrs Catherine BRADLEY;
- Mrs Pamela KNAPP; and
- Mr Thierry de LA TOUR D'ARTAISE.

Consequently, the proportion of independent directors is 46%, a decline from previous years, following the resignation of Helle KRISTOFFERSEN, who wished to focus on her duties at the TOTAL Group. This resignation took effect on 13 September 2019.

It should be recalled that, in accordance with paragraph 8.3 of the AFEP-MEDEF Code, members representing employees or employee shareholders are not included when calculating this percentage.

Thus, it must be stressed that the Board, mindful of abiding by the recommendations of the AFEP-MEDEF Code, which it enforces, asked the Appointments, Compensation and Governance Committee to begin the search for a new member who may be classified as independent and who meets the requirements for joining Peugeot S.A.'s Board.

However, since Groupe PSA has signed an preliminary agreement for a cross-border merger with the FCA Group, the Board decided to suspend its search for new candidates to avoid a situation where a new member would join the Supervisory Board for a limited period and in a phase that is so critical for the Group.

This decision was taken based on the fact that the stability of governance and inclusion of the interests of all shareholders of the Group are assured by the current composition of the Board. The presence of an independent and lead member on the Board, holding the office of Chairman of the Committee responsible for governance (Appointments, Compensation and Governance Committee) ensures that the positions of the independent members of the Board are taken into account in the interest of all Group shareholders.

Pursuant to the AFEP-MEDEF Code in its version updated in June 2018, the analysis that leads to considering the independence of the Board members listed above is summarised in the table below:

Criteria(1)	Louis GALLOIS	Gilles SCHNEPP	Catherine BRADLEY	Pamela KNAPP	Thierry de LA TOUR D'ARTAISE
Criterion 1: Has not been an employee or Executive Director of the Managing Board of the Company or a subsidiary in the past 5 years	√	√	√	√	√
Criterion 2: No cross-directorships	√	√	√	√	√
Criterion 3: Must not have any significant business relationships	√	√	√	√	√
Criterion 4: Must not be related by close family ties to a Company officer	√	√	√	√	√
Criterion 5: Must not have been a Statutory Auditor of the Company in the last five years	√	√	√	√	√
Criterion 6: Term of office less than 12 years	√	√	√	√	√
Criterion 7: Supervisory Board member status (Does not receive variable compensation)	√	√	√	√	√
Criterion 8: Major shareholder status (< 10% in the Company's share capital)	√	√	√	√	√

(1) In this table, √ represents an independence criterion that is met and X represents an independence criterion that is not met.

It is recalled that the Supervisory Board, on the basis of the analysis driven by the Appointments, Compensation and Governance Committee, has conducted a qualitative and a quantitative examination of business relationships between Groupe PSA and the companies in which the members of the Supervisory Board hold other office and/or exercise other duties, on the basis of the following criteria:

- the overall duration of the term (quantitative criterion);
- the sale revenue generated by the business relationship (quantitative criterion); and
- the analysis of the type of business relationship between the companies, as well as the type of function and/or responsibilities carried out, which may or may not have an impact on operational decision-making within the relevant companies (qualitative criteria).

In particular, additional information should be provided for the review of the independence of Gilles SCHNEPP, Thierry de LA TOUR D'ARTAISE and Pamela KNAPP.

An especially thorough review was made of the status of Gilles SCHNEPP, who was appointed to the Supervisory Board through a decision by the Shareholders' General Meeting of 25 April 2019 and who since has taken on the role of Vice-Chairman of the Supervisory Board of Peugeot S.A. and serves as Chairman of the Board of Directors of LEGRAND S.A.

All the criteria used to assess the independent status of a Board member were met.

In particular, regarding the business relationship between Groupe PSA and the LEGRAND Group, the Board found that the volume of business between the two groups is well below 5% of Groupe PSA's revenue and that, consequently, considering the non-material nature of this relationship, any dependent relationship between the two groups may be ruled out.

In addition, the non-executive position Gilles SCHNEPP holds on Peugeot S.A.'s Board does not give him direct or indirect decision-making authority as part of the establishment or continuation of this business relationship with the LEGRAND Group.

In conclusion, the review found that the business relationship between Groupe PSA and the aforementioned companies is not likely to compromise Gilles SCHNEPP's independence.

An especially thorough review was made of the status of Thierry de LA TOUR D'ARTAISE, who was appointed to the Supervisory Board through a decision by the Shareholders' General Meeting of 25 April 2019 and who serves as Chairman and Managing Director of the SEB Group.

All the criteria used to assess the independent status of a Board member were met.

In particular, regarding the business relationship between Groupe PSA and the SEB Group, the Board found that the volume of business between the two groups is well below 5% of Groupe PSA's revenue and that, consequently, considering the non-material nature of this relationship, any dependent relationship between the two groups may be ruled out.

In addition, the non-executive position Thierry de LA TOUR D'ARTAISE holds on Peugeot S.A.'s Board does not give him direct or indirect decision-making authority as part of the establishment or continuation of this business relationship with the SEB Group.

In conclusion, the review found that the business relationship between Groupe PSA and the aforementioned companies is not likely to compromise Thierry de LA TOUR D'ARTAISE's independence.

Finally, the status of Pamela KNAPP, a director at Compagnie de Saint-Gobain, was reviewed.

All the criteria used to assess the independent status of a Board member were met.

With regards to Pamela KNAPP's status, the Supervisory Board noted that the overall duration of her term of office at Groupe PSA is shorter than 12 years.

Regarding the business relationship between Groupe PSA and Compagnie de Saint-Gobain S.A., the Supervisory Board found that the volume of the business relationship between the two groups does not exceed 5% of Groupe PSA's revenue. Therefore, in light of the non-material nature of the relationship, any dependent relationship between the two groups could be ruled out.

In addition, the function Mrs Pamela KNAPP performs within Groupe PSA and within the aforementioned companies does not give her direct or indirect decision-making powers in the context of the establishment or maintenance of any business relationship.

In conclusion, the review found that the business relationship fostered between Groupe PSA and the aforementioned companies is not likely to compromise Pamela KNAPP's independence.

3.1.2.6. THE SENIOR INDEPENDENT MEMBER OF THE SUPERVISORY BOARD OF PEUGEOT S.A.

The Senior Independent Member is appointed from among the independent members in accordance with paragraph 3.2 of the AFEP-MEDEF Code and, under the Internal Rules of the Supervisory Board, has the following powers and prerogatives:

- to call and chair meetings of the independent members of the Supervisory Board on operational matters of the Board and to convey its conclusions to the Chairman of the Supervisory Board;
- notifying to the Chairman of the Supervisory Board any conflict of interest it has identified which could affect the deliberations of the Board;
- taking note of the significant governance concerns of shareholders not represented on the Supervisory Board and ensuring that they are addressed;
- reporting on the performance of his or her duties to the Supervisory Board and, where applicable, to the Shareholders' Annual General Meeting.

Gilles SCHNEPP performs the duties of Senior Independent Member of the Supervisory Board. Since 25 April 2019, he has also been Vice-Chairman of the Supervisory Board of Peugeot S.A. This is because, for compliance with best governance practices, the Supervisory Board has decided to combine the office of Senior Independent Member with that of Vice-Chairman.

Gilles SCHNEPP also sits as Chairman of the Appointments, Compensation and Governance Committee.

3.1.2.7. THE EMPLOYEE REPRESENTATIVE AND THE EMPLOYEE SHAREHOLDER REPRESENTATIVE

The employee representative is appointed, under the procedure described by Article 10.I B of the By-laws, by the Group European Works Council, pursuant to Article L. 225-79-2 of the French Commercial Code.

The representative of employee shareholders is appointed by the Shareholders' General Meeting on the proposal of the Supervisory Boards of the corporate mutual funds ("FCPE" in French), in accordance with the Article L. 225-71 of the French Commercial Code and Article 10.I C of the Company by-laws. It will be recalled that the Shareholders' General Meeting on 10 May 2017 amended the by-laws to maintain representation of employee shareholders on the Supervisory Board for a period of four years even though the percentage of employee ownership had fallen below 3%.

The Supervisory Board enables the employee representative and the representative of employee shareholders to train appropriately for the duties required of them by virtue of their office. In this respect, the Board offers training to employee representatives at the *Institut Français des Administrateurs* (French Institute of Directors).

3.1.2.8. NON-VOTING MEMBERS

Under the terms of the shareholders' agreement, each of the three reference shareholders may apply to have a non-voting member who attend the meetings of the Supervisory Board. In accordance with the Internal Rules of the Supervisory Board, the non-voting members are appointed by the Supervisory Board for a term of four years.

Non-voting member	Date of 1st appointment	Term of office expiry date	Attendance to the Supervisory Board meeting
Frédéric BANZET (appointed on the recommendation of Groupe Familial Peugeot)	29/07/2014	2022	100%
Alexandre OSSOLA (appointed on the recommendation of BPI)	25/07/2017	2021	100%
LV Haitao (appointed on the recommendation of DMHK)	25/07/2017	2021	88%

3.1.2.9. INFORMATION ON THE MEMBERS OF THE SUPERVISORY BOARD AT 31 DECEMBER 2019

Board Members

LOUIS GALLOIS

French national

Born 26 January 1944

Business address:
Groupe PSA,
7, rue Henri Sainte Claire Deville,
92500 Rueil-Malmaison,
France

First elected to the Supervisory Board:
12 February 2013

Date of last renewal:
24 April 2018

Current term expires:
2022 (4-year term)

Chairman of the Supervisory Board of Peugeot S.A.

Independent Member
Member of the Appointments, Compensation and Governance Committee
Member of the Finance and Audit Committee

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Chairman of Fédération des Acteurs de la Solidarité		
Co-Chairman of La Fabrique de l'Industrie		
Director of Association Nationale de la Recherche Technique		
President of the experimental fund for areas with zero long-term unemployed		

Other directorships and positions in the past five years:

- General Commissioner for Investment
- Director of MICHELIN S.C.A.
- Director of École Centrale de Paris
- Director of Cercle de l'Industrie

Relevant expertise and professional experience:

A graduate of the HEC business school and École Nationale d'Administration, Louis GALLOIS began his career in the French Treasury Department. He subsequently became Chief of Staff for Jean-Pierre CHEVÈNEMENT at the Ministry of Research and Technology before serving as Head of the Industry Department at the Ministry of Industry and Policy Officer at the Ministry of the Economy, Finance and Privatisation before ultimately serving on Mr CHEVÈNEMENT'S staff at the Ministry of Defence. After that, he held the position of Chairman and Chief Executive Officer, first at Snecma (1989-1992) and then at Aérospatiale (1992-1996). After serving as President of SNCF-French Railways from 1996 to 2006, he was one of the co-Chief Executive Officers of the EADS Group until 2007, then Chief Executive Officer until June 2012. He was the Chief Executive Officer of EADS (Airbus) from September 2006 to the end of August 2007. He served as General Commissioner for Investment from June 2012 through April 2014. He has held the position of Chairman of the Supervisory Board of Groupe PSA since 29 April 2014.

Number of Peugeot S.A. securities owned as of 31 December 2019: 1,065 shares.

GILLES SCHNEPP

French national

Born 16 October 1958

Business address:
Legrand,
128, avenue du Maréchal-de-Lattre-de-Tassigny
87045 Limoges,
France

First appointed to the Supervisory Board:
25 April 2019

Current term expires:
2023 (4-year term)

Vice-Chairman of the Supervisory Board of Peugeot S.A.

Independent member and Senior Independent Member
Chairman of the Appointments, Compensation and Governance Committee
Member of the Finance and Audit Committee

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Chairman of the Board of Directors of Legrand	√	
Director of Saint-Gobain, Member of the Audit and Risk Committee	√	
Chairman of the Fédération des Industries Électriques, Électroniques et de Communication (FIEEC)		
Member of the Executive Board of MEDEF, Co-Chairman of the Ecological and Economic Transition Commission		

Other directorships and positions in the past five years:

- Chairman and Managing Director of Legrand

Relevant expertise and professional experience:

Gilles SCHNEPP graduated from HEC in 1981 and started his career in 1983 at Merrill Lynch France. He was appointed company Vice-Chairman in 1986 and then Senior Vice-Chairman in 1989.

He transitioned from finance to industry when he joined Legrand in 1989. He began as deputy to the Chief Financial Officer, then became Chief Financial Officer and advanced through the ranks to become Vice-Chairman and Managing Director in 2004, succeeding François GRAPPOTTE. In 2006, he took over as Chairman and Managing Director.

In 2018, Gilles SCHNEPP stepped down as Managing Director of the Legrand Group, handing over the reins to Benoît COQUART, but stayed on as Chairman of the Board of Directors.

Gilles SCHNEPP holds the French honours of Knight of the Legion of Honour and Officer of the National Order of Merit.

Number of Peugeot S.A. securities owned as of 31 December 2019: 1,000 shares.

MARIE-HÉLÈNE PEUGEOT RONCORONI

French national

Born 17 November 1960

Business address:
FFP, 66, avenue
Charles de Gaulle,
92200 Neuilly-sur-Seine,
France

EPF first elected to the Supervisory Board:
25 April 2014

Date of last renewal of EPF to the Supervisory Board:
24 April 2018

Current term expires:
2022 (4-year term)

Permanent Representative of Établissement Peugeot Frères (EPF) on the Board of Directors of Peugeot S.A.

Member of the Appointments, Compensation and Governance Committee
Member of the Asia Business Development Committee
Vice-Chairwoman of the Supervisory Board of Peugeot S.A.

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Director and Vice-Chairwoman of the PSA Corporate Foundation		√
Director and Chief Operating Officer of Établissement Peugeot Frères S.A. (EPF)		
Vice-Chairwoman and Director of FFP S.A.	√	
Chairwoman of the Board of Directors and Director of the *société anonyme* (joint stock corporation) SAPAR S.A.		
Director of ESSO SAF	√	
Director of LISI	√	
Chairwoman of SAINT-CO SAS		
Administrator of the Peugeot Family Endowment Fund		
Director of SICAV ARMENE 2		

Other directorships and positions in the past five years:

- Member of the Supervisory Board of Peugeot S.A.
- Director of ASSURANCES MUTUELLES DE FRANCE
- Chief Operating Officer of SAPAR S.A.
- Permanent Representative of SAPAR S.A. on the Board of Directors of IMMEUBLES DE FRANCHE-COMTÉ
- Representative of Assurances Mutuelles de France at the Institut Diderot (Endowment Fund)
- Director of SICAV ARMENE

Relevant expertise and professional experience:

Marie-Hélène PEUGEOT RONCORONI graduated from Sciences Po Paris. She began her career in an international audit firm before holding positions in Corporate Finance, Industrial Relations and human resources within the Group. She currently serves as Director and Chief Operating Officer of Établissements Peugeot Frères, Director and Vice-Chairwoman of FFP, ESSO SAF and LISI. She is also director and Vice-Chairwoman on the Board of Directors of the PSA Corporate Foundation.

Number of Peugeot S.A. securities owned by Marie-Hélène PEUGEOT RONCORONI as of 31 December 2019: 1,150 shares.

Number of Peugeot S.A. securities owned by EPF as of 31 December 2019: 26,298,895 shares.

Number of units owned by Marie-Hélène PEUGEOT RONCORONI in the Groupe PSA Employee Stock Ownership Fund as of 31 December 2019: 673 units.

LI SHAOZHU

Chinese national

Born 3 December 1960

Business address:
Special No. 1 Donfeng Road
Wuhan Economic and Technology Development Zone, Wuhan, Hubei Province,
China

DMHK first elected to the Supervisory Board: 25 April 2014

Date of last renewal of DMHK to the Supervisory Board: 24 April 2018

Current term expires: 2022 (4-year term)

Permanent Representative of Dongfeng Motor (Hong Kong) International Co. Ltd. (DMHK) on the Supervisory Board of Peugeot S.A.

Member of the Appointments, Compensation and Governance Committee of Peugeot S.A.
Vice-Chairman of the Supervisory Board of Peugeot S.A.

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Director, Chief Executive Officer and Deputy Secretary of the Party Committee of Dongfeng Motor Corporation		
Executive Director, Chairman and Chief Executive Officer and Permanent Member of the Party Committee of Dongfeng Motor Group, Ltd.	√	
Director of Dongfeng Motor Co. Ltd.		
Chairman of Dongfeng Renault Automobile Co., Ltd.		
Chairman of Dongfeng Honda Automobile Co., Ltd.		
Chairman of Dongfeng Commercial Vehicles Co., Ltd.		

Other directorships and positions in the past five years:

- Deputy Managing Director and Permanent Member of the Party Committee of Dongfeng Motor Corporation
- Permanent Member of the Party Committee of Dongfeng Motor Co., Ltd.
- Secretary of the Party Committee of Dongfeng Design Institute Co., Ltd.
- Chairman of Dongfeng Design Institute Co., Ltd.
- Chairman of Dongfeng Checheng Logistics Co., Ltd.
- Chairman of Wuhan Dawnpro Information Technology Co., Ltd.
- Chairman of Dongfeng Infiniti Motor Co., Ltd.

Relevant expertise and professional experience:

LI Shaozhu, 59, was appointed Managing Director of Dongfeng Motor Corporation in June 2016. He is currently a member of the Board, Managing Director and Deputy Secretary of the Party Committee of Dongfeng Motor Corporation.

In 1983 he received a bachelor's degree in mechanical engineering with a concentration in casting engineering and equipment from Tsinghua University. He earned an MBA from Zhongnan University in 1996.

He joined Dongfeng Motor Corporation in 1983. He served as the company's Deputy Managing Director from July 1997 through July 2001. Managing Director and Permanent Member of the company's Party Committee from July 2001 to June 2016.

Beginning in June 2016, he served as Managing Director, Director and Deputy Secretary of Dongfeng Motor Corporation. In August 2016, he was also appointed Chairman and Chief Executive Officer of Dongfeng Motor Group Company Limited.

Mr LI has more than 30 years' experience in the automotive industry.

Number of Peugeot S.A. securities owned as of 31 December 2019: None.

Number of Peugeot S.A. securities owned by DMHK as of 31 December 2019: 110,622,220 shares.

ANNE GUERIN

French national

Born 16 August 1968

Business address:
Bpifrance Participations,
6/8, boulevard Haussmann,
75009 Paris
France

Bpifrance Participations first elected to the Supervisory Board:
25 July 2017

Date of last renewal of Bpifrance Participations to the Supervisory Board:
24 April 2018

Current term expires:
2022 (4 years)

Permanent Representative of Bpifrance Participations on the Supervisory Board of Peugeot S.A.

Member of the Finance and Audit Committee
Member of the Appointments, Compensation and Governance Committee
Vice-Chairwoman of the Supervisory Board

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Director of Bpifrance Régions		
Director of the VoisinMalin non-profit-making association		
Bpifrance's Finance and Network Executive Director		

Other directorships and positions in the past five years:

- Executive Director for Risk (Bpifrance)
- International Financing Director (Bpifrance)
- Regional Director, Île de France West (Bpifrance)
- Director and Permanent Representative of Bpifrance Participations on the Board of CGG

Relevant expertise and professional experience:

Anne GUERIN is a graduate of ESCP Europe. She began her career as an account manager at the French SME development bank, moving on to become Equity Investments Manager at Avenir Entreprises. She joined Bpifrance in 2008, as Regional Manager for the Western Île de France, then became Manager for International Financing (2014-2016) and lastly, Risk Manager (2016-2017). She is currently Executive Vice-President in charge of Network and Financing. Anne GUERIN is also a member of the Bpifrance Régions Board of Directors, and a Director of the VoisinMalin non-profit-making association.

Number of Peugeot S.A. securities owned by Mrs Anne GUERIN as of 31 December 2019: None.

Number of Peugeot S.A. securities owned by Bpifrance Participations as of 31 December 2019: 1,000 shares.

DANIEL BERNARD

French national

Born 18 February 1946

Business address:
Provestis,
14, Rue de Marignan,
75008 Paris,
France

Lion Participations first elected to the Supervisory Board:
25 July 2017

Current term expires:
2021 (4-year term)

Permanent Representative of Lion Participations on the Supervisory Board of Peugeot S.A.

Member of the Strategic Committee
Member of the Asia Business Development Committee

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Vice-Chairman of the Board of Directors of Cap Gemini S.E.	√	
Chairman of Provestis S.A.S.		
Senior Advisor to Towerbrook Capital Partners LP (UK)		
Director of the EESC HEC		
Honorary President of the HEC Foundation		
Director of OVH		

Other directorships and positions in the past five years:

- Director of Alcatel-Lucent S.A.S.
- President of the HEC Foundation
- Chairman of MAF Retail Group (Dubai)
- Chairman of Kingfisher Plc (UK)

Relevant expertise and professional experience:

A graduate of HEC, Daniel BERNARD was successively the Managing Director of the group Metro France (1981-1989), Chief Operating Officer de Metro International AG (1989-1992), then Chairman and Chief Executive Officer of Carrefour (1992-2005), Chairman of the Board of Directors of MAF Retail Group (Dubai) (2010-2014), and Chairman of the Board of Directors of Kingfisher Plc (UK) (2006-2017). He is currently Chairman of the Provestis holding company. He is also Vice-Chairman of the Board of Directors of Cap Gemini S.E., Senior Advisor to Towerbrook Capital Partners LP (United Kingdom), Member of the OVH Board of Directors, Member of the HEC Board of Management and Honorary President of the HEC Foundation. Daniel BERNARD holds the French honours of *Chevalier de la Légion d'Honneur* and *Officier de l'Ordre National du Mérite*.

Number of Peugeot S.A. securities owned by Daniel BERNARD as of 31 December 2019: None.

Number of Peugeot S.A. securities owned by Lion Participations as of 31 December 2019: 110,621,220 shares.

CATHERINE BRADLEY

French and British national

Born 20 April 1959

Business address:
Groupe PSA,
7, rue Henri Sainte
Claire Deville,
92500 Rueil-Malmaison,
France

First elected to the Supervisory Board:
23 February 2016

Current term expires:
2020 (4-year term)

Member of the Supervisory Board of Peugeot S.A.

Independent Member
Chairwoman of the Finance and Audit Committee
Member of the Appointments, Compensation and Governance Committee

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Independent Director at the Financial Conduct Authority (FCA)		
Independent Director of Johnson Electric	√	
Member of the Investment Committee of The Athenaeum Club		

Other directorships and positions in the past five years:

- Independent director at WS Atkins PLC

Relevant expertise and professional experience:

Catherine Bradley is a graduate of HEC Paris. She spent 33 years working in investment banking and risk management, first in the United States, then in the United Kingdom and finally in Asia. She spent the first 10 years at Merrill Lynch. Most recently, she joined Crédit Suisse as Managing Director in 2003, starting out in London as Head of Coverage. She was then appointed Head of the Equity-Linked Solutions Group for Asia Pacific from 2008 to 2012. She concluded that phase of her career working as a Global Markets strategic advisor for Société Générale in Asia until 2014.

She is currently an independent director on the Board of Directors of the Financial Conduct Authority, the United Kingdom's financial regulator, where she chairs the Audit Committee. She also sits on the Boards of Directors of Johnson Electric (listed in Hong Kong) and easyJet plc (listed on the FTSE 100). She also chairs the Investment Committee of the Athenaeum Club. In 2019, Catherine Bradley was honoured as a Commander of the Most Excellent Order of the British Empire (CBE).

Number of Peugeot S.A. securities owned as of 31 December 2019: 1,000 shares.

PAMELA KNAPP

German national

Born 8 March 1958

Business address:
Groupe PSA,
7, rue Henri Sainte
Claire Deville,
92500 Rueil-Malmaison,
France

First elected to the Supervisory Board:
31 May 2011

Date of last renewal:
10 May 2017

Current term expires:
2021 (4-year term)

Member of the Supervisory Board of Peugeot S.A.

Independent Member
Member of the Appointments, Compensation and Governance Committee
Member of the Finance and Audit Committee

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Director of COMPAGNIE DE SAINT-GOBAIN S.A.	√	
Director of HKP AG		
Director of PANALPINA AG	√	
Director of BEKAERT NV	√	
Member of the Supervisory Board of Lanxess AG	√	

Other directorships and positions in the past five years:

- Member of the Managing Board of GFK SE
- Director of Panalpina AG
- Director of HKP AG

Relevant expertise and professional experience:

Pamela KNAPP is a graduate of Harvard Business School's Advanced Management Programme and holds a Masters in Economics from the University of Berlin. She began her career at Deutsche Bank AG, and later worked as an M&A consultant before holding several management positions at the Siemens Group AG, including as Senior Vice-President for the group's Management Development, the group's Senior Management Remuneration System from 2000 to 2004, and Chief Financial Officer of the Power Transmission & Distribution Division from 2004 to 2009. From 2009 until October 2014, she was Chief Financial Officer and Human Resources Director of the GfK SE Group.

Number of Peugeot S.A. securities owned as of 31 December 2019: 1,938 shares.

CHRISTIAN LAFAYE

French national

Born 21 January 1956

Business address:
Groupe PSA,
site de Sept-Fons,
Route de Sept-Fons,
03290 Dompierre-sur-Besbre,
France.

First elected to the Supervisory Board:
22 June 2018*

Current term expires:
CGE 2022 (4-year term)

Employee representative on the Supervisory Board of Peugeot S.A.

Member of the Asia Business Development Committee
Member of the Strategic Committee

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Director and member of the Fondation PSA Board of Directors representing employees		

Other directorships and positions in the past five years:

- Employee representative at Groupe PSA's Sept-Fons plant
- Member of the Works Council at Groupe PSA's Sept-Fons plant
- *Force Ouvrière* Central Trade Union Representative for Groupe PSA

Relevant expertise and professional experience:

Christian LAFAYE is the historical representative of the *Force Ouvrière* trade union at Sept-Fons. A foundryman by trade and an employee at this plant since 1976, he has held several positions on the Sept-Fons Works Council, including Employee Representative at the Sept-Fons plant for 41 years and Deputy Secretary of the Sept-Fons Works Council for 18 years.

He also served as Secretary of the Sept-Fons Works Council for 20 years and has been the Central Trade Union Representative for the last 10 years.

He brings to the Supervisory Board extensive knowledge of the Company, the automotive industry and labour organisations.

Number of Peugeot S.A. securities owned as of 31 December 2019: None.

Number of units in the Groupe PSA Employee corporate mutual funds « salariés du Groupe PSA » and « Secure » as of 31 December 2019 : 542 units.

* Appointed in accordance with Article L. 225-79-2 of the French Commercial Code.

ROBERT PEUGEOT

French national

Born 25 April 1950

Business address:
FFP,
66, avenue Charles de Gaulle,
92200 Neuilly-sur-Seine,
France

FFP first elected to the Supervisory Board:
25 April 2014

Date of last renewal of FFP to the Supervisory Board:
24 April 2018

Current term expires:
2022 (4-year term)

Permanent Representative of FFP on the Supervisory Board of Peugeot S.A.

Chairman of the Strategic Committee
Member of the Finance and Audit Committee

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Director of Faurecia S.A.	√	√
Chairman and Chief Executive Officer of FFP S.A.	√	
Director of Établissements Peugeot Frères		
Director of Sofina S.A.S.	√	
Director of Tikehau Capital Advisors*		
Managing Director of S.A.R.L. CHP Gestion		
Managing Director of SC RODOM		
Permanent Representative of FFP, Chairman of FFP Invest		
Permanent Representative of FFP Invest, Chairman and member of the Supervisory Board of Financière Guiraud S.A.S.*		
Permanent Representative of Maillot I on the Board of Directors of SICAV Armene 2		
Permanent Representative of F&P on the Board of Directors of Safran S.A.*	√	
Member of the Supervisory Board of SOPAREXO S.C.A.		
Member of the Supervisory Board of ACE Management		
Member of the Supervisory Board of Signa Prime		
Chairman of F&P S.A.S.		
Director of FFP Investment UK Ltd.		

Other directorships and positions in the past five years:

- Permanent Representative of FFP Invest on the Supervisory Board of IDI Emerging Markets S.A.*
- Director of Sanef*
- Permanent Representative of FFP Invest on the Supervisory Board of Zodiac Aerospace*
- Director of Holding Reinier S.A.S.
- Director of Imerys
- Permanent Representative of FFP Invest on the Board of Directors of Sanef S.A.*
- Member of the Supervisory Board of IDI EMERGING MARKETS S.A.
- Member of the Supervisory Board of Peugeot S.A.
- Member of the Supervisory Board of Hermes International SCA
- Director of DKSH AG*
- Permanent Representative of Maillot I on the Board of Directors of SICAV Armene

Relevant expertise and professional experience:

After graduating from École Centrale de Paris and INSEAD, Robert PEUGEOT held various executive positions within Groupe PSA. From 1998 to 2007, he was Vice-President, Innovation & Quality, and a member of the Group's Executive Committee. Since 2003, he has been Chairman and Managing Director of FFP. He is a Knight of the French National Order of Merit and a Knight of the French Legion of Honour.

Number of Peugeot S.A. securities owned by Robert PEUGEOT as of 31 December 2019: 1,000 shares.

Number of Peugeot S.A. securities owned by FFP as of 31 December 2019: 84,323,161 shares.

* Corporate office held within FFP.

THIERRY DE LA TOUR D'ARTAISE

French national

Born 27 October 1954

Business address:
Campus SEB –
112, chemin du Moulin Carron,
CS 90229 69134 Ecully
CEDEX, France

First elected to the Supervisory Board:
25 April 2019

Current term expires:
2023 (4-year term)

Member of the Supervisory Board of Peugeot S.A.

Independent Member
Member of the Strategic Committee
Member of the Asia Business Development Committee

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Director of CIC - Lyonnaise de Banque	√	
Chairman - Managing Director and Chairman of the Board of Directors of SEB S.A.	√	
Chairman of the Board of Directors of Zhejiang Supor Co. Ltd.	√	
Chairman of SEB Internationale		
Chairman of the Board of Directors of WMF Group GmbH		
Chairman of Holding HPP		

Other directorships and positions in the past five years:

- Director of Club Méditerranée
- Director of Legrand

Relevant expertise and professional experience:

Thierry de LA TOUR D'ARTAISE is a graduate of ESCP and a certified public accountant. He began his career in the United States as Financial Controller at Allendale Insurance. He then spent four years at Coopers & Lybrand in Paris before joining the Chargeurs Group, where he held a variety of positions in finance before becoming Business Manager and CFO of Croisières Paquet for two years, then Managing Director for 10 years.

Thierry de LA TOUR d'ARTAISE joined the SEB Group in 1994.

He started out as Managing Director of Calor, then took over as Chairman in 1996 before joining the Household Goods Division, of which he became Chairman in 1998. Thierry de LA TOUR D'ARTAISE was appointed Vice-Chairman of the SEB Group in 1999, and in 2000 became Chairman and Managing Director, a position he still holds.

He holds the honours of Commander in the French National Order of Merit and Officer of the French Legion of Honour.

Number of Peugeot S.A. securities owned as of 31 December 2019: 1,000 shares.

BÉNÉDICTE JUYAUX

French national

Born 19 January 1961

Business address:
Groupe PSA,
Centre Technique de Vélizy,
Route de Gisy,
Parc Inovel Sud,
78943 Vélizy-Villacoublay
Cedex, France

First elected to the Supervisory Board:
10 May 2017

Current term expires:
2021 (4-year term)

Representative of employee shareholders on the Supervisory Board of Peugeot S.A.

Member of the Finance and Audit Committee
Member of the Appointments, Compensation and Governance Committee

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Chairwoman of the Supervisory Board of the Groupe PSA Employee Stock Ownership Fund	√	√
Chairwoman of the Diversity Commission at Peugeot S.A.'s Vélizy Technical Centre	√	√
Vice-Chairwoman for Quality in the R&D Department responsible for Peugeot S.A. connected vehicles	√	√
Director of Association Avenir Dysphasie France (AAD – a non-profit-making association for dysphasia sufferers)		

Other directorships and positions in the past five years:

- Group System Quality Manager in the Quality Department of Peugeot S.A.
- Audit Manager in the Quality Department of Peugeot S.A.
- Chairwoman of the Supervisory Board of the SECURE corporate mutual fund of Peugeot S.A.

Relevant expertise and professional experience:

Bénédicte JUYAUX is an engineer with a degree in Mechanical Engineering from the Compiègne University of Technology. She began her career at Saint Gobain Vitrage as an engineer, moving on there to become Quality Manager at three different production sites (float glass and vehicle windows), where she developed the first quality-assurance methods. After three years' expatriation in the United States (at Charlottesville, Virginia), she joined Groupe PSA in January 2000 to continue her career in research and development quality. Among others, she served as a manager in cross-functional Quality entities (methods, audit, Lean Management, quality management system, etc.) and programme quality manager (Citroën C3 II and DS3 projects). She is currently Vice-Chairwoman for quality at Groupe PSA.

Alongside this, she has been involved in trade-union activity since the 1990s, notably with initiatives to promote gender equality, diversity and employee shareholding at Groupe PSA. She has also contributed to the activities of the PSA Foundation through mentorship, and sponsorship of the handicapped (winning a major sponsorship award in 2013). She is a director of and actively involved in the Association *Avenir Dysphasie* (AAD) non-profit, in charge of young people's activities and employment.

Number of Peugeot S.A. securities owned as of 31 December 2019: None.

Number of units in the Groupe PSA Employee corporate mutual funds *"salariés du Groupe PSA"* and "Secure" as of 31 December 2019: 1,047 units.

Non-voting members

FRÉDÉRIC BANZET

French national

Born 16 September 1958

Business address:
FFP Investment
UK Ltd., 2 Duke Street,
London W1U 3EH,
United Kingdom

First appointed to the Supervisory Board as a non-voting member:
29 July 2014

Date of last renewal:
24 April 2018

Current term expires:
2022 (4-year term)

Non-voting member of the Supervisory Board of Peugeot S.A. (appointed on the recommendation of FFP/EPF)

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Director of Établissements Peugeot Frères S.A.		
Director and Chairman of FFP INVESTMENT UK Ltd.		
Director of FFP Investments US 1, Inc.		
Director of FFP US CC, Inc.		
Director of FFP US SRL, Inc.		
Director of FFP Investments US 2, Inc.		
Director of FFP Stovall, Inc.		

Other directorships and positions in the past five years:

- Chairman and Chief Executive Officer of Automobiles Citroën S.A.
- Director of Citroën Belux S.A.
- Director of PSAG Automóviles Citroën España S.A.
- Director of Citroën UK Ltd.
- Member of the Supervisory Board of Peugeot Citroën Ukraine S.R.L.
- Director of Changan PSA Automobiles Co. Ltd. (CAPSA)
- Chairman (permanent representative of Automobiles Citroën S.A.) and member of the Board of Directors of Automoveis Citroën S.A.
- Director of FFP
- Permanent Representative of FFP Invest at IDI Emerging Markets S.A.
- Permanent Representative of FFP Investment on the Supervisory Board of ZODIAC AEROSPACE S.A.

Relevant expertise and professional experience:

Frédéric BANZET holds a law degree and is a graduate of ISTEC and Harvard Business School. He held various positions in Groupe PSA, featuring eight years at the Finance Department in France and abroad (as Deputy Managing Director of PSA Finance in London for four years). He also held the position of Head of Peugeot's Asia-Pacific Operations, before moving to Citroën as Head of International Affairs then Head of Sales and Marketing Europe. He was Managing Director of the Citroën brand from 2009 until June 2014. In September 2014, he joined FFP's executive management team. He has been Chairman and Managing Director of FFP Investment UK Limited since December 2015.

Number of Peugeot S.A. securities owned as of 31 December 2019: 25% of the bare ownership of 600 shares.

Number of units in the Groupe PSA Employee Stock Ownership Fund as of 31 December 2019 : 2,134 units.

ALEXANDRE OSSOLA

French national

Born 26 September 1974

Business address:
Bpifrance Participations,
6/8, boulevard Haussmann,
75009 Paris
France

First elected to the Supervisory Board:
25 July 2017

Current term expires:
2021 (4-year term)

Non-voting member of the Supervisory Board of Peugeot S.A. (appointed on the recommendation of BPIfrance)

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Member of the Capital Development Management Committee at Bpifrance Investissement S.A.S.		
Director of Mid Cap business and Director of the FAA of Bpifrance Investissement S.A.S.		
Member of the Supervisory Board, Member of the Finance and Audit Committee, Member of the Strategic Committee (permanent representative of Bpifrance Participations) of Vallourec S.A.	√	
Member of the Supervisory Committee (permanent representative of Bpifrance Investissement) of Novares Group S.A.S.		
Member of the Board of Directors (permanent representative of Bpifrance Investissement) of Trèves SAS		
Member of the Supervisory Committee of Novarc		
Member of the Supervisory Committee of Financière Aquila		

Other directorships and positions in the past five years:

- Manager of the nuclear and railway funds at Bpifrance Investissement S.A.S.
- Member of the Shareholders' Committee (permanent representative of Bpifrance Investissement) of Cameron France Holding
- Member of the Supervisory Board (permanent representative of Bpifrance Investissement) of Financière SNOP Dunois S.A.S.
- Member of the Board of Directors of Climpact
- Member of the Board of Directors of Mecaplast SAM (a Monaco-based company)
- Member of the Board of Directors of HPC

Relevant expertise and professional experience:

Alexandre OSSOLA is a graduate of ESCP Europe. He began his career at Wasserstein Perella (1998-1999), before joining Crédit Suisse First Boston (1999-2000). He went on to be Manager at the Paris Office of CVC Capital Partners (2000-2011), then was in charge of venture capital operations at CDC Climat (2011-2013). He joined Bpifrance Investissement in 2013 as Manager of the nuclear and railway funds. In 2015, he joined the Bpifrance Mid & Large Cap Management Committee, heading both *Fonds d'Avenir* Automobile funds (FAA – tier 1 and tier 2). In 2017, he also headed Bpifrance's Mid Cap activities in the Capital Development Department, where he is a member of the Management Committee.

Number of Peugeot S.A. securities owned as of 31 December 2019: None.

LV HAITAO

Chinese national

Born 3 September 1970

Business address:
Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei Province,
China

First elected to the Supervisory Board:
25 July 2017

Current term expires:
2021 (4-year term)

Non-voting member of the Supervisory Board of Peugeot S.A. (appointed on the recommendation of DMHK)

Other directorships and positions as of 31 December 2019:	Listed company	Group Company
Director of Dongfeng Peugeot Citroën Automobiles Co., Ltd. (DPCA)		√
Member of the Supervisory Board of Dongfeng Peugeot Citroën Automobiles Sales Co., Ltd.		√
Vice-President of Strategy and Programme at Dongfeng Motor Corporation		
Director of Dongfeng Renault Automobile Co., Ltd.		

Other directorships and positions in the past five years:

- Chief Operating Officer, Marketing, and member of the Executive Committee of Dongfeng Peugeot Citroën Automobiles Co., Ltd. (DPCA)
- Deputy Director of the Party Office and Head of the Foreign Affairs Division of Dongfeng Motor Corporation

Relevant expertise and professional experience:

LV Haitao graduated with a Master of Science and Management degree from the University of Huazhong (China). He began his career at DPCA (a JV between Groupe PSA and Dongfeng Motors) in 1992, in the Quality Department. After holding a number of positions in the Purchasing Department, he became Executive Assistant to the Chief Executive Officer of DPCA in 2003. He held a number of positions of responsibility at DPCA. In 2012, he was appointed Chief Executive Officer of Dongfeng Peugeot, then Chief Operating Officer, Sales, of DPCA, Member of the Executive Committee. In 2016, he joined DFM as Vice-President at the Office (Party Office) and Head of the Foreign Division. He is currently the Deputy Head of the Strategy and Programme Department at DFM, a Director of DPCA, member of the Supervisory Board of DPCS and Director of Dongfeng Renault Automobile Co., Ltd.

Number of Peugeot S.A. securities owned as of 31 December 2019: None.

Supervisory Board member expertise

Among the kinds of expertise required to serve on the Peugeot S.A. Supervisory Board, the table below summarises the diversity and complementarity of the expertise assembled:

	Finance & Risk management	International experience	Industry	New economic models	Human resources	CSR	Governance
Louis GALLOIS			√		√		√
Gilles SCHNEPP			√			√	√
Marie-Hélène PEUGEOT RONCORONI	√					√	√
LI Shaozhu			√		√	√	
Anne GUERIN	√				√		√
Catherine BRADLEY	√	√					√
Pamela KNAPP	√			√	√		
Christian LAFAYE			√		√	√	
Robert PEUGEOT	√		√				√
Thierry de LA TOUR D'ARTAISE		√	√				√
Bénédicte JUYAUX		√	√			√	
Daniel BERNARD		√		√			√
YOU Zheng		√	√				√

This balanced membership ensures the quality of the debates and decisions taken by the Supervisory Board.

3.1.3. Preparation and organisation of the Supervisory Board's work

3.1.3.1. ROLE AND POWERS OF THE SUPERVISORY BOARD

In accordance with the law, the Supervisory Board acts as the oversight body of the Company, which is administered and managed by the Managing Board.

Therefore, the role of the Supervisory Board is:

- to permanently monitor the management of the Company by the Managing Board, making the checks it deems necessary;
- to perform periodic checks on the management of the Company's affairs: once a quarter for the Management Report submitted to it by the Managing Board, and within three months of the end of each financial year when the Managing Board submits the parent company financial statements, consolidated financial statements and the Management Report intended for the Shareholders' Meeting, for the Supervisory Board's opinion and observations. Therefore, it also examines the Half-year Financial Report, the quarterly financial information and the financial press releases to be published by the Company;
- the Managing Board therefore regularly updates the Supervisory Board on the financial position, cash position and Company commitments to give, in accordance with the powers it holds under Article 9 of the by-laws of the Company and in addition to the legal obligations of prior authorisations, its prior authorisation for the Managing Board to carry out the following actions:

a) propose any amendment to the Company by-laws (or any other decision whose purpose or effect would be to amend the Company by-laws),

b) conduct share issues (whether paid up in cash or by capitalising retained earnings) and capital reductions, where authorised by the Shareholders' General Meeting,

c) issue any and all ordinary or convertible bonds authorised by the Shareholders' General Meeting,

d) draft any merger agreements or agreements for partial transfer of assets,

e) sign or terminate any manufacturing or sales agreements representing a future commitment for the Company with companies whose corporate purpose is similar or related to that of the Company and generally the execution of any major transaction which substantially alters the scope of the business or the financial structure of the Company or the Group it controls or which are not part of the strategy announced by the Group,

f) purchase, sell, exchange or contribute any business property and/or goodwill in excess of the amounts determined by the Supervisory Board (currently €100 million),

g) purchase, take or dispose of any stake in other existing or future companies which represent directly or indirectly a capital expenditure, an expense (in corporate value) or a credit or liability guarantee, immediate or deferred, in excess of the amounts determined by the Supervisory Board (currently €100 million),

h) sign loan agreements, other than for bond issues, for a period or an amount in excess of the limits set by the Supervisory Board (currently €100 million),

i) grant or renew sureties, endorsements and guarantees on behalf of the Company (excluding commitments to the tax and customs authorities), irrespective of the duration of the guaranteed commitments, for an amount per commitment in excess of the amount set by the Supervisory Board (currently €25 million), or for a total yearly amount in excess of the amount set by the Supervisory Board (currently €125 million),

j) issue any performance-based stock option or performance share plans,

k) buy back shares under a programme authorised by the Shareholders' General Meeting, and

l) enter into any transaction agreement or any commitment, as part of a legal dispute or arbitration procedure in excess of the amounts set by the Supervisory Board (currently €50 million).

All these authorisations apply to transactions carried out by the Company. The topics discussed in paragraphs (b) and (d) above apply to transactions carried out by the Group's direct or indirect subsidiaries insofar as they involve an entity outside the Group and have strategic importance. The topics discussed in paragraphs (c) and (h) above apply to any Group subsidiary except for Banque PSA Finance. The topics discussed in paragraphs (e), (f), (g), (i), (j), (k) and (l) above apply to any Company subsidiary.

Regarding the topics discussed in paragraphs (f) and (g) above, the Managing Board will notify the Supervisory Board of the completion of similar transactions applying to amounts between €50 million and €100 million inclusive.

Notwithstanding the above, the aforementioned authorisations do not apply to transactions carried out by Faurecia.

The Supervisory Board ensures that the strategy proposed and applied by the Managing Board fits with its long-term vision.

Each year, it examines and approves the medium-term strategic plan, the capital expenditure plan and the budget.

It is alerted by the Managing Board as soon as possible in the case of an external event or internal developments which significantly jeopardise the Company's outlook or the projections submitted to the Supervisory Board.

It is notified annually of the main priorities of the Group's human resources policy.

3.1.3.2. OPERATING PROCEDURES OF THE SUPERVISORY BOARD

The Supervisory Board, in its operating procedures and activities, bases itself on the Board's Internal Rules; the full text of these is available on the Group website.

The Supervisory Board's Internal Rules set out the following, notably:

- the minimum number of Board meetings that must be held per year (five), as well as the procedures to be applied when holding the meetings and preparing the agenda;
- the procedures for supplying information to members (a monthly presentation on the Group's business and results);
- the roles and responsibilities of the Supervisory Board committees;
- the obligations of Supervisory Board members;
- minimum shareholding (1,000 shares), except for French government representatives, the employee representative and the employee shareholders' representative, in accordance with the special legislative provisions applicable to them;
- rules on the management of conflicts of interest: "*All members of the Supervisory Board who are, even potentially, directly or through an intermediary, in a situation of conflict of interest with regard to the corporate interest due to the duties they perform and/or other interests they have, must notify the Chairman of the Supervisory Board or any person appointed by him. They shall refrain from taking part in decision-making on related issues, and as such may be asked not to take part in the vote*".

3.1.3.3. STOCK MARKET CODE OF ETHICS

The Stock Market Code of Ethics was updated in 2016 to take into account new market abuse regulations. It aims to define the preventive measures authorising members of the Supervisory Board, Managing Board, Global Executive Committee and non-voting members to intervene on Peugeot S.A. and/or Faurecia securities, in line with market integrity rules (reminder of confidentiality obligations and the obligation to refrain from such activity in the event of access to insider information and the applicable penalties, reporting obligations, blackout periods, inclusion on the insiders' trading list, etc.). It is available in full on the Group's website. All corporate directors have signed on to the charter. They are periodically reminded of these obligations by the Company.

3.1.3.4. ASSESSMENT OF THE SUPERVISORY BOARD'S OPERATING PROCEDURES

The Supervisory Board's Internal Rules set out the following: the Board regularly reviews its membership, organisation, functioning and the procedures used to exercise its control. The Board also works with the Managing Board to evaluate the operating procedures between the two bodies.

This assessment has three aims, to:

- review the Board's operating procedures;
- ensure that important matters are properly prepared and discussed;
- measure the actual contribution of each member to the Board's work through their expertise and involvement in the proceedings.

For this purpose, once a year the Supervisory Board devotes one agenda item to its operating procedures and reports on these assessments in the meeting minutes.

A formal assessment is carried out once every three years. It is initiated by the Appointments, Compensation and Governance Committee, with the assistance of an outside consultant if necessary, in accordance with the recommendations of the AFEP-MEDEF Code.

Shareholders are informed annually through the Supervisory Board's Report on corporate governance about the completion of the assessment and any further action that may be taken.

A meeting of the members of the Supervisory Board is held once a year to assess the performance of the Managing Board and plan for its future.

A formal assessment was performed with the assistance of an outside consultant during financial year 2018. The conclusions and action plan were reported to the Supervisory Board during its 23 April 2018 meeting. At its meeting on 13 December 2019, the Appointments, Compensation and Governance Committee decided to launch an internal assessment, without assistance from an outside consultant. This assessment measured the progress against the recommendations made in 2018 and listed new areas for improvement for 2020 in the form of an online questionnaire, completed by a meeting between the Chairman of the Appointments, Compensation and Governance Committee and each Board member to discuss the answers received.

The results were shared with the Appointments, Compensation and Governance Committee during its meetings on 31 January 2020 and 24 February 2020, then a summary of the results and actions was presented at the Supervisory Board meeting of 25 February 2020. All the members noted an improvement in the Supervisory Board's operating procedures since last year in terms of the Board's composition, its areas of activity, and the operation of the Supervisory Board and committees.

The assessment found that the climate is constructive and that the Supervisory Board functions under an authoritative, knowledgeable Chairman who keeps the Board on track, fosters effective decision making and promotes smooth cooperation with the Managing Board, which for its part provides the Supervisory Board with transparent, comprehensive reports on its management work.

The members also expressed satisfaction with the operating procedures of the Appointments, Compensation and Governance Committee and of the Financial and Audit Committee and stated that the term of the latter could be extended given the abundant material on its meeting agendas.

With respect to the Strategic Committee, thanks to the increase in the number of committee meetings a year voted on in 2018, the Supervisory Board has been able to expand its role in the analysis of strategic operations and mergers and acquisitions, and in the study of major transformations in the automotive business.

The Supervisory Board's strategic seminar was judged to be complete and essential. The implementation of an induction process has been effective in onboarding new members. This training will enable new members to perform their duties armed with more information, study the Board's and committees' cases more effectively and meet the managers of the Group's different departments.

The members also voiced the need to improve the roles and operating procedures of the Asia Business Development Committee. This committee therefore conducted an analysis of its own operating procedures and identified possible areas of improvement.

3.1.3.5. MANAGEMENT REPORT OF THE SUPERVISORY BOARD IN 2019

The Supervisory Board met eight times in 2019, compared with nine times in 2018.

The attendance rate of its members at the meetings was 92%.

In 2019, the second phase of the "Push to Pass" plan began, and 2019 was the third year of the implementation of the "PACE!" plan for Opel-Vauxhall. During the year, special attention was given to the CO_2 plan and the electrification of the product range, and the sale by the Group of its 50% stake in the CAPSA Chinese joint venture was decided on. The year 2019 was a historic time that featured the negotiation of the terms and the signature of the planned merger between Groupe PSA and the FCA Group in December 2019. This plan was authorised by the Supervisory Board at its meeting on 17 December 2019.

The Supervisory Board devoted particular attention to these two events during its meetings as well as during the Seminars and the meetings of the special committees.

The Supervisory Board members met in Morocco in October to hold their meeting and visit the new PSA Kenitra plant and its integration in the Atlantic Free Zone industrial platform, as well as the new Regional Decision-Making Centre and the new Research and Development Centre, both in Casablanca. The priorities for the Africa and Middle East region were also shared with the Supervisory Board.

The strategic seminar in September offered an opportunity to discuss the automotive environment, including the main trends and overview of competitors, the progress of the "Push to Pass" plan, the business results in China, after-sales and used vehicles, strategic topics related to the management of CO_2 and electrification, the integration of Peugeot in North America, Citroën in India and Opel in Russia, and the development plan for connected and autonomous vehicles and light commercial vehicles.

Regarding corporate governance work and decisions, because 2019 was the twelfth year of the term of office of two independent members who resigned (Geoffroy ROUX de BEZIEUX and Henri REICHSTUL), the Board started the process of selecting two new candidates to serve as Supervisory Board members with the aim of recommending them to the Shareholders' General Meeting as replacements for the outgoing members.

The Appointments, Compensation and Governance Committee worked on and implemented the succession plan for the Board members with assistance from a recruitment firm and in line with the diversity policy.

Applications were evaluated based on expertise, experience and the diversity of the backgrounds of the candidates and those of the current Board members, as well as the applicable rules on gender equality. On 25 April 2019, the Shareholders' General Meeting approved the appointments of Gilles SCHNEPP and Thierry de LA TOUR D'ARTAISE on the recommendation of the Supervisory Board.

Gilles SCHNEPP was selected because of his experience as an executive manager of a French industrial group, LEGRAND, which does considerable business at the international level. Following his appointment, Gilles SCHNEPP was appointed Vice-Chairman, Chairman of the Appointments, Compensation and Governance Committee, member of the Finance and Audit Committee and Senior Independent Member. Thierry de LA TOUR D'ARTAISE was selected because of his background as Chairman and Managing Director of the SEB Group, a French group that does considerable business at the international level. Mr de LA TOUR D'ARTAISE was appointed member of the Strategic Committee and Asia Committee.

In addition, in accordance with a decision taken by the Supervisory Board and on the recommendation of the Appointments, Compensation and Governance Committee, a process to acquaint new members with the automotive industry was established. Training made up of different modules – financial components, the operation of an automotive plant, the different automotive markets, challenges for the automotive industry, overview of research and development, HR and CSR priorities – was provided to new members in February 2019. This induction enables new members to perform their duties armed with more information, study the Board's and committees' cases more effectively and meet the managers of the Group's different departments. This training was developed in line with the recommendations of the AFEP-MEDEF Code as revised in June 2018 (Section 12).

The Supervisory Board also discussed the following items:

Business and finance:

- the checks and audits of the consolidated financial statements and the Peugeot S.A. company financial statements for the year 2018 and of the financial position at end 2018, together with examination of the related financial releases;
- the preparation of the Shareholders' General Meeting on 25 April 2019 and the approval of the reports presented to the Shareholders' General Meeting;
- review of the major strategic guidelines as proposed by the Managing Board (these guidelines received a favourable opinion from the Works Council, which was made known to the Board), and the prior authorisation for various strategic projects, and for the related financial operations;
- the checks and audits of the earnings and the financial statements for the first half of 2019, the Half-year Financial Report and the related financial releases;
- the approval of the 2020 budget and the medium-term plan, and the agreement on capital expenditures above €50 million;
- the amendment of Article 1 of the Supervisory Board's internal rules. (For information, the authorisation threshold prior to the Executive Committee proceding with the purchase, sale, exchange or contribution of any business premises and/or business and the purchase, holding or disposal of any interest in other companies created or to be created and accounting, directly or indirectly, for an investment, an expenditure (in enterprise value) or a loan or liability guarantee, whether immediate or deferred, is set at €100 million instead of €50 million. In addition, the Supervisory Board must be informet of any transactions of this type of intermediate amounts between €50 million and €100 million);
- the authorisation of a share buyback programme in order to fund an employee shareholding transaction;
- Groupe PSA's prior authorisation for joint arrangements;
- the renewal of the annual authorisation to give sureties, endorsements and guarantees and the review of the regulated agreements in effect during 2019;
- the audit of Groupe PSA's CSR (corporate social responsibility) policy, the review of the vigilance plan adopted by the Company;
- the review of the new regulatory and legislative measures affecting the work of the governance and management bodies;
- the authorisation of the plan to convert Peugeot S.A. into an S.E. (European Company).

Group strategy:

- the prior authorisation, in accordance with the Company by-laws, of major strategic projects of interest to the Group, such as the disposal of the interest in the CAPSA joint venture in China and the authorisation to negotiate a cross-border merger plan with the FCA Group.

Governance and compensation:

- the human resources policy, with a particular focus on gender equality between men and women;
- establishment of the succession plan of the Managing Board and the reappointment of its members, in line with the diversity policy;
- the setting of the policy for compensating the members of the Managing Board for the financial year 2019;
- the authorisation of a 2019 performance share plan and the authorisation of the "ACCELERATE 2020" employee shareholding plan;
- the re-election of Supervisory Board members whose terms were expiring, the reconfiguration of the Board's committees on the basis of the members' expertise and in accordance with the recommendations of the AFEP-MEDEF Code.

3.1.3.6. PROCEDURE FOR REGULARLY ASSESSING AGREEMENTS APPLYING TO CURRENT OPERATIONS AND ENTERED INTO UNDER NORMAL CONDITIONS

In accordance with the provisions of Article L. 225-87, paragraph 2 of the French Commercial Code, the Supervisory Board of Peugeot S.A. has adopted a procedure to formally assess agreements applying to current operations entered into under normal conditions.

In accordance with this procedure, the Finance and Audit Committee is given a list annually of all the current agreements entered into under normal conditions that were performed during the year.

It is stipulated that every year the Finance and Audit Committee reviews the list of current agreements entered into under normal conditions that were continued during the year in order to check that they continue to meet these conditions.

As part of this review, the Finance and Audit Committee may request assistance from any expert tasked with investigating whether the operations covered by the agreement are current and whether the agreement was entered into under normal conditions, and this expert may request any additional information required.

Following its review, the Finance and Audit Committee may recommend that the Supervisory Board approve an agreement following the procedure of related party agreements if it finds that the reviewed agreement no longer fulfils the criteria of current agreements entered into under normal conditions.

3.1.3.7. THE ACTIVITY OF THE CHAIRMAN OF THE SUPERVISORY BOARD IN 2019

As required by law, the Chairman of the Peugeot S.A. Supervisory Board is responsible for organising the proceedings of the Board so as to ensure satisfactory exercise of its function of supervising the Company's management activity.

In 2019, the Chairman of the Supervisory Board chaired and led the discussions at the Board's eight meetings held that year. He took care to ensure that the subjects of strategic importance to Groupe PSA were duly and exhaustively discussed, while taking due account of the requests from the members of the Board. He satisfied himself, in liaison with the Chairmen of the four Supervisory Board committees, of the proper coordination of the various activities, with due observance of the respective duties and remits.

He covered the maintenance of a balance of functions among the governance bodies, being attentive to ensuring frequent and regular dialogue with the Chairman of the Managing Board, notably during the period of negotiations for the Combination agreement between Groupe PSA and group FCA.

As occurs each year, the Chairman of the Supervisory Board met all the members and non-voting members of the Supervisory Board at the beginning of the year, to discuss the Board's operating procedures, give feedback on each member's contribution to the various activities, and to satisfy himself that the Board operated on a proper collegiate footing.

The Chairman of the Supervisory Board places great importance on overseeing the Group's strategic projects. He ensures that the Board is always adequately informed and may thus exercise its oversight powers.

During his chairmanship, the Supervisory Board met in Morocco in October 2019 and visited the new Kenitra plant and its infrastructure, the new Regional Decision-Making Centre and the new Research and Development Centre, located in Casablanca.

3.1.3.8. THE ACTIVITY OF THE SENIOR INDEPENDENT MEMBER OF THE SUPERVISORY BOARD IN 2019

Note that Gilles SCHNEPP was appointed Senior Independent Member of the Supervisory Board during the Supervisory Board meeting of 25 April 2019, following his appointment as a member of the Supervisory Board by the shareholders present at the Shareholders' General Meeting of 25 April 2019.

As Senior Independent Member, he convened and led a meeting of the independent members of the Supervisory Board. During this meeting, the independent members discussed the operating procedures of the Supervisory Board. Gilles SCHNEPP then submitted the conclusions to the Chairman of the Supervisory Board.

As Chairman of the Appointments, Compensation and Governance Committee, he played a major role in leading the formal assessment of the Supervisory Board and in evaluating applications for Board positions should any of its members resign.

In accordance with the duties assigned to him by the Board's internal rules, he oversaw any conflict of interest of the members that could affect the Board's proceedings. He reviewed questions about governance brought up by shareholders that are not represented on the Supervisory Board and ensured that these questions were answered.

He also reported to the Supervisory Board meeting on 25 February 2020 on the performance of his duties.

3.1.3.9. SUPERVISORY BOARD COMMITTEES

The Supervisory Board draws on the preparatory work performed by its four committees:

- the Appointments, Compensation and Governance Committee;
- the Finance and Audit Committee;
- the Strategic Committee;
- the Asia Business Development Committee.

The role of these four committees is to prepare matters for discussion at Supervisory Board meetings. The committees, which have no decision-making authority, issue proposals, recommendations and opinions in their areas of expertise that are then shared with the Supervisory Board during its meetings. Members attend committee meetings and may not be represented by another party. The committees may call upon external experts when adhering to their objectivity and independence requirements.

The Appointments, Compensation and Governance Committee

Composition at 31 December 2019	Independence	Main roles	Principal tasks in 2019
Mr Gilles SCHNEPP (Chairman)	√	› Appointments: – determining the criteria for selecting members of the Supervisory Board and the Managing Board, making proposals on the Senior Independent Member and conducting the selection process; – formulating and following a succession plan for members of the Managing Board so that it can suggest to the Board succession solutions in the event of unforeseen departures. The committee is also notified of the succession plan and appointments to the Executive Committee (for members who do not sit on the Managing Board) and to key senior-management positions within the Group. On this occasion, the committee invite the Chairman of the Managing Board to attend the meeting. › Compensation: – suggesting compensation of corporate officers in all its components, as well as any benefits in kind and retirement plans which may be allocated to them; – examining the general compensation policy for the members of the Managing Board. › Governance: – monitoring changes in French regulations on the governance of listed companies and recommendations by markets and issuer representatives to submit opinions; – ensuring regular evaluations by the Supervisory Board and suggesting improvements where appropriate; – examining and giving its opinion to the Supervisory Board on any proposal to amend the Company by-laws which require the advance permission of the Board.	Six meetings in 2019 with an attendance rate of 96%. The work of the committee included: › the Supervisory Board's Report on corporate governance; the compensation policy for members of the Managing Board; › the assessment of the Supervisory Board; › a performance share plan; › an employee shareholding plan; › the Group's diversity policy; › the review of the members' independence, potential conflicts of interest and the Supervisory Board's balanced, diverse composition; › the Supervisory Board's succession plan, intended in particular to select profiles that meet the needs of the Supervisory Board in terms o independent members, carried out with the assistance of an outside consultant; › the Managing Board's succession plan.
Mr LI Shaozhu			
Mrs Catherine BRADLEY	√		
Mr Louis GALLOIS	√		
Mrs Pamela KNAPP	√		
Mrs Marie-Hélène PEUGEOT RONCONI			
Mrs Anne GUERIN			
Mrs Bénédicte JUYAUX (member representing employee shareholders)			
Percentage of independent directors: 57%			

In accordance with the AFEP-MEDEF Code, evaluation of the performance of the Chairman of the Managing Board and of the other members of the Managing Board, as well as reflections on the future of management, are conducted at meetings of the Appointments, Compensation and Governance Committee and of the Supervisory Board, at which Managing Board members are not present.

The Finance and Audit Committee

Composition at 31 December 2019	Independence	Main roles	Principal tasks in 2019
Mrs Catherine BRADLEY (Chairwoman)	√	› Oversees: – the process of preparing the financial information and the efficiency of internal control and risk management systems, including CSR risks; – statutory auditing of the Company's annual financial statements and the Group's consolidated financial statements by the Statutory Auditors; – the independence of the Statutory Auditors. › In particular, overseeing the selection procedure for renewing the Statutory Auditors. › Examining and giving its opinion to the Supervisory Board on off-balance-sheet commitments, any projects requiring advance authorisation from the Board to which it refers as outlined in the Internal Rules of the Supervisory Board and the proposals on the appropriation of net profit and setting of the dividend submitted by the Managing Board. › Periodically reviewing the Group's financial position and financing.	Five meetings in 2019 with an attendance rate of 91%. The work of the committee included: › the 2018 consolidated and half-yearly financial statements, and the financial statements for the first half-year of 2019; › regular monitoring of Groupe PSA's financial situation; › monitoring the financial rating of Groupe PSA companies; › regular review of the medium-term plan (PMT), use of the yearly budget and analysis of any differences; › the financial communication media of Groupe PSA; › internal control and compliance, the "Top Group Risks" mapping, including CSR risks, and the 2020 audit plan; › the 2019 Ethics and Compliance Committee Report and the Competition compliance plan; › the work of the Groupe PSA Audit and Risk Management Department; › the Groupe PSA Finance and Audit Committee's charter on authorisation for non-audit services; › Peugeot S.A.'s share ownership structure; › the authorisation for the annual limit on Peugeot S.A.'s power to give deposits, and issue endorsements and guarantees.
Mrs Pamela KNAPP	√		
Mrs Anne GUERIN			
Mr Robert PEUGEOT			
Mr Gilles SCHNEPP	√		
Mr Louis GALLOIS	√		
Mrs Bénédicte JUYAUX (member representing employee shareholders)			
** YOU Zheng was appointed to the Strategic Committee as from 25 February 2020, replacing AN Tiecheng, who resigned on 17 September 2019.*			
Percentage of independent directors: 66%			

In accordance with the French Commercial Code and the AFEP-MEDEF Code, the members of the Finance and Audit Committee must have expertise in finance and accounting. In this regard, the Supervisory Board believes that all the committee members have such expertise, as is reflected in their experience, careers and education, which are presented in Section 3.1 of the Universal Registration Document. The committee is chaired by Mrs Catherine BRADLEY, who has the necessary qualities, particularly in view of her duties on the Board of the Financial Conduct Authority. The committee must be given at least four calendar days, barring exceptions, to review the financial statements before presenting them to the Supervisory Board. The presentation of the annual and half-yearly consolidated financial statements and the Company financial statements by the Chief Financial Officer to the Finance and Audit Committee, then to the Supervisory Board, is accompanied by a presentation by the Statutory Auditors that reports on potential major weaknesses in internal control and the accounting options used. When they review the internal control and risk mapping mechanisms, particularly for material risks that are likely to impact the financial and accounting information, they confirm the degree of maturity and mastery of these mechanisms and examine the processes for deploying them and the implementation of corrective actions in the event of material weaknesses or aberrations. For this purpose, it is notified of the main observations by the Statutory Auditors and the Audit and Risk Management Department. In formalising its opinion on the quality of internal control, it reviews the Internal Audit plan for the coming year and is notified of the results of the tasks performed by the Audit and Risk Management Department in executing this plan. The Finance and Audit Committee, which has access to all the information it needs, meets with the Head of Audit and Risk Management, the Head of Accounting, the Head of cash flow and the Statutory Auditors, with or without members of the Managing Board present. If no Managing Board members are present, the committee notifies the Chairman of the Managing Board and/or the member of the Managing Board responsible for finance. To perform these duties, the committee relies on the internal rules of the committee that outlines these duties, and on the 22 July 2010 report of the AMF working group on Audit Committees. The internal rules of the Finance and Audit Committee were updated in 2016 to incorporate the new aspects introduced by Order no. 2016-315 of 17 March 2016 transposing the European reform of audits into French law.

The Strategic Committee

Composition at 31 December 2019	Independence	Main roles	Principal tasks in 2019
Mr Robert PEUGEOT (Chairman) Mr Christian LAFAYE (employee representative) Mr Thierry de la Tour d'ARTAISE √ Mr Daniel BERNARD ** YOU Zheng was appointed to the Strategic Committee as from 25 February 2020, replacing AN Tiecheng, who resigned on 17 September 2019.* **Percentage of independent directors: 33%**		› Look at the long-term future and potential avenues for development, and suggest general policy guidelines for the Group to the Supervisory Board. › Make recommendations on the long-term strategic plans, the medium-term plan (PMT) and the investment plan presented by the Managing Board. › Ensure that the strategy proposed and applied by the Managing Board fits with its long-term vision outlined by the Supervisory Board. › On referral by the Chairman of the Supervisory Board, review every major project as soon as it is started. › Examine every strategic (or non-strategic) project that must be authorised by the Supervisory Board (paragraph of the internal rules).	Three meetings were held in 2019, with an attendance rate of 93%. The work of the committee included: › setting and approving the agenda for the strategic seminar; › the autonomous and connected vehicle; › a progress report on the Group's electrification; › a progress report on the Smart Car project; › an overview of alliances, descriptions of competitors, status of Groupe PSA cooperations and joint arrangements; › the plan to convert Peugeot S.A. into a European Company (S.E.); › the cross-border merger plan with the FCA Group

The Asia Business Development Committee

Composition at 31 December 2019	Independence	Main roles	Principal tasks in 2019
Mr AN Tieching (Chairman of the committee) until 17 September 2019* Mrs Marie-Hélène PEUGEOT RONCONI Mr Thierry de la TOUR D'ARTAISE √ Mr Daniel BERNARD Mr Christian LAFAYE (employee representative member) ** YOU Zheng was appointed Chairman of the Asia Business Development Committee as from 25 February 2020 and occupied the position vacated by AN Tiecheng, who resigned on 17 September 2019.* **Percentage of independent directors: 34%**		› Considering carefully the Group's long-term future in Asia, look at potential growth strategies in the Asian market and suggest to the Supervisory Board the Group's main growth strategies in Asia and consequently making its recommendations on the Group's long-term strategic plan in Asia and on the medium term plan submitted by the Managing Board for the Asia region. › Ensuring that the strategy proposed and applied by the Managing Board is consistent with the long-term vision for the Asian market as defined by the Supervisory Board. › Monitoring the implementation of the strategic and industrial partnership agreement between Groupe PSA and the Dongfeng Group. The Chairman of the Supervisory Board refers all major projects concerning the Asian market to the committee from the outset. It stays informed of the projects' content, especially their business approach and their development. The committee meets when a project concerning the Asian market requires the advance authorisation of the Supervisory Board.	Two meetings in 2019 with an attendance rate of 71%. The work of the committee included: › the Chinese market; › the Asia strategy and the medium-term plan; › the associated action plans; › earnings of the Chinese joint ventures.

3.1.3.10. ATTENDANCE RATES

Member of the Supervisory Board	Supervisory Board meetings	Finance and Audit Committee meetings	Strategic Committee meetings	Appointments, Compensation and Governance Committee meetings	Attendance rate at the Asia Business Development Committee meetings
Louis GALLOIS	100%	100%		100%	
Geoffroy ROUX de BEZIEUX (until 24 April 2019)	100%	50%		100%	
Gilles SCHNEPP (beginning 25 April 2019)	100%	100%		100%	
Marie-Hélène PEUGEOT RONCORONI	100%			100%	100%
LI Shaozhu	100%			67%	
Anne GUERIN	100%	100%		100%	
Daniel BERNARD	88%		100%		100%
Catherine BRADLEY	100%	100%		100%	
Pamela KNAPP	100%	100%		100%	
Christian LAFAYE	100%		100%		100%
Helle KRISTOFFERSEN (until 13 September 2019)	75%		100%		100%
AN Tiecheng (until 17 September 2019)	50%	67%	50%		0%*
Robert PEUGEOT	100%	100%	100%		
Henri Philippe REICHSTUL (until 24 April 2019)	100%		100%		100%
Thierry de LA TOUR D'ARTAISE (beginning 25 April 2019)	67%		100%		0%*
Bénédicte JUYAUX	88%	100%		100%	
AVERAGE	**92%**	**91%**	**93%**	**96%**	**71%**

* *This rate is calculated based on attendance at single meeting.*

CHANGES IN 2020

Subsequent to the announcement of the potential merger between Groupe PSA and FCA the Board, meeting on 25 February 2020, set up an ad hoc committee with immediate effect dedicated to monitoring the negotiation process between the two groups. The Committee met for the first time on 7 March 2020.

The ad hoc Committee monitoring the merger between Groupe PSA and FCA

Composition As at 25 February 2020	Independence	Main tasks
Louis GALLOIS (Chairman)	√	At the request of the Supervisory Board, and with the agreement of the Chairman of the Executive Board: › monitor the negotiation process between Groupe PSA and FCA and the completion of the intermediary steps; › check that the performance objectives for the merger set at the Supervisory Board meeting of 25 February 2020 are completed.
Robert PEUGEOT		
Anne GUERIN		
Gilles SCHNEPP	√	
Catherine BRADLEY	√	
YOU Zheng		
Independence rate: 50 %		

The Committee will meet once a month until completion of the cross-border merger transaction, in the presence of Carlos TAVARES, Chairman of the Executive Committee, who is responsible for reporting to the Committee on the progress made by the negotiations for the merger between Groupe PSA and FCA.

The Supervisory Board requested that the ad hoc Committee consist of half of the independent members of the Board in order to ensure that the monitoring be carried out in the best interest of all shareholders, including minority shareholders, and of Groupe PSA.

3.1.4. Disclosures on the situation of members of the Supervisory Board and Managing Board

3.1.4.1. FAMILY RELATIONSHIPS

Mrs Marie-Hélène PEUGEOT RONCORONI, Mr Robert PEUGEOT and Mr Frédéric BANZET are cousins. There are no family ties among the other Supervisory Board or Managing Board members.

3.1.4.2. CONFLICTS OF INTEREST

The Company officers have declared that no conflicts of interest arose during the 2019 financial year between their obligations to Peugeot S.A. and their personal interests or other obligations, and that none existed at the date of this Universal Registration Document.

On 25 February 2020, the Supervisory Board reviewed possible business relationships between corporate officers and the Group. On the recommendation of the Appointments, Compensation and Governance Committee, the Supervisory Board concluded that these business relationships were not material (for further details, please refer to Section 3.1.2.5).

No loans or guarantees have been granted to or on behalf of Company officers by the Company or any Group entities.

No assets required for the operation of the business are owned by any members of the Supervisory Board or Managing Board or their families.

This section will give you further details on the rules for preventing conflicts of interest, as laid down in the Supervisory Board Internal Rules.

3.1.4.3. SERVICE CONTRACTS PROVIDING FOR BENEFITS UPON TERMINATION OF EMPLOYMENT

None of the members of the Supervisory Board or Managing Board have service contracts with Peugeot S.A. or any of its subsidiaries providing for benefits upon termination of employment.

3.1.4.4. STATEMENTS BY THE MEMBERS OF THE SUPERVISORY BOARD AND MANAGING BOARD

All corporate officers have declared, as they do every year, that none of them has been:

- convicted of any fraudulent offence in the last five years;
- been a corporate officer of a company that has been declared bankrupt, or placed in liquidation or receivership in the last five years;
- the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities;
- disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the last five years.

3.1.5. Trading in the Company's securities by corporate directors and officers and their close relatives

In accordance with Article L. 621-18-2 of the French Monetary and Financial Code, the Executive Managers and the physical persons and legal entities that are closely related to them are required to disclose trading in the Company's securities during the financial year.

Date of transaction	Name and position	Type of transaction	Securities affected	Unit price	Amount of transaction
11/09/2019	Maxime PICAT Member of the Managing Board	Disposal	Free shares	€23.60	€944,000

3.1.6. Application of the AFEP-MEDEF Corporate Governance Code

The table below summarises the recommendations of the AFEP-MEDEF Code which the Company does not apply:

Relevant recommendation	Explanation
Proportion of independent members on the Supervisory Board (Section 8.3)	The Company has historically followed this recommendation, including during financial year 2019 through 20 January 2020. The co-option of YOU Zheng to the Supervisory Board as from 20 January 2020 and the failure to replace Helle KRISTOFFERSEN, an independent member of the Supervisory Board whose resignation took effect on 13 September 2019, lowered the proportion of independent members on the Supervisory Board: as from 20 January 2020, 46% of the Supervisory Board members were independent, rather than the 50% recommended by the AFEP-MEDEF Code. In October 2019, the Supervisory Board, through the Appointments, Compensation and Governance Committee, had begun a search for a new independent member to replace Helle KRISTOFFERSEN but then decided to suspend the selection process. This is because the Company embarked on a cross-border merger plan with Fiat Chrysler Automobiles N.V. (FCA), which will result in the winding up of Peugeot S.A. on the merger completion date. Consequently, the Supervisory Board did not believe it was appropriate to bring in a new member for the short time remaining before this winding up, which is planned for late 2020.
Representative part of independent members of the Finance and Audit Committee (Art. 15.1)	57% of the members of the Finance and Audit Committee are independent (instead of the minimum of two-thirds recommended by the AFEP-MEDEF Code). The relatively large proportion of non-independent members is due to the presence of a representative of each of the three major shareholders, given the composition of the Group's share capital and its governance as a result of the capital increases in 2014. Reaching the threshold of two thirds would bring about an increase in the number of committee members, which may hinder its effectiveness. Therefore, there are no plans to reach this threshold to date.

3.1.7. Attendance of shareholders at Peugeot S.A. Shareholders' General Meetings and publication of information which may have an impact in the event of a Public Tender Offer for the Company's shares

The information concerning the attendance of shareholders at Shareholders' General Meetings and the information referred to in Article L. 225-37-5 of the French Commercial Code concerning the Company's share capital is set out in Section 7 of this Universal Registration Document.

Pursuant to Article L. 225-37-5 of the French Commercial Code, it should be noted that there is no agreement providing for compensation for members of the Supervisory Board or the Managing Board if their term ends due to a takeover bid.

3.2. COMPENSATION OF COMPANY OFFICERS

This chapter includes information on the principles and criteria used for determining, distributing and allocating the components which make up the overall compensation and fringe benefits attributable to the Chairman of the Managing Board, the members of the Managing Board and the members of the Supervisory Board. It was produced by the Supervisory Board at its meeting on 25 February 2020, with the assistance of the Appointments, Compensation and Governance Committee which is mindful of following the recommendations in the AFEP-MEDEF Code.

The principles and criteria defined by the Supervisory Board constitute the compensation policy applicable to the company officers, as submitted for the approval of the Shareholders' General Meeting of 25 June 2020 (**sixth to tenth resolutions**), pursuant to Article L. 225-82-2 of the French Commercial Code, as amended by Order No. 2019-1234 of 27 November 2019.

It also reports on the components of total compensation and fringe benefits paid or allocated to the company officers in respect of the 2019 financial year, according to the compensation policy which was approved by the Shareholders' General Meeting on 25 April 2019.

These components will be submitted for the approval of the Shareholders' General Meeting on 25 June 2020 (**eleventh to sixteenth resolutions**), pursuant to Article L. 225-100 of the French Commercial Code, as amended by Order No. 2019-1234 of 27 November 2019.

3.2.1. Compensation policy applicable to members of the Managing Board and its Chairman

3.2.1.1. THE PROCESS FOR DETERMINING THE COMPENSATION POLICY, IN THE INTERESTS OF GROUPE PSA, ITS SHAREHOLDERS AND STAKEHOLDERS

Each year on the recommendation of the Appointments, Compensation and Governance Committee, the Supervisory Board comments on and approves the compensation policy for executive company officers.

The Supervisory Board ensures that the compensation policy complies with the principles of comprehensiveness, balance, comparability, consistency, intelligibility and measurability, in accordance with the recommendations of the AFEP-MEDEF Code.

Similarly, the Board approves the compensation policy for its executive managers to support the commercial strategy and long-term prospects of Groupe PSA, through stringent performance criteria that reflect the Group's priorities. Variable annual and long-term compensation are the biggest components of total executive managers compensation.

Consequently, the Board ensures that this policy reflects Groupe PSA's corporate interests and those of its shareholders and that it is both incentivising and competitive, in a highly competitive international automotive market.

Thus, every year the Appointments, Compensation and Governance Committee conducts preparatory work to support the Board's decision-making on compensation and, in this context, reviews the situation of competitors of Groupe PSA in terms of long-term strategy and in terms of the level of compensation of its Executive managers and, on the other, the challenges and future strategy of Groupe PSA and its Executive managers. In particular, the composition of the Appointments, Compensation and Governance Committee, which is made up mainly of independent members, helps to prevent conflicts of interest in the process of determining principles, criteria and levels of compensation of the Managing Board.

This work is done throughout the year in the form of quarterly reports submitted to the Board by the Managing Board and the medium- and long-term strategy, and finalised at two meetings of the Appointments, Compensation and Governance Committee in February.

The Appointments, Compensation and Governance Committee then submits recommendations to the Board which discusses and approves the principles of compensation to be put to the vote of shareholders.

Where a new member of the Managing Board is appointed mid-year, the Board discusses the components of compensation to be awarded, in accordance with the compensation policy previously approved by the Shareholders' General Meeting.

According to the same principle, the Board oversees the policy and principles of compensation applied to all Groupe PSA employees. This policy, drawn up by the Group's Human Resources Department in line with the Executive compensation policy, is subject to annual review by the Supervisory Board, which discusses it and gives its opinion.

The Board ensures that the principles of employee compensation are determined in line with the Group's corporate objectives and strategy and strives to ensure that employee compensation is incentivising and competitive.

This approach incorporates the implementation of incentivising performance-based share plans for senior and executive managers as well as key talents in the Group who contribute to the long-term success of strategic priorities.

Moreover, the Company has analysed the reasons behind shareholder votes on the compensation policy by interviewing a representative panel of minority shareholders. A number of components of the compensation policy approved by the Board and described below have changed to reflect the opinions expressed resulting in:

1. increased transparency of the conditions on which the variable compensation of company officers are based;
2. scrapping the option for the Supervisory Board to remove the presence conditions for performance shares in the event of the voluntary departure of the beneficiary;
3. explaining the need to implement performance-based exceptional compensation as part of the merger with Fiat Chrysler Automobiles.

3.2.1.2. PRINCIPLES AND CRITERIA FOR DETERMINING COMPENSATION

For a number of years Groupe PSA's compensation policy has been based on the following principles:

Compensation directly linked to the Group's strategy

The compensation policy for executive company officers is based on the Group's growth and expansion strategy.

Compensation aligned with the Group's performance

A preponderant proportion of compensation is subject to performance conditions directly linked to the Group's performance objectives. As part of a collective drive, these objectives are shared by Groupe PSA's executive company officers and employees.

Compensation that reflects the Group's social and environmental commitments

The short-term and long-term variable compensation structure and its definitive allocation also depends on non-financial performance-based criteria being met, particularly Corporate Social Responsibility criteria which are now criteria used to calculate Groupe PSA's overall performance.

Compensation set in the interests of shareholders

A significant proportion of total compensation is made up of performance shares. The objective is to strengthen the long-term convergence of the interests of Groupe PSA's executive company officers and shareholders.

Competitive compensation

Compensation of executive company officers must be competitive in order to attract, motivate and retain the best talent.

This compensation is assessed in the round, *i.e.* taking into account all components, and is comparable with the compensation policies adopted by other companies in the same sector, in Europe and worldwide.

These overriding principles apply to executive managers of Peugeot S.A. and all Group employees.

3.2.1.3. STATUS OF MEMBERS OF THE MANAGING BOARD

Before presenting the compensation policy for members of the Managing Board, the Board notes that, in accordance with AFEP-MEDEF recommendations, Mr Carlos TAVARES does not have an employment contract with the Company or any of the companies in Groupe PSA.

There are no service agreements or direct or indirect ties between Mr Carlos TAVARES and Groupe PSA, except for his Chairmanship of the Supervisory Board.

The employment contracts of Mr Olivier BOURGES and Mr Maxime PICAT were suspended when their terms of office on the Managing Board began and for the duration thereof. This suspension was justified by their length of service as employees within the Group.

The employment contract of Mr Michael LOHSCHELLER with Opel Automobiles GmbH was not suspended or amended when the decision was made to appoint Mr Michael LOHSCHELLER to the Managing Board, in accordance with French employment law and the recommendations on governance applicable to listed French companies as well as German employment law. This employment contract includes the terms of the directorship of the Managing Director of the German subsidiary Opel Automobiles GmbH and the compensation conditions of Mr Michael LOHSCHELLER.

Since the components of Mr Michael LOHSCHELLER's compensation comply with the principles and criteria governing the compensation policy for members of the Managing Board, the Supervisory Board decided not to make any changes and to adopt them unchanged.

Please note that, should a member of the Managing Board be appointed subsequent to the Annual Shareholders' General Meeting, his or her compensation will be determined by the Supervisory Board in accordance with the principles and criteria approved by the Shareholders' General Meeting, or with current practices for the exercise of similar functions, adapted as appropriate when such person is performing new functions with no equivalent.

3.2.1.4. COMPONENTS OF THE COMPENSATION OF MEMBERS OF THE MANAGING BOARD

The Chairman of the Managing Board informed the Supervisory Board of Peugeot SA at its meeting of April 20, 2020 of his decision to reduce the quantum of his long-term compensation 2020 by 50,000 shares, equivalent to 35%[1] of his fixed compensation and 38% under the LTI plan 2020. In addition, the three other members of the Managing Board have also expressed their desire to reduce their long-term share compensation by 25% for 2020.

Under these conditions, the implementation, after a majority vote of the shareholders, of the resolutions corresponding to the 2020 LTI of the members of the Managing Board will result in the allocation of 80,000 performance shares to the Chairman of the Managing Board (instead of 130,000, ie 50,000 less) and 45,000 shares to the other members of the Managing Board (instead of 60,000, or 25% less).

The company's Top 100 also wanted to be part of this generosity by reducing its rights to receive shares under the LTI 2020 Plan, by an average of 21%.

This is the equivalent of **335,000 shares**, valued at more than 4 million euros[1] which have been collected for the benefit of the PSA Foundation, in order to reinforce its actions to combat exclusion because of lack of mobility. The selection of projects will be made within the framework of the Foundation process, controlled by its Board of Directors.

This voluntary initiative by the company's Top Management completes the solidarity actions undertaken by Groupe PSA, with the distribution of more than 700,000 masks to date, the manufacture of 10,000 respirators in 50 days insupport of Air Liquide in complement of identical initiatives in the United Kingdom with Smiths-Medical and in Spainwith Bionix, 3D printing of protective screens in France, Brazil, Spain, Germany and Poland, as well as the free provision of several hundred vehicles to facilitate the mobility of caregivers.

The components of overall compensation attributable to each of the members of the Managing Board are set out as follows:

Components of fixed compensation	Components of fixed compensation under performance conditions			
Annual fixed compensation	**Annual variable compensation**	**Long-term LTI**	**Exceptional compensation**	**Pension scheme**
Set based on experience and level of responsibility	Based on economic conditions Societal and environmental	Based on economic conditions Societal and environmental	Based on the completion of exceptional factors	Tied to the Group's results and performance
	Annual performance conditions	Performance conditions observed over three years		
		Presence requirement over 3 years and 4 years	Presence requirement	Presence requirement
Cash	Cash	Peugeot S.A. shares	Cash	Contributions and Cash

The pension scheme referred to above does not apply to Mr M. LOHSCHELLER for whom the calculation is based on fixed compensation.

Fixed compensation

The annual fixed compensation of the Chairman of the Managing Board and of the members of the Managing Board is determined on the basis of experience and expertise and of the responsibilities taken on by each of them.

In accordance with the AFEP-MEDEF Code, the Supervisory Board may change the fixed compensation of the members of the Managing Board in the event of a significant change in the scope of responsibilities or of a high discrepancy compared with the positioning on the market, so as to secure their continued commitment to the Company.

Based on the recommendation of the Appointments, Compensation and Governance Committee, the Supervisory Board has decided to review the fixed annual compensation of members of the Managing Board to ensure a competitive level of compensation in relation to the levels of compensation in global automotive groups and reflecting the increased complexity of responsibilities, particularly linked to negotiations around the planned merger with FCA.

The panel for comparison is made up of global automotive groups including American and European car and equipment manufacturers.

For information, for 2020, the fixed annual compensation of Mr Carlos TAVARES, Chairman of the Managing Board, amounts to €1,700,000, that of Mr Olivier BOURGES to €580,000, that of Mr Maxime PICAT to €800,000 and that of Mr Michael LOHSCHELLER to €800,000.

For information, if a member of the Managing Board is required to carry out duties from abroad, he or she may enjoy conditions for expatriation in accordance with the relevant Group policy.

Moreover, in the event of the resignation or end of the term of office of any of the members of the Managing Board, compensation for that term of office is paid on a *pro-rata* basis.

(1) *Based on a share price at €12.*

Annual variable compensation

It is designed to align the compensation paid to members of the Managing Board with the Group's annual performance and to contribute year on year to the implementation of its strategy.

Based on the recommendation of the Appointments, Compensation and Governance Committee, the Supervisory Board determines at the beginning of the year precise, ambitious qualitative and quantitative targets for the current financial year, after acquainting itself with the Company's medium-term strategy and activity.

The rules for setting annual variable compensation have been changed for 2020.

In accordance with the AFEP-MEDEF recommendations (Section 24.3.2), variable compensation is expressed as a percentage of fixed annual compensation. For the Chairman of the Managing Board, variable compensation may be 170% of the target, 125% for Mr Olivier BOURGES and Mr Maxime PICAT, and 100% for Mr Michael LOHSCHELLER.

Furthermore, in order to have a variable compensation structure consistent with the majority of market practices, and to reward outperformance, compensation for exceeding targets has been introduced.

Starting in 2020, in the event that all collective Group targets are exceeded and the predefined outperformance levels achieved, additional compensation may be granted. This would raise the maximum variable compensation from 170% to 250% for the Chairman of the Managing Board (200% in 2019), from 125% to 147% for Mr Olivier BOURGES and Mr Maxime PICAT (percentages identical to those for 2019), and from 100% to 200% for Mr Michael LOHSCHELLER (percentages unchanged, set out in his employment contract with Opel Automobiles GmbH). The increase in maximum variable compensation, submitted for the approval of the Shareholders' General Meeting, was approved by the Supervisory Board having reviewed the practices of a panel of comparable companies. Whilst the Group is entering a key period with plans for the cross-border merger with Groupe FCA, the importance of strategic challenges faced by the sector and an adverse market outlook, the Supervisory Board considered it appropriate to raise the cap on variable compensation attributable to the Chairman of the Managing Board in the event of outperformance.

Precise, pre-established, ambitious objectives

The actual allocation of variable compensation is conditional upon a trigger threshold. The same threshold is applied to all beneficiaries of variable compensation, whether members of the Managing Board or employees of the Automotive division of Groupe PSA.

The three performance indicators chosen to trigger the entitlement to variable compensation in 2020 are:

- the operating free cash flow of manufacturing and sales companies;
- the level of CO_2 from vehicles sold in Europe;
- the Group World Automotive warranty claim rates.

The structure of the variable component of compensation of Managing Board members and Group employees is established on an annual basis according to financial and non-financial performance objectives, with a multi-annual perspective in line with the Group's strategic plan.

The payment of the variable component is dependent on the achievement of Collective Group Targets and personal targets specific to each executive company officer.

Collective Group Targets account for 80% of the maximum variable part of members of the Managing Board. They consist of at least one economic performance objective and at least one quality-related objective.

Their definitive allocation is conditional upon a trigger threshold.

Personal targets specific to each executive company officer, represent 20% of the maximum variable part.

They are established in relation to the respective executive functions of the members of the Managing Board, and there are at least two of them.

They are chiefly based on economic performance, with the understanding that at least one corporate social responsibility criterion is assigned to the Chairman of the Managing Board.

Quantifiable targets take precedence over qualitative targets. The criteria are defined in a precise manner.

The trigger threshold and the level of achievement required for each of these criteria are established by reference to the corresponding budget items.

The criteria trigger entitlement to the variable component of compensation and the Collective Group Targets for 2020 are detailed below:

Threshold distribution/targets	Thresholds	Type of criterion
Triple trigger threshold	2020 operating free cash flow from manufacturing and sales companies (excluding restructuring and exceptional events)	Economic performance
	Level of CO_2 from vehicles sold in Europe in respect of 2020	Corporate Social Responsibility
	Group World Automotive quality failure rate	Corporate Social Responsibility

Threshold distribution/Targets	Objectives	Type of criterion	Percentage of the variable part
Collective Group targets	Automotive division adjusted operating margin (30% of the Collective Group Targets)	Economic performance	24%
	Operational free cash flow from manufacturing and sales companies (excluding restructuring and non-recurring items) (30% of Collective Group Targets)	Economic performance	24%
	Profit (loss) for the period attributable to owners of the parent (20% of Collective Group Targets)	Economic performance	16%
	Group sales points recommendation rate (10% of the Collective Group Targets)	Corporate Social Responsibility	8%
	Group World Automotive quality failure rate (10% of collective Group targets)	Corporate Social Responsibility	8%

The targets for 2020 specific to each member of the Managing Board for the purposes of determining the variable element are detailed below:

Threshold distribution/Targets	Objectives	Type of criterion	Percentage of variable part
Targets specific to each executive company officer, representing 20% of the maximum variable part			
Carlos TAVARES – Chairman of the Managing Board:	› DPCA free cash flow	Economic	5%
	› Workplace safety	Corporate Social Responsibility	10%
	› Percentage of women in Group Top Management	Corporate Social Responsibility	5%
Olivier BOURGES:	› R&D + CAPEX	Economic performance	10%
	› Closing FCA	Economic performance	10%
Michael LOHSCHELLER:	› OV Europe market share	Economic performance	10%
	› OV adjusted operating income	Economic performance	10%
Maxime PICAT:	› Europe market share	Economic performance	10%
	› Europe region adjusted operating income	Economic performance	10%

As such, the Supervisory Board has opted to standardise the variable compensation structure across the whole Managing Board and Executive Committee.

The Supervisory Board does not wish to publish the targets giving entitlement to variable compensation for reasons of confidentiality since these are linked to the Company's strategic plan.

Multi-year variable compensation

No multi-year compensation scheme giving rise to payment in cash was included in the compensation policy for executive company officers in respect of 2020.

Long-term compensation (performance share award policy)

The long-term compensation mechanism giving rise to the allocation of performance shares was maintained in the compensation policy for executive company officers in respect of 2020.

Performance share award plans are set up each year to encourage members of the Managing Board to factor in the long-term consequences of their actions, to maintain their loyalty and encourage the alignment of their interests with corporate interests and the interests of the shareholders. Each year, hundreds of senior and executive managers and key talents within the Group benefit from performance action plans.

These plans have been put in place pursuant to the authorisation to award performance shares to employees and to executive company officers, given by the Shareholders' General Meeting.

On the basis of the currently-applicable authorisation, given by the Shareholders' General Meeting of 24 April 2018 (22nd resolution), the number of shares that may be awarded to members of the Managing Board may not exceed 0.15% of the share capital over a 26-month period. As a reminder, this sub-limit is part of an overall limit on performance share awards, of 0.85% of the share capital.

Under this authorisation, the allocation of performance share plans to their beneficiaries may only become definitive following a vesting period determined by the Managing Board which may not be less than three years. The definitive number of shares allocated is calculated based on a performance period of three consecutive financial years. The Managing Board is free to decide whether or not to set a lock-up period.

Vesting is subject to one or more performance conditions set by reference to targets internal and/or external to the Group and connected with the Group's strategic plan. None, some or all of the shares will vest, depending on the degree to which the performance objectives defined under the performance share grant are met.

The Universal Registration Document includes, for each plan, information on vested shares and information on zero, partial or total achievement for each performance condition.

The performance share plan targets are consistent with their contribution to the Group's strategic objectives over the performance measurement period.

Each grant will include, for each member of the Managing Board:

- an obligation to retain, in registered form and until the cessation of their role, at least 25% of the number of vested shares;
- a commitment to refrain from carrying out transactions to hedge their risk on the awarded shares.

The lock-up condition mentioned above, applicable to each member of the Managing Board, will cease to apply when a member holds a number of registered shares that is equal to more than two years of their gross salary. However, the conditions shall automatically re-apply if the number of said shares falls below the target level. The calculation will take into account the price of the share on the vesting date of the performance shares.

Vesting is conditional upon presence except in cases of death, invalidity or retirement.

In all other cases than those listed above, the beneficiary shall lose their rights to vest shares definitively and for all shares actually allocated, even if the performance conditions have been met.

Performance share award plan for 2020 (Plan LTI 2020)

At its meeting on 25 February 2020, the Supervisory Board decided to award performance shares to members of the Managing Board pursuant to the authorisation of the Shareholders' Meeting on 24 April 2018 (22nd resolution).

This free share allocation plan covers several hundred senior and executive managers and key talents of the Group, for a total of 3,100,000 shares (representing 0.34% of the share capital at 31 December 2019). Concerning awards to members of the Managing Board, the plan provides for the award of 130,000 performance shares to the Chairman of the Managing Board and 60,000 such shares to each of the other members of the Managing Board.

The Supervisory Board has introduced a limit on the number of performance shares to be granted to members of the Managing Board. The value of the shares on the date they are granted may not exceed 60% of the sum of the fixed and variable compensation. Conditions for allocating shares to Mr Michael LOHSCHELLER are set out in his employment contract with Opel Automobiles GmbH, which stipulates a target allocation amount of €1 million.

Definitive vesting will be subject to three performance conditions:

- Automotive adjusted operating margin (2020-2022 average) for 70% of shares allocated;
- Group World Automotive quality failure rate (2020-2022 average) for 15% of shares allocated;
- level of CO_2 emissions from vehicles sold in Europe in 2020 and 2021 for 15% of shares allocated.

The vesting period is aligned with a performance period of three consecutive years (2020 to 2022).

Vesting is conditional on presence on the 31 December preceding the vesting date.

This plan does not include a lock-up period. Nevertheless, the members of the Managing Board are subject to an obligation to retain and refrain from hedging shares in accordance with the Stock Market Code of Ethics and Group Policy.

Exceptional compensation

The compensation policy for executive company officers includes a principle of allocating exceptional compensation attributable in the event of exceptional circumstances and profits for Groupe PSA.

Exceptional compensation linked to the results of Opel Vauxhall's "PACE!" recovery plan

Mr Carlos TAVARES and Mr Michael LOHSCHELLER are entitled to an exceptional compensation component linked to results of the Opel Vauxhall's "PACE!" recovery plan.

At its meeting on 24 October 2017, the Supervisory Board proposed incorporating an exceptional compensation component into the compensation policies for Carlos TAVARES, Chairman of the Managing Board. In accordance with the recommendations of the AFEP-MEDEF Code, this proposal was justified on the basis of the importance of Opel Vauxhall's "PACE!" recovery plan, the commitment it requires of Mr Carlos TAVARES and the difficulties it presents.

During the Shareholders' General Meeting of 24 April 2018, the shareholders approved the compensation policy for the Chairman of the Managing Board including an exceptional compensation component, and they agreed to a four-part exceptional compensation plan, with each part being tied respectively to Opel Vauxhall's 2017, 2018, 2019 and 2020 financial years, and subject to performance objectives linked to Opel Vauxhall's "PACE!" recovery plan being met.

The two performance objectives relate to Opel Vauxhall's adjusted operating income and operating free cash flow. Each performance objective accounts for 50% of the exceptional compensation calculation.

This exceptional compensation is capped at 125% in the event of outperformance and ends with the 2020 financial year.

Moreover, Mr Michael LOHSCHELLER had benefited from the introduction of an exceptional compensation component, linked to the implementation of the "PACE!" plan, in his capacity as Managing Director of Opel Automobiles GmbH, and consequently as a key contributor to the success of this plan.

For information, provision is made for the allocation of this component of compensation in the employment contract between Opel Automobiles GmbH and Mr Michael LOHSCHELLER and was ratified by the Supervisory Board of Peugeot S.A., upon his appointment as member of the Managing Board. The Supervisory Board has made the payment of this exceptional compensation conditional upon the presence of Mr Michael LOHSCHELLER with the Group throughout the 2019 and 2020 financial years and the "PACE" plan objectives having being met.

In light of the results of the "PACE!" plan in the 2019 financial year, at its meeting on 25 February 2020, the Supervisory Board voted to allocate exceptional compensation to Mr Carlos TAVARES and Mr Michael LOHSCHELLER.

Targets linked to the components of compensation allocated to the members of the Managing Board in the reporting financial year are stated in the tables below.

A proposal for the payment of this exceptional compensation willbe made to the Shareholders' General Meeting on 25 June 2020.

Retention plan

The success of the planned merger of Groupe PSA and FCA will rely on the commitment of the Group's key talents since most value creation from the operation will lie in the execution of the merger and the synergies it makes possible.

The success of the operation is based on the Group's ability to retain a number of its employees who are directly involved with the process, whereas they have skills that are highly sought after in an extremely competitive market and this type of merger naturally ultimately results in streamlining management teams.

Being aware of the need to retain the key talents necessary for the success of this project, at its meeting on 25 February 2020 the Supervisory Board decided to propose the introduction of a principle of exceptional compensation in the 2020 compensation policy. This exceptional compensation would take the form of a retention plan for employees who are essential to the merger and the consolidation of the two groups.

Based on their experience of similar operations, the members of the Board consider that these retention plans are an effective and standard mechanism for limiting the risks of departure and ensuring this fundamental stage for Groupe PSA runs as smoothly as possible. The Supervisory Board considers that members of the Managing Board and certain key employees of Groupe PSA must be identified as essential to the success of the operation and the consolidation of the two groups. As such they would be beneficiaries of this plan.

The implementation of this retention plan would be subject to a condition of presence and performance conditions specific to the merger.

Compensation would only be paid in the event that the merger is finalised and under stringent pre-conditions set by the Supervisory Board, which has established an *ad-hoc* committee to oversee the merger.

The proposed plan is based on exceptional compensation amounting to a maximum of one year of fixed salary paid to Mr Carlos TAVARES and Mr Olivier BOURGES once the merger of the two groups has been successfully finalised and under conditions approved by the Board in the interests of Groupe PSA. Indeed, Mr Carlos TAVARES and Mr Olivier BOURGES are playing a leading role in finalising the project.

In the cases of Mr Michael LOHSCHELLER and Mr Maxime PICAT, this compensation would be paid in two equal tranches.

- The first tranche would be paid once the merger of the two groups has been successfully finalised and under conditions set by the Board.
- The second tranche would be paid one year after the finalisation of the project, subject to the presence of the employees in the Group and evidence of compliance with pre-conditions, particularly the implementation of a plan confirming the announced synergy gains.

The inclusion of this exceptional compensation component in the compensation policy of the members of the Managing Board will be submitted for the approval of the Shareholders' General Meeting on 25 June 2020.

Pension scheme

A new annual defined-contribution pension system is in place since 1 January 2016, for executive company officers and members of the Executive Committee of the Group. It replaces the defined-benefit plan that was terminated effective with effect from 31 December 2015. The scheme is described in detail below.

The whole plan had been authorised by the Supervisory Board in accordance with the procedure on related party agreements and commitments and, following the Statutory Auditors' Special Report, was submitted for the approval of shareholders at the Shareholders' General Meeting on 27 April 2016 (4th resolution).

Upon the reappointment of the members of the Managing Board for the 2017 financial year, it was reapproved by the Shareholders' General Meeting on 10 May 2017 (4th resolution).

Under this system, the Company no longer offers guaranteed levels of retirement income, but will pay out an annual benefit that is directly tied to the Group's results and performance. The contribution is equivalent to 25% of the amount represented by the executive's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance.

Mr Michael LOHSCHELLER benefits from the defined contribution pension scheme in place at Opel Automobiles GmbH. The annual top-up contribution is based on the fixed compensation, a contribution of 1.75%, a maximum contribution of 10.5% and a multiplying factor based on age.

Other compensation or benefits

The only benefits in kind provided to Managing Board members are a company car and medical insurance.

There is no other compensation or fringe benefit other than those stated in Section 3.2.1. There is no particular commitment to the members of the Managing Board, past or present, concerning benefits due upon the completion of their term (including end-of-term or non-compete indemnities).

3.2.2. Principles and criteria for determining the compensation for the members of the Supervisory Board and its President

COMPENSATION OF THE CHAIRMAN OF THE SUPERVISORY BOARD

The compensation of the Chairman of the Supervisory Board was set by the Supervisory Board, having regard to the role of the current Chairman, Louis GALLOIS, on the Board and his experience and expertise.

The amounts of his compensation have remained unchanged since 2014, including for the 2020 financial year.

For 2020, the annual fixed compensation of Louis GALLOIS, Chairman of the Supervisory Board, amounts to €300,000.

Louis GALLOIS has waived this compensation each year since 2014.

ANNUAL OVERALL AMOUNT OF COMPENSATION OF THE SUPERVISORY BOARD AND RULES FOR ALLOCATION

In accordance with the law and the recommendations of soft-law, the members of the Supervisory Board of Peugeot S.A., and non-voting members receive compensation the total annual amount of which is set by the Supervisory Board and authorised each year by the Shareholders' General Meeting. The method of allocation, as determined by the Supervisory Board, takes account of the effective attendance of the members at meetings of that Board and of the specialist committees.

Since 2016, the Supervisory Board has introduced a predominantly variable portion in the attendance fees, in accordance with the recommendations of the AFEP-MEDEF Code (Section 20) to encourage member attendance.

The total amount of compensation allocated to the Board for 2020, as recommended to the Supervisory Board, is equal to €1.27 million (excluding the aforementioned compensation of the Chairman of the Supervisory Board). This total annual amount is used to allocate to each member of the Supervisory Board a fixed portion in compensation for each member's attendance at and contribution to the meetings of the Board and of the committees, together with a variable portion to reflect actual attendance at meetings.

Additional compensation is also planned from 1 January 2020 for members of the Board and non-voting members resident overseas, to take into account additional time spent travelling to meetings.

This additional compensation for any travel to the Groupe PSA registered office to attend a Supervisory Board and/or committee meeting is set at:

- €1,500 for Board members and €1,000 for non-voting members resident in Europe (including the UK), excluding France;
- €3,000 for Board members and €2,000 for non-voting members resident outside Europe.

Allowances in addition to these items are awarded to the Chairmen of each of the committees, in compensation for their preparation and superintendence of those committees' proceedings.

Additional compensation of €40,000 is allocated to members appointed as Vice-Chairmen under the shareholder agreement.

Following a decision by the Board, the total amount of compensation would be allocated as follows, subject to the approval of the compensation policy by the Shareholders' General Meeting:

For attendance at Board meetings:	For attendance at committee meetings:	Chairmanship of a committee:	For non-members:
› fixed part: €16,000; › variable part: €24,000 if 100% of meetings are attended*, prorated for absences.	› fixed part: €6,000; › variable part: €9,000 if 100% of meetings are attended*, prorated for absences.	Chairman of the Finance and Audit Committee: › fixed part: €12,000; › variable part: €18,000 if 100% of meetings are attended*, prorated for absences. Chairmanship of other committees: › fixed part: €8,000; › variable part: €12,000 if 100% of meetings attended, including by audio-conference or video-conference.	› fixed part: €8,000; › variable part: €12,000 if 100% of meetings are attended*, prorated for absences.

*Additional compensation is allocated each time a member travels to the Groupe PSA registered office to attend a Supervisory Board and/or committee meeting:
› €1,500 for Board members and €1,000 for non-voting members resident in Europe (including the UK), excluding France;
› €3,000 for Board members and €2,000 for non-voting members resident outside Europe.

In the event of the total amount of €1.27 million being exceeded during a given year, a reduction coefficient will be applied to the amount of the compensation attributable to members and non-voting members of the Supervisory Board. For terms of office expiring, or appointments to office during the year, entitlement to the fixed portion of the compensation attributable is prorated, while entitlement to the variable portion is calculated on the basis of the total number of meetings during the year.

The Company reimburses the members of the Supervisory Board the expenses incurred for the performance of their duties in accordance with the Supervisory Board's internal regulations.

Aside from the aforementioned compensation, there is no provision in the compensation policy for any other component of compensation for members of the Supervisory Board.

No benefits in kind have been awarded to Supervisory Board members, with the exception of a company car provided for the Chairman.

3.2.3. Components of compensation and benefits allocated to executive company officers for the 2019 financial year

Pursuant to Article L. 225-100 of the French Commercial Code, as amended by Order No. 2019-1234 of 27 November 2019, the shareholders' approval is required for components of compensation and fringe benefits due or allocated in respect of the elapsed financial year to the Chairman of the Managing Board (**eleventh resolution**), to the members of the Managing Board (**tenth to fifteenth resolutions**), and to the Chairman of the Supervisory Board of the Company (**sixteenth resolution**).

These components of compensation which, in accordance with Article L. 225-68 of the French Commercial Code, are included in this report by the Supervisory Board on corporate governance, are presented in the Managing Board's Report on the draft resolutions, to be found in the Brochure containing the Notice of meeting of the Shareholders' General Meeting on 25 June 2020.

The details of compensation for the members of the Managing Board and for the members of the Supervisory Board are included respectively in Section 3.2.4 and Section 3.2.5.

For information, in 2019 the members of the Managing Board did not receive any compensation or attendance fees for other Groupe PSA companies.

3.2.4. Details of the compensation for Members of the Managing Board (Table no. 1 AFEP-MEDEF Code)

TABLES SUMMARISING THE COMPENSATION, OPTIONS AND PERFORMANCE SHARES ALLOCATED TO MEMBERS OF THE MANAGING BOARD (TABLE NO. 1 AFEP-MEDEF CODE)

Carlos TAVARES – Chairman of the Managing Board	Financial year 2018	Financial year 2019
Compensation allocated in respect of the financial year (detailed in table No. 2 below)	€5,237,492	€5,303,408
Sub-total (annual compensation)	€5,237,492	€5,303,408
Value of options allocated during the year	N/A	N/A
Value of the performance shares allocated during the financial year (detailed in table No. 6 below)	130,000 shares valued €2,402,140 (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)	130,000 shares valued €2,299,440 (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)
Sub-total (performance shares)	€2,402,140	€2,299,440
Value of other long-term compensation plans	N/A	N/A
TOTAL	**€7,639,632**	**€7,602,848**

Olivier BOURGES* – Member of the Managing Board Since 1 March 2019 Head of department, Programmes and Strategy	Financial year 2018	Financial year 2019
Compensation allocated in respect of the financial year (detailed in Table No. 2 below)	N/A	€988,971
Sub-total (annual compensation)	N/A	€988,971
Value of options allocated during the year	N/A	N/A
Value of the performance shares allocated during the financial year (detailed in table No. 6 below)	N/A	38,900 shares valued €688,063 (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)
Sub-total (performance shares)		€688,063
Value of other long-term compensation plans	N/A	N/A
TOTAL		**€1,677,034**

* *Amounts allocated in respect of the financial year are pro rated based on the term, i.e. from 1 March to 31 December 2019.*

Michael LOHSCHELLER* – Member of the Managing Board Since 1 September 2019 Brand Executive Director Opel Vauxhall	Financial year 2018	Financial year 2019
Compensation allocated in respect of the financial year (detailed in Table No. 2 below)	N/A	€1,005,276
Sub-total (annual compensation)	N/A	€1,005,276
Value of options allocated during the year	N/A	
Value of the performance shares allocated during the financial year (detailed in table No. 6 below)	N/A	50,000 shares valued €884,400 (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)
Sub-total (performance shares)	N/A	€884,400
Value of other long-term compensation plans	N/A	
TOTAL		**€1,889,676**

* *Amounts allocated in respect of the past financial year are pro rated based on the term, i.e. from 1 September to 31 December 2019.*

Maxime PICAT – Member of the Managing Board Chief Operating Officer, Europe	Financial year 2018	Financial year 2019
Compensation allocated in respect of the financial year (detailed in Table No. 2 below)	€1,656,691	€1,638,572
Sub-total (annual compensation)	€1,656,691	€1,638,572
Value of options allocated during the year	N/A	N/A
Value of the performance shares allocated during the financial year (detailed in table No. 6 below)	60,000 shares valued €1,108,680 (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)	54,200 shares valued €958,689 (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)
Sub-total (performance shares)	€1,108,680	€958,689
Value of other long-term compensation plans	N/A	N/A
TOTAL	**€2,765,371**	**€2,597,261**

Jean-Christophe QUÉMARD* – Member of the Managing Board Until 31 August 2019 Head of department, Africa – Middle-East	Financial year 2018	Financial year 2019
Compensation allocated in respect of the financial year (detailed in Table No. 2 below)	€1,536,806	€1,044,629
Sub-total (annual compensation)	€1,536,806	€1,044,629
Value of options allocated during the year	N/A	N/A
Value of the performance shares allocated during the financial year (detailed in table No. 6 below)	60,000 shares valued €1,108,680 (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)	47,200 shares valued €834,874 (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements)
Sub-total (performance shares)	€1,108,680	€834,874
Value of other long-term compensation plans	N/A	N/A
TOTAL	**€2,645,486**	**€1,879,502**

* *Amounts allocated in respect of the financial year are pro rated based on the term, i.e. from 1 January to 31 August 2019.*

TABLE SUMMARISING THE COMPENSATION OF THE MEMBERS OF THE MANAGING BOARD (TABLE NO. 2 AFEP-MEDEF CODE)

	Amounts in respect of the 2018 financial year *(in euros)*		Amounts in respect of the 2019 financial year *(in euros)*	
Carlos TAVARES – Chairman of the Managing Board	**Allocated**	**Paid in 2018**	**Allocated**	**Paid in 2019**
Fixed compensation	1,500,000	1,500,000	1,500,000	1,500,000
Variable compensation	2,483,496	2,403,954	2,549,388	2,483,496
Exceptional compensation	1,250,000	1,000,000	1,250,000	1,250,000
Company car	2,796	2,796	2,796	2,796
Medical insurance benefit	1,200	1,200	1,224	1,224
TOTAL	**5,237,492**	**4,907,950**	**5,303,408**	**5,237,516**

Olivier BOURGES – Member of the Managing Board Since 1 March 2019 Head of department, Programmes and Strategy	Amounts in respect of the 2018 financial year *(in euros)*		Amounts in respect of the 2019 financial year *(in euros)*	
	Allocated	**Paid in 2018**	**Allocated**	**Paid in 2019**
Fixed compensation		N/A	433,333	433,333
Variable compensation		N/A	552,288	-
Exceptional compensation		N/A	N/A	N/A
Company car		N/A	2,330	2,330
Medical insurance benefit		N/A	1,020	1,020
TOTAL		**N/A**	**988,971**	**436,683**

Michael LOHSCHELLER – Member of the Managing Board Since 1 September 2019 Brand Executive Director Opel Vauxhall	Amounts in respect of the 2018 financial year *(in euros)*		Amounts in respect of the 2019 financial year *(in euros)*	
	Allocated	**Paid in 2018**	**Allocated**	**Paid in 2019**
Fixed compensation			266,667	266,667
Variable compensation			473,972	-
Exceptional compensation				250,000
Company car			5,888	5,888
Medical insurance benefit			8,749	8,749
TOTAL			**1,005,276**	**281,304**

Maxime PICAT – Member of the Managing Board Chief Operating Officer, Europe	Amounts in respect of the 2018 financial year *(in euros)*		Amounts in respect of the 2019 financial year *(in euros)*	
	Allocated	**Paid in 2018**	**Allocated**	**Paid in 2019**
Fixed compensation	710,000	710,000	710,000	710,000
Variable compensation	943,261	782,388	925,130	943,261
Exceptional compensation	-	-	-	-
Company car	2,796	2,796	2,796	2,796
Medical insurance benefit	634	634	646	646
TOTAL	**1,656,691**	**1,495,818**	**1,638,572**	**1,656,703**

Jean-Christophe QUÉMARD – Member of the Managing Board Until 31 August 2019 Head of department, Africa – Middle-East	Amounts in respect of the 2018 financial year *(in euros)*		Amounts in respect of the 2019 financial year *(in euros)*	
	Allocated	**Paid in 2018**	**Allocated**	**Paid in 2019**
Fixed compensation	650,000	650,000	433,333	433,333
Expatriation bonus	92,700	92,700	61,800	61,800
Variable compensation	791,310	840,325	547,632	791,310
Exceptional compensation	-	-	-	-
Company car	2,796	2,796	1,864	1,864
Medical insurance benefit			-	-
TOTAL	**1,536,806**	**1,585,821**	**1,044,629**	**1,288,307**

VARIABLE PART AND LEVEL OF ACHIEVEMENT OF TARGETS IN 2019

On 25 February 2020, the Supervisory Board discussed, on the basis of the recommendations of the Appointments, Compensation and Governance Committee, the performance of the members of the Managing Board, in their absence.

Achievement of trigger thresholds and targets:

Threshold distribution/Targets	Thresholds/targets	Type of criterion	Trigger threshold
Triple trigger threshold* ***Excluding Mr LOHSCHELLER***	Automotive division adjusted operating income	Economic performance	Attained
	Operating free cash flow for 2019 of the manufacturing and sales companies (excluding restructuring and non-recurring items)	Economic performance	Attained
	CO_2 levels of vehicles (manufacturer and network in Europe) in stock to 31/12/2019	Corporate Social Responsibility	Attained

This trigger threshold is common to all Group employees (excluding Opel Vauxhall) with a variable component.

The figures are not made public for confidentiality reasons.

Threshold distribution/Targets	Thresholds/targets	Type of criterion	Percentage of maximum variable part of the Chairman of the Managing Board	Percentage of maximum variable part of the other members of the Managing Board	Trigger threshold	Percentage of target met*
Collective Group targets ***Excluding Mr LOHSCHELLER***	Automotive division operating margin (30% of the collective Group targets)	Economic performance	21%	24%	Attained	125%-122%
	Group operating free cash flow (30% of the Collective Group Targets)	Economic performance	21%	24%	Attained	125%-122%
	CO_2 levels of vehicles (manufacturer and network in Europe) in stock at 31/12/2019 (20% of Collective Group Targets)	Corporate Social Responsibility	14%	16%	Attained	125%-122%
	Group sales points recommendation rate (10% of the collective Group targets)	Corporate Social Responsibility	7%	8%	Attained	125%-122%
	Group World Automotive quality failure rate (10% of collective Group targets)	Corporate Social Responsibility	7%	8%	Attained	17.5%
% Collective Group targets			70%	80%		

* *125% for the Chairman of the Managing Board and 122% for the other members of the Managing Board.*

The figures are not made public for confidentiality reasons.

Threshold distribution/Targets	Thresholds/targets	Type of criterion	Trigger threshold
Triple trigger threshold* ***Mr LOHSCHELLER***	Adjusted operating income Opel Vauxhall	Economic performance	Attained
	Operating free cash flow 2019 Opel Vauxhall	Economic performance	Attained
	CO_2 levels of vehicles (Opel Vauxhall and network in Europe) in stock to 31/12/2019	Corporate Social Responsibility	Attained

* *This trigger threshold is common to all Opel Vauxhall employees with a variable component.*

Threshold distribution/ Targets	Thresholds/targets	Type of criterion	Percentage of maximum variable part	Trigger threshold	Percentage of target met
Collective targets *Mr LOHSCHELLER*	Operating Margin Automotive Opel Vauxhall 2019 (40% of Collective Group Targets)	Economic performance	32%	Attained	225%
	Operating free cash flow Opel Vauxhall 2019 (40% of Collective Group Targets)	Economic performance	32%	Attained	225%
	CO_2 levels of vehicles (Opel Vauxhall and network in Europe) in stock at 31/12/2019 (10% of Collective Group Targets)	Corporate Social Responsibility	8%	Attained	225%
	Opel Vauxhall sales points recommendation rate (5% of the Collective Group Targets)	Corporate Social Responsibility	4%	Attained	225%
	Opel Vauxhall Automotive quality failure rate (5% of Collective Group Targets)	Corporate Social Responsibility	4%	Attained	73%
% Collective Group targets			80%		

Threshold distribution/Targets	Thresholds/targets	Type of criterion	Percentage of maximum variable part	Trigger threshold	Percentage of target met
Targets specific to each member of the Managing Board representing 20% to 30% of the maximum variable part.					
Carlos TAVARES – Chairman of the Managing Board	› China adjusted operating income (adjusted operating income of JVs in China in IFRS)	Economic performance	10%	Attained	100%*
	› DPCA operating free cash flow	Economic performance	10%	Not attained	0%
	› Workplace safety	Corporate Social Responsibility	5%	Attained	100%
	› Percentage of women in top management	Corporate Social Responsibility	5%	Attained	100%
Olivier BOURGES	› R&D + CAPEX	Economic performance	10%	Attained	100%
	› World Manufacturing Costs (*Prix de Revient de Fabrication* in French)	Economic performance	10%	Attained	21%
Michael LOHSCHELLER	› Market share Europe (Opel Vauxhall)	Economic performance	10%	Not attained	0%
	› Workplace safety (Opel Vauxhall)	Corporate Social Responsibility	5%	Attained	20%
	› Percentage of women in top management	Corporate Social Responsibility	5%	Attained	47%
Maxime PICAT	› Europe region adjusted operating income	Economic performance	10%	Attained	75%
	› Market share of Europe registrations	Economic performance	10%	Attained	75%
Jean-Christophe QUÉMARD	Adjusted operating income Africa Middle-East Region	Economic performance	10%	Attained	60%
	Volume of sales Africa - Middle East Region	Economic performance	10%	Attained	60%

* Percentage recalculated to take into account the sale of CAPSA in the 2019 financial year.

The figures are not made public for confidentiality reasons.

The variable proportions to be allocated to each member of the Managing Board were set at the Supervisory Board meeting on 25 February 2020 on the basis of both the targets previously defined when establishing the policy for compensation applicable in respect of financial year 2019, for each of the members of the Managing Board, and the percentage achievement of those targets, as illustrated below:

	Percentage of target achievement	Amount of variable part attributed	Variable compensation achieved (as a percentage of fixed compensation)	Maximum variable compensation (as a percentage of fixed compensation)
Carlos TAVARES – Chairman of the Managing Board	99.98%	€2,549,388	169.95%	200%
Olivier BOURGES*	101.36%	€552,288	127.46%	147%
Michael LOHSCHELLER*	177.25%	€473,972	177.74%	200%
Maxime PICAT	104.24%	€925,130	130.30%	147%
Jean-Christophe QUÉMARD*	101.24%	€547,632	126.33%	147%

* *The variable portion was pro rated based on the term of office in 2019.*

SHARE SUBSCRIPTION OR PURCHASE OPTIONS AWARDED DURING THE FINANCIAL YEAR TO EACH EXECUTIVE COMPANY OFFICER (TABLE NO. 4 AFEP-MEDEF CODE)

No stock subscription or purchase option plan is in effect.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH EXECUTIVE COMPANY OFFICER (TABLE NO. 5 AFEP-MEDEF CODE)

None.

PERFORMANCE SHARES AWARDED DURING THE FINANCIAL YEAR TO EACH MEMBER OF THE MANAGING BOARD BY THE COMPANY AND BY ANY COMPANY IN THE GROUP (TABLE NO. 6 AFEP-MEDEF CODE)

(Nominative list)	No. and date of plan	Number of shares granted during the year	Value of shares based on the method used in the consolidated financial statements	Vesting date	Availability date	Performance conditions
Carlos TAVARES	N° 2019 of 25/02/2019	130,000	€2,299,440	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	(1)
Olivier BOURGES Member of the Managing Board since 01/03/2019	N° 2019 of 25/02/2019	38,900	€688,063	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	(1)
Michael LOHSCHELLER Member of the Managing Board since 01/09/2019	N° 2019 of 25/02/2019	50,000	€884,400	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	(1)
Maxime PICAT	N° 2019 of 25/02/2019	54,200	€958,689	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	(1)
Jean-Christophe QUÉMARD Member of the Managing Board until 31/08/2019	N° 2019 of 25/02/2019	47,200	€834,873	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)	(1)

(1) Performance conditions for the 2019 performance share plan (LTI Plan 2019) specified below.

On 25 February 2019, the Supervisory Board decided to allocate performance shares to members of the Managing Board (LTI Plan 2019), as authorised by the Shareholders' General Meeting on 25 April 2019.

Under this LTI 2019 Plan, the Supervisory Board resolved on the allocation of 130,000 performance shares to the Chairman of the Managing Board, and of 60,000 such shares to the other members of the Managing Board. These performance share awards are part of an overall plan encompassing several hundred senior and executive managers of the Group, for a total of 3,100,000 shares (representing 0.34% of the share capital).

Vesting is subject to the following three performance conditions:

On 25 February 2020 the number of shares allocated to the Chairman of the Managing Board and the members of the Supervisory Board was calculated in application of the cap rule of 60% of the amount of fixed and variable compensation set by the Supervisory Board.

The vesting period of the performance shares is divided into two stages: the shares vest in two tranches, with 50% vesting after three years and 50% after four years.

The final number of shares vested at the end of each vesting period will be determined based on the Group's actual performance for three consecutive financial years (2019-2021).

Fraction of shares initially allocated	Type of performance objective	Trigger threshold	Target
Fraction 1 For 70% of shares	Automotive division adjusted operating margin (2019-2021 average)	50% of fraction 1 shares will be vested if the trigger threshold is reached. If this trigger threshold is not attained, no shares will vest.	Beyond the trigger threshold, the number of shares that will vest will vary on a linear basis up to 100% of the shares vested if the performance objective is achieved.
Fraction 2 For 15% of shares	Group World Automotive quality failure rate (2019-2021 average)	50% of fraction 1 shares will be vested if the trigger threshold is reached. If the trigger threshold is not reached no shares will be vested	Beyond the trigger threshold, the number of shares that will vest will vary on a linear basis up to 100% of the shares vested if the performance objective is achieved.
Fraction 3 For 15% of shares	Level of CO_2 emissions from vehicles sold in Europe in 2020-2021	The vesting of 100% of Fraction 3 shares is conditional upon the performance objective being met.	

The figures are not made public for confidentiality reasons.

This plan does not include a lock-up period.

This grant includes, for each member of the Managing Board:

- an obligation to retain, in registered form and until the cessation of their role, at least 25% of the number of vested shares (subject to the performance conditions being met) at the end of the vesting period; and
- a commitment to refrain from carrying out transactions to hedge their risk on the awarded shares.

These vesting and lock-up conditions, applicable to each member of the Managing Board, will cease to apply when a member holds a number of registered shares that is equal to more than two years of their gross salary. However, the conditions shall automatically re-apply if the number of said shares falls below the target level. The calculation will take into account the price of the share on the vesting date of the performance shares.

PERFORMANCE SHARES BECOMING AVAILABLE DURING THE FINANCIAL YEAR FOR EACH EXECUTIVE COMPANY OFFICER (TABLE NO. 7 AFEP-MEDEF CODE)

At its meeting on 22 February 2017, the Supervisory Board noted that 100% of performance conditions under the 2015 LTI plan had been met and the definitive allocation of shares to each member of the Managing Board under this plan. These shares became available on 1 March 2019 at the end of the 2-year retention period.

At its meeting on 24 April 2019, the Supervisory Board noted that 100% of performance conditions under the 2016 LTI plan had been met and the definitive vesting of shares allocated to each member of the Managing Board under the first tranche of this plan.

(Nominative list)	No. and date of plan	Number of shares having become available during the financial year
Carlos TAVARES	N° 2015 of 27/02/2015	130,000
	N° 2016 of 02/06/2016	65,000
Olivier BOURGES Member of the Managing Board since 01/03/2019	N° 2015 of 27/02/2015	40,000
	N° 2016 of 02/06/2016	15,000
Michael LOHSCHELLER Member of the Managing Board since 01/09/2019	N/A	N/A
Maxime PICAT	N° 2015 of 27/02/2015	40,000
	N° 2016 of 02/06/2016	20,000
Jean-Christophe QUÉMARD Member of the Managing Board until 31/08/2019	N° 2015 of 27/02/2015	65,000
	N° 2016 of 02/06/2016	30,000

As a reminder, the grant of these shares includes, for each member of the Managing Board:

- an obligation to retain, in registered form and until the cessation of their role, at least 25% of the number of vested shares (subject to the performance conditions being met);
- an obligation to vest a number of shares equivalent to 5% of the shares definitively vested on the date of availability of the vested shares (subject to performance conditions being met); and
- a commitment to refrain from carrying out transactions to hedge the risk on the allocated shares until the end of the lock-in period for the shares allocated.

RECORD OF STOCK SUBSCRIPTION OR PURCHASE OPTION PLANS; INFORMATION ON STOCK SUBSCRIPTION OR PURCHASE OPTIONS (TABLE NO. 8 AFEP-MEDEF CODE)

No stock options were granted since 2008.

RECORD OF PERFORMANCE SHARE AWARDS (TABLE NO. 9 AFEP-MEDEF CODE)

	Plan No. 2015	Plan No. 2016	Plan No. 2017	Plan No. 2018	Plan No. 2019
Date of Shareholders' Meeting	24/04/2013	27/04/2016	27/04/2016	27/04/2016	24/04/2018
Managing Board meeting date	27/02/2015	02/06/2016	10/04/2017	09/04/2018	20/05/2019
Total number of shares granted, including the number granted to:	2,465,000	2,200,000	2,693,000	2,700,000	3,081,500
The company officers					
Carlos TAVARES	130,000	130,000	130,000	130,000	130,000
Olivier BOURGES Member of the Managing Board since 01/03/2019	40,000(1)	30,000(1)	40,000(1)	40,000(1)	38,900
Michael LOHSCHELLER Member of the Managing Board since 01/09/2019					50,000(1)
Maxime PICAT	40,000(1)	40,000(1)	60,000	60,000	54,200
Jean-Christophe QUÉMARD Member of the Managing Board until 31/08/2019	65,000	60,000	60,000	60,000	47,200
Vesting date of shares	31/03/2017 if French tax resident 31/03/2019 if not French tax resident	03/06/2019 (Fraction 1) 03/06/2020 (Fraction 2)	14/04/2020 (Fraction 1) 14/04/2021 (Fraction 2)	10/04/2021 (Fraction 1) 10/04/2022 (Fraction 2)	23/05/2022 (Fraction 1) 23/05/2023 (Fraction 2)
End date of lock-up period	31/03/2019	N/A	N/A	N/A	N/A
Performance conditions	(2)	(2)	(2)	(2)	(2)
Number of shares vested on 31/12/2019 (most recent date)	2,377,000	1,014,000	N/A	N/A	N/A
Number of options cancelled, expired or forfeited	88,000	214,000	286,000	220,500	46,000
Number of performance shares outstanding at year-end		972,000	2,407,000	2,479,500	3,035,500

(1) Free Shares allocated under the plan, to a named beneficiary before appointment to the Managing Board.
(2) Performance conditions are defined in Section 3.2.1.

TABLE SUMMARISING LONG-TERM COMPENSATION PAID TO THE MEMBERS OF THE MANAGING BOARD (TABLE NO. 10 AFEP-MEDEF CODE)

None.

TABLE OF COMMITMENTS CONCERNING MEMBERS OF THE MANAGING BOARD (TABLE NO. 11 AFEP-MEDEF CODE)

	Employment contract		Compensation under a non-compete clause		Compensation or benefits due or that may be due on termination or change in position		Supplementary pension plan[(3)]		Commitments under the pension plan for executive managers at 31/12/2016[(3)]	
Executive company officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Carlos TAVARES Chairman of the Managing Board since 31/03/2014		√		√		√	√			√
Olivier BOURGES Member of the Managing Board since 01/03/2019	√(1)			√		√	√			√
Michael LOHSCHELLER Member of the Managing Board since 01/09/2019	√(2)			√		√	√			√
Maxime PICAT Member of the Managing Board since 01/09/2016	√(1)			√		√	√			√
Jean-Christophe QUÉMARD Member of the Managing Board from 13/03/2012 to 31/08/2019	√(1)			√		√	√			√

(1) Employment contract suspended upon their appointment.

(2) The employment contract with Opel Automobiles GmbH remains in place.

(3) ***Pension scheme:***

A new pension system has been in place since 1 January 2016, for executive company officers and members of the Executive Committee of the Group. It replaces the defined-benefit plan that was terminated effective 31 December 2015. The service cost recognised in 2015 under the former defined benefit plan for the members of the Managing Board and members of the Executive Committee amounted to €5.6 million, before taking into account the reversal of the related provision due to the plan's termination. Termination of the plan led to the reversal of a €34 million provision in the 2015 consolidated financial statements, net of the cost of transitioning to the new system. The Managing Board redistributed to all employees the savings from the executive pension plan. This redistribution was in addition to the previous Group compensation and profit-sharing plans and was recognised as an expense in 2015.

Under the new system, the Company no longer offers guaranteed levels of retirement income, but will pay out an annual benefit that is directly tied to the Group's results and performance. The system provides for the payment of an annual top-up contribution, of which 50% in the form of contributions to an external fund as part of an optional defined contribution pension plan ("Article 82" plan) that can only be withdrawn when the plan participant retires, and the other 50% in cash (based on a system of upfront taxation).

The contribution is equivalent to 25% of the amount represented by the executive's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance. The combined value of the annual top-up contributions and the vested benefits described below may not exceed an amount equal to eight times the ceiling for Social Security contributions multiplied by 23 (multiplier determined by the actuaries as corresponding to the average number of years over which benefits are expected to be paid). In respect of 2019, the annual top-up contribution awarded to members of the Managing Board for the performance of their duties amounted to €1,012,347 for Carlos TAVARES, €246,405 for Olivier BOURGES, €408,782 for Maxime PICAT and €245,241 for Jean-Christophe QUÉMARD (these amounts are subject to payroll taxes and income tax, and the net payment will be around 50% of the amounts shown).

The charge recognised in 2019 for the defined-contribution pension plan for members of the Managing Board and of the Executive Committee amounted to €4.6 million, comprised of €2.3 million paid to a pension fund and €2.3 million paid in cash to beneficiaries (taking into account a scheme based on up-front taxation).

Consulted prior to the implementation of the plan, the AFEP-MEDEF High Committee on corporate governance ruled that this plan complied with the recommendations set out in the AFEP-MEDEF Corporate Governance Code for listed companies. In addition, the Peugeot S.A. Works Council issued a unanimously favourable opinion on this new system. The pension scheme was approved under regulated commitments at the Shareholders' General Meeting of 27 April 2016 (4th resolution) and again at the Shareholders' General Meeting of 10 May 2017 (4th resolution) on account of the renewal of appointments to the Managing Board.

Mr Michael LOHSCHELLER benefits from the defined contribution pension scheme in place at Opel Automobiles GmbH. The annual top-up contribution, based on the fixed compensation, is a contribution of 1.75%, a maximum contribution of 10.5% and a multiplying factor based on age.

3.2.5. Components of compensation and benefits due and allocated to the Chairman of the Supervisory Board in respect of the 2019 financial year and the members of the Supervisory Board

For information, in respect of 2019, the Chairman of the Supervisory Board once again waived the compensation awarded to him (€300,000), and the attendance fees (of €70,000) which should have been paid to him on the basis of his attendance at meetings of the Board and the committees.

The amounts allocated to Louis GALLOIS, Chairman of the Supervisory Board, in compensation for the work he performed in connection with his office, are shown in the table below, presented in the format of summary table No. 2 as recommended by the AFEP-MEDEF Code. These amounts will not be paid to him in respect of the 2019 financial year, since the Chairman waived them.

	Amounts in respect of financial year 2018		Amounts in respect of financial year 2019	
Louis GALLOIS – Chairman of the Supervisory Board	**Allocated**	**Paid in 2018**	**Allocated**	**Paid in 2019**
Fixed compensation[1]	€300,000	€0	€300,000	€0
Annual variable compensation	N/A	N/A	N/A	N/A
attendance fees	€70,000	€0	€70,000	€0
Exceptional compensation	N/A	N/A	N/A	N/A
Benefits in kind: company car	€2,796	€2,796	€2,796	€2,796
Medical insurance benefit	N/A	N/A	N/A	N/A
TOTAL	**€372,796**	**€2,796**	**€372,796**	**€2,796**

(1) In 2019, Louis GALLOIS waived his compensation as Chairman of the Supervisory Board and the attendance fees due to him, as he did in 2018.

3.2.6. Components of compensation and benefits paid in respect of the 2019 financial year by the members of the Supervisory Board

ATTENDANCE FEES AND OTHER COMPENSATION RECEIVED IN RESPECT OF FINANCIAL YEAR 2019 BY NON-EXECUTIVE COMPANY OFFICERS MEMBERS OF THE SUPERVISORY BOARD (TABLE NO. 3 AFEP-MEDEF CODE).

Non-executive company officers	Amounts paid during the 2019 financial year *(in euros)*	Amounts paid during the 2018 financial year *(in euros)*
Louis GALLOIS[1] Chairman and member of the Supervisory Board	0	0
Attendance fees, other compensation	0[1]	0[1]
Geoffroy ROUX de BEZIEUX Member until 24/04/19 Vice-Chairman of the Supervisory Board		
Attendance fees	11,333	37,000
Attendance fees (attendance at committee meetings)	12,467	29,600
Other compensation (as Vice-Chairwoman of the Supervisory Board)	13,333	40,000
Marie-Hélène PEUGEOT RONCORONI Permanent representative of EPF on the Supervisory Board Vice-Chairwoman of the Supervisory Board		
Attendance fees	40,000	40,000
Attendance fees (attendance at committee meetings)	30,000	30,000
Other compensation (as Vice-Chairwoman of the Supervisory Board)	40,000	40,000
LI Shaozhu Permanent representative of DMHK since 4 June 2018 Vice-Chairman of the Supervisory Board since 23 July 2018		
Attendance fees	40,000	18,333
Attendance fees (attendance at committee meetings)	12,000	4,500
Other compensation (as Vice-Chairman of the Supervisory Board)	40,000	23,333

Non-executive company officers	Amounts paid during the 2019 financial year *(in euros)*	Amounts paid during the 2018 financial year *(in euros)*
Anne GUÉRIN Permanent representative of Bpifrance Participations since 25 July 2017 Vice-Chairwoman of the Supervisory Board since 25 July 2017		
Attendance fees	40,000	40,000
Attendance fees (attendance at committee meetings)	30,000	30,000
Other compensation (as Vice-Chairman of the Supervisory Board)	40,000	40,000
Catherine BRADLEY Member of the Supervisory Board		
Attendance fees	40,000	40,000
Attendance fees (attendance at committee meetings)	45,000	45,000
Pamela KNAPP Member of the Supervisory Board		
Attendance fees	40,000	40,000
Attendance fees (attendance at committee meetings)	30,000	30,000
Christian LAFAYE Employee representative member on the Supervisory Board until 22 June 2018		
Attendance fees	40,000	23,000
Attendance fees (attendance at committee meetings)	30,000	13,500
Helle KRISTOFFERNSEN Member until 13/09/2019 Member of the Supervisory Board		
Attendance fees	21,000	40,000
Attendance fees (attendance at committee meetings)	19,500	30,000
AN Tiecheng Member until 17/09/2019 Member of the Supervisory Board		
Attendance fees	18,000	31,000
Attendance fees (attendance at committee meetings)	21,600	34,900
Robert PEUGEOT(2) Permanent representative of FFP on the Supervisory Board		
Attendance fees	40,000	37,000
Attendance fees (attendance at committee meetings)	35,000	35,000
Henri Philippe REICHSTUL Member until 24/04/2019 Member of the Supervisory Board		
Attendance fees	11,333	37,000
Attendance fees (attendance at committee meetings)	11,500	30,000
Bénédicte JUYAUX Member of the Supervisory Board since 25 July 2017		
Attendance fees	37,000	40,000
Attendance fees (attendance at committee meetings)	30,000	30,000
Daniel BERNARD Permanent representative of Lion Participations since 25 July 2017		
Attendance fees	37,000	40,000
Attendance fees (attendance at committee meetings)	30,000	30,000
Thierry de LA TOUR D'ARTAISE Member of the Supervisory Board since 25/04/2019		
Attendance fees	22,667	
Attendance fees (attendance at committee meetings)	14,000	
Gilles SCHNEPP Vice-Chairman of the Supervisory Board since 25/04/2019		
Attendance fees	28,667	
Attendance fees (attendance at committee meetings)	20,733	
Other compensation (as Vice-Chairman of the Supervisory Board)	26,667	

Non-executive company officers	Amounts paid during the 2019 financial year *(in euros)*	Amounts paid during the 2018 financial year *(in euros)*
Frédéric BANZET Non-voting member		
Attendance fees	20,000	20,000
Alexandre OSSOLA Non-voting member		
Attendance fees	20,000	18,500
LV Haitao Non-voting member		
Attendance fees	18,500	18,500
TOTAL	**1,057,300**	**1,036,166**

(1) In 2019, Mr Louis GALLOIS waived his compensation as Chairman of the Supervisory Board and the attendance fees due to him, as he did in 2018.
(2) In 2019, Mr Robert PEUGEOT also received attendance fees as compensation member of the Management Committee of FAURECIA. To find out the details of the compensation policy applied to the Board of Directors of Faurecia, as well as the amounts allocated to Mr Robert PEUGEOT, reference is made to the Universal Registration Document of FAURECIA. As a former executive of the Groupe PSA, he receives an additional pension of €160,030per year (former Article 39 scheme) paid by Axa.

In 2019, the amount of the attendance fees was prorated for Mr Geoffroy ROUX DE BÉZIEUX, Mrs Helle KRISTOFFERSEN, Mr AN Tiecheng and Mr Henri Philippe REICHSTUL, whose terms of office ended during the year, and for Mr Gilles SCHNEPP and Mr de LA TOUR D'ARTAISE whose terms of office took effect in 2019.

In addition, the attendance fees due to LI Shaozhu, AN Tiecheng, LIU Weidong and LV Haitao were paid to DMHK.

3.2.7. Remuneration ratios

The following paragraph was drafted in accordance with the provisions of Article L. 225-37-3 paragraph 6 of the French Commercial Code and AFEP guidelines on multiples of compensation dated 28 January 2020.

In accordance with the AFEP-MEDEF Code, the ratio calculation method presented below includes all employees of Peugeot S.A. and PSA Automobiles S.A. for a scope representative of Groupe PSA's operations in France.

Ratios have been calculated on the basis of the fixed and variable gross compensation paid in the relevant financial years and the number of performance shares allocated in the same periods at fair value. For the purposes of comparability of ratios over time and of components, only recurring components of compensation (fixed compensation, benefits in kind, annual variable compensation and performance shares) have been factored into the basis of calculation. In this respect, since the exceptional bonus paid to the Chairman of the Managing Board as part of the acquisition of Opel is non-recurring, it was not taken into account, nor were the bonuses paid to employees, in order to allow ratios to be compared over time.

The calculation methodology used is based on full-time equivalents with the annualisation of compensation in the event of an appointment or departure mid-year.

The benchmark cohort is made up of people continuously present over the relevant financial years, *i.e.* 55% manuals/operators, 19% technicians and supervisors and 26% managers.

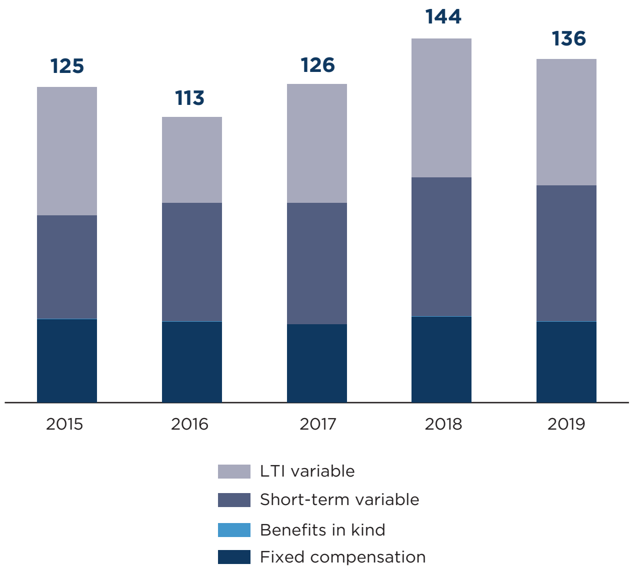
	2015	2016	2017	2018	2019
Company performance					
Adjusted operating income *(in million euros)*	2,733	3,235	3,978	5,689	6,324
Change N/N-1	*+202%*	*+18.4%*	*+23.0%*	*+43.0%*	+11.2%
Adjusted operating margin	5.0%	6.0%	6.4%	7.7%	8.5%
Change N/N-1	*+3.5pt*	*+1.0pt*	*+0.4pt*	*+1.3pt*	+0.8pt
Net result, group share *(in million euros)*	899	1,730	1,924	2,827	3,201
Change N/N-1		*+92.4%*	*+11.2%*	*+46.9%*	+13.2%
Employee compensation					
Average compensation *(in thousand euros)*	39.4	40.8	42.3	43.9	46.2
Change N/N-1		*+3.6%*	*+3.8%*	*+3.8%*	+5.2%
Median compensation *(in thousand euros)*	31.6	32.7	33.5	34.4	36.1
Change N/N-1		*+3.5%*	*+2.4%*	*+2.7%*	+4.9%

	2015	2016	2017	2018	2019
Carlos TAVARES – Chairman of the Managing Board					
Compensation paid *(in thousand euros)*	4,930	4,620	5,320	6,310	6,287
Change N/N-1		-6.3%	+15.1%	+18.6%	-0.4%
Ratio on average compensation	125	113	126	144	136
Change N/N-1		-9.5%	+11.0%	+14.3%	-5.3%
Ratio on median compensation	156	141	159	184	174
Change N/N-1		*-9.4%*	*+12.5%*	*+15.5%*	-5.1%
Mr PICAT(1) - Member of the Managing Board since 01/09/2016					
Compensation paid *(in thousand euros)*		1,320	1,770	2,604	2,615
Change N/N-1			*+34.1%*	*+47.1%*	+0.4%
Ratio on average compensation		32	42	59	57
Change N/N-1			*+29.1%*	*+41.8%*	-4.5%
Ratio on median compensation		40	53	76	72
Change N/N-1			*+31.0%*	*+43.3%*	-4.3%
J.-C. QUEMARD(2) - Member of the Managing Board until 31/08/2019					
Compensation paid *(in thousand euros)*	2,448	1,941	2,262		
Change N/N-1		*-20.7%*	*+16.5%*		
Ratio on average compensation	62	48	53		
Change N/N-1		*-23.5%*	*+12.3%*		
Ratio on median compensation	77	59	68		
Change N/N-1		*-23.4%*	*+13.9%*		
O. BOURGES(3) - Member of the Managing Board until 01/03/2019					
Compensation paid *(in thousand euros)*					1,598
Change N/N-1					
Ratio on average compensation					35
Change N/N-1					
Ratio on median compensation					44
Change N/N-1					
Mr LOHSCHELLER(4) - Member of the Managing Board since 01/09/2019					
Compensation paid *(in thousand euros)*					3,109
Change N/N-1					
Ratio on average compensation					67
Change N/N-1					
Ratio on median compensation					86
Change N/N-1					
Louis GALLOIS – Chairman of the Supervisory Board	**The Chairman of the Supervisory Board waived the compensation awarded to him (€300,000) and the attendance fees which should have been paid (€70,000).**				

(1) Fixed 2016 compensation annualised for the purposes of the calculation.
(2) Period of expatriation from 01/10/2017 to 31/08/2019 (end of term) excluding scope of application.
(3) Fixed 2019 compensation annualised for the purposes of the calculation.
(4) Fixed 2019 compensation annualised for the purposes of the calculation.

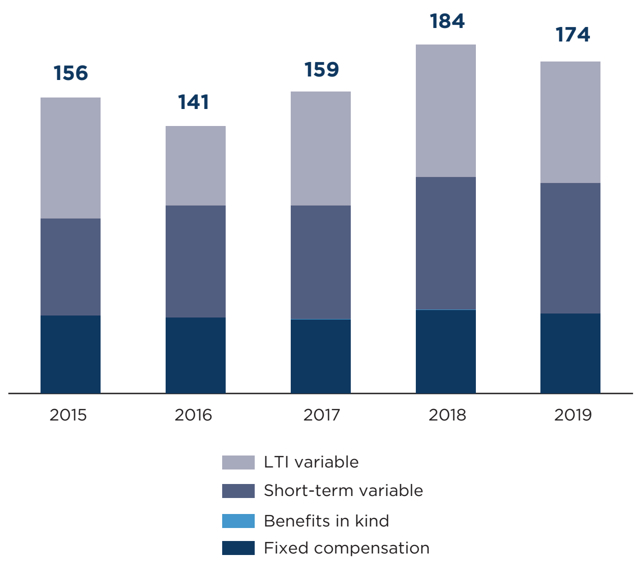
BREAKDOWN OF THE REMUNERATION RATIOS OF THE CHAIRMAN OF THE MANAGING BOARD

Ratio on average remuneration



A preponderant proportion of the compensation of the Chairman of the Managing Board is subject to performance conditions directly linked to the Group's performance objectives and results. In 2019, 76% of his compensation was made up of variable components.

Ratio on median remuneration



A significant proportion of the compensation of the Chairman of the Managing Board is made up of performance shares, the annual allocation of which has remained unchanged since 2015. In 2019, 37% of his compensation was made up of performance shares.

ANALYSIS OF THE BUSINESS AND GROUP OPERATING RESULTS IN 2019 AND OUTLOOK

4

4.1. ANALYSIS OF CONSOLIDATED INTERIM OPERATING RESULTS

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

4.1.1. Group profit (loss) for the period

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

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

4.1.2. Group revenue

The table below shows consolidated revenue by division:

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

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

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

4.1.3. Group Adjusted Operating Income* (loss)

The following table shows Adjusted Operating Income by business segment:

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

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

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

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

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

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

- The negative effect of the **Automotive division's operating environment** stemmed from a €(42) million effect of weaker markets and from a €(243) million effect of "foreign exchange and others", associated essentially with the weakening of the Argentinian peso and the Turkish lira and higher raw material and other external costs amounting to €(201) million.
- The improved **performance of the Automotive business** was due essentially to a positive effect of product mix amounting to +€818 million and pricing amounting to +€102 million, as well as lower production and fixed costs amounting to +€540 million, partially offset by the loss of market share and country mix for €(253) million.

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

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

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

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

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

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

The contribution of the Dongfeng joint ventures (DPCA and DPCS) represented a loss of €(383) million, down €149 million and including impairments for a total impact of €(249) million. The contribution of Changan PSA Automobiles Co., Ltd (CAPSA) was €(50) million in 2019 compared to €(68) million in 2018. See Note 11.3 to the Consolidated Financial Statements at 31 December 2019.

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

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

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

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

A **dividend** of €1.23 per share[1] will be submitted for approval at the next Shareholders' Meeting with an ex-dividend date considered to be on 21 May 2020, and the payment date on 25 May 2020.

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

4.1.5. Banque PSA Finance

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

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

* *As a percentage of net average net outstandings.*

4.1.6. Faurecia*

The results of Faurecia are the following:

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

* *Including Clarion consolidated in 2019.*
** *After IFRS 16 effect and including Clarion consolidated.*

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

4.2. FINANCIAL POSITION AND CASH

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

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

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

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

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

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

4.2.2. Free cash flow from manufacturing and sales operations

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

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

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

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

* *Including importers.*

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

4.2.3. Liquidity and funding of finance companies

The liquidity and funding of finance companies are discussed in Notes 13.4 and 13.5 to the Consolidated Financial Statements at 31 December 2019.

4.2.4. Provisions for warranties

Please refer to Note 10 to the Consolidated Financial Statements at 31 December 2019.

4.2.5. Pensions and other post-employment benefits

Please refer to Note 7.1 to the Consolidated Financial Statements at 31 December 2019.

4.2.6. Information concerning any restrictions on the use of shareholders’ equity having a significant influence on or likely to significantly influence Company transactions

Please refer to Note 15.1 to the Consolidated Financial Statements at 31 December 2019.

4.2.7. Information regarding the anticipated sources of funds needed to fulfil certain commitments

Please refer to Section 4.2.4 above.

4.3. PARENT-COMPANY RESULTS

Peugeot S.A. performs senior management, oversight and supervisory functions and provides services for which it receives a flat fee.

Peugeot S.A.'s assets mainly correspond to:

- equity investments in direct subsidiaries;
- treasury shares classified as marketable securities.

Peugeot S.A. is also Head of a tax group set up with its more than 95%-owned subsidiaries in France.

Results

NET OPERATING INCOME

Operating income, which chiefly comprises fees collected from the main subsidiaries, the re-invoicing of staff costs, totalled €253 million in 2019, compared with €212 million in 2018.

Management fees are calculated as a percentage of the operating divisions' revenue, and cover the operating expenses incurred by the Company for its corporate functions; they amounted to €173 million in 2019, compared with €145 million in 2018. Fees are invoiced to direct Peugeot S.A. subsidiaries based on the consolidated revenue of the division concerned.

Operating expenses amounted to €254 million in 2019, compared with €232 million in 2018, and mainly corresponded to payroll costs, other purchases and external charges.

Net operating income was accordingly a negative €1 million compared with a negative €20 million in 2018.

NET FINANCIAL INCOME (EXPENSE)

Financial income consists largely of income from shares in subsidiaries and affiliates (Note 17).

Incarne from shares in subsidiaries and affiliates amounted to €1,612 million, compared with €476 million in 2018.

Interest and similar income amounted to €3 million, and were stable compared with 2018. Reversals of provisions for impairment of equity securities and treasury shares totalled €319 million, compared with €20 million in 2018.

Financial expense for depreciation, amortisation and provisions amounted to €53 million, compared with €38 million in 2018.

Interest and similar expense amounted to €55 million, compared with €82 million in 2018.

In view of these items, net financial income result was a positive €1,826 million, compared with a positive €378 million.

NET NON-RECURRING INCOME (EXPENSE)

Net non-recurring income (expenses) (Note 18), which was a negative €359 million in 2019, mainly consists of charges on capital transactions.

Basic earnings

Taking into account the net income tax benefit of €122 million, determined in accordance with the rules governing the tax consolidation of Peugeot S.A. and its 95% or more controlled subsidiaries, Peugeot S.A. reported €1,588 million in net profit, compared with €478 million for 2018.

Balance Sheet

ASSETS

Equity investments in subsidiaries and affiliates constitute the major share of non-current assets.

Before deducting provisions, the gross value of equity investments was €19,150 million at 31 December 2019, a decrease of €135 million compared with 2018. Impairment losses on equity securities amounted to €409 million in 2019, compared with €666 million 2018. These items are described in Note 4 to the parent company Annual Financial Statements.

After deducting provisions, the net value of equity investments was €18,740 million at 31 December 2019, compared with €18,619 million at 31 December 2018.

Current assets primarily correspond to cash investments of €4,684 million at 31 December 2019, compared with €3,118 million in 2018 (Note 9) and marketable securities in the amount of €193 million net of provisions at 31 December 2019, compared with €200 million at 31 December 2018 (Note 7).

The 9,943,735 treasury shares held at 31 December 2019 are classified as marketable securities, of which 9,072,000 shares allocated to free share plans and 871,735 to future LTI plans (Note 7).

LIABILITIES

Shareholders' equity at 31 December 2019 was €20,675 million, compared with €19,774 million at 31 December 2018. On 6 May 2019, Peugeot S.A. paid dividends of €697 million. Given the results achieved by Groupe PSA, the Supervisory Board has approved the Managing Board's proposai to pay dividends in respect of 2019.

A free share plan was established in 2019.

Provisions for contingencies and charges totalled €161 million at 31 December 2019, compared with €117 million at 31 December 2018. They are described in Note 9 to the Financial Statements.

Loans and similar debts amounted to €3,061 million, compared with €2,358 million in 2018. In 2019, Peugeot S.A. redeemed matured bonds in a total amount of €430 million (Note 12). On 11 April 2019, Peugeot S.A. issued a bond *via* a private placement under German law, *Schuldschein*, for €522 million, broken down into several tranches with maturities of 4.5 years, 7 years and 8 years. On 18 September 2019, a second bond was issued for €600 million bond maturing in September 2029, paying a coupon of 1.125%

Of the €58 million due to suppliers of fixed assets, €54 million corresponds to the uncalled portion of the commitment to the FAA fund set up to support automotive equipment suppliers (Note 13).

In as much as Peugeot S.A. is a holding company, trade payables are not significant. They amounted to €28 million.

Peugeot S.A. settles payments to suppliers 30 days end of month from invoice date, in compliance with the provisions of France's LME Act.

INVOICES RECEIVED AND DUE BUT NOT YET PAID AT THE CLOSE OF THE PERIOD

At 31 December 2019, payments due to suppliers amounted to €28.4 million and broke down as follows in the financial statements:

- trade payables and related accounts recorded as liabilities: €28.4 million;
- less: deferred expenses for this item: €27.8 million.

Or €0.6 million.

This amount of late payments breaks down as follows:

	Article D. 441 I. 1° : Invoices received and due but not yet paid at the close of the period.					
(in thousands of euros)	**0 day***	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total (1 day and more)**
(A) Late payment tranches						
Number of invoices involved	16	0	5	10	0	15
TOTAL VALUE OF INVOICES INVOLVED (INCL.TAX)	**296**	**0**	**118**	**203**	**0**	**321**
Percentage of the total value of purchases in the period (incl.tax)	0.83%	0.00%	0.33%	0.57%	0.00%	0.90%
(B) Invoices excluded from (A) in connection with contested trade payables						
Number of excluded invoices						
PAYMENT TERMS USED FOR CALCULATING LATE PAYMENTS						
(C) Reference payment terms : Article L. 441-6						
Payment terms used for calculating late payments						Legal term: 30 days

* *Invoices received and due but not yet paid at 31/12/2019 and not due.*

INVOICES ISSUED AND DUE BUT NOT YET PAID AT THE CLOSE OF THE PERIOD

At 31 December 2019, trade receivables amounted to €150.8 million and broke down as follows in the financial statements:

- trade receivables and related accounts recorded as assets: €150.8 million;
- less: invoices to be issued for this item: €147.5 million.

Or €3.3 million.

This amount of late payments breaks down as follows:

	Article D. 441 I. 2° : Invoices received and due but not yet paid at the close of the period					
(in thousands of euros)	**0 day***	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**more than 91 days**	**Total (1 day and more)**
(A) Late payment tranches						
Number of invoices involved	31	2	1	0	8	11
TOTAL VALUE OF INVOICES INVOLVED (INCL.TAX)	**898**	**340**	**0**	**0**	**13**	**353**
Percentage of revenue for the period (incl.tax)	0.34%	0.13%	0.00%	0.00%	0.00%	0.13%
(B) Invoices excluded from (A) in connection with contested trade payables						
Number of excluded invoices			1		21	22
PAYMENT TERMS USED FOR CALCULATING LATE PAYMENTS			**9**		**2,000**	**2,009**
(C) Reference payment terms : Article L. 441-6						
Payment terms used for calculating late payments						Legal term: 30 days

* *Invoices received and due but not yet paid at 31/12/2019 and not due.*

4.4. MAJOR CONTRACTS

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

Transaction Structure and Merger Consideration

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

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

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

Governance of DutchCo

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

DutchCo Board Composition

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

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

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

Nomination Rights

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

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

(1) Bpifrance shall include jointly Bpifrance Participations S.A. and its wholly-owned subsidiary Lion Participations SAS.

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

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

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

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

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

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

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

Initial Management of DutchCo

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

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

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

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

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

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

Voting Limitations

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

Shareholders Matters

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

- *support of the merger* - Each Reference Shareholder has undertaken to vote or cause to be voted all shares owned or controlled by it or as to which it has the power to vote in favor of any decision in furtherance of the approval of the transactions contemplated by the combination agreement that is submitted to the shareholders;
- *standstill* - Each Reference Shareholder shall be restricted from buying shares to increase its interest in PSA, FCA (before the merger) or DutchCo for a period ending seven years following the Effective Time, except that EPF/FFP may increase its shareholding by up to a maximum of 2.5% in DutchCo (or 5% in PSA) by acquiring shares from Bpifrance and/or Dongfeng and/or on the market, provided that market acquisitions may not represent more than 1% of the DutchCo common shares or 2% of the PSA ordinary shares plus, if applicable, the percentage of DutchCo common shares (or PSA ordinary shares) sold by Bpifrance to buyers other than EPF/FFP or any of its affiliates;

- *lock-up* - From the date of the combination agreement until 3 years after closing of the merger Exor, Bpifrance and EPF/FFP will be subject to a lock-up in respect of their shareholdings in the relevant company before closing of the merger and in DutchCo thereafter, except that Bpifrance will be permitted to reduce its shareholdings by 5% in PSA or 2.5% in DutchCo; and
- *Dongfeng Buy-back* - Dongfeng has agreed to sell, and PSA has agreed to buy, 30.7 million PSA ordinary shares prior to closing of the merger (the ordinary shares repurchased by PSA will be cancelled). Notwithstanding the above, Dongfeng may sell all or part of such shares to third parties prior to the closing of the merger, in which case the purchase by PSA described in the prior sentence will apply to the balance of such 30.7 million PSA ordinary shares not otherwise sold by Dongfeng. Dongfeng is subject to a lock up until the Effective Time for the balance of its participation in PSA, resulting in an ownership of 4.5% in DutchCo immediately after the Effective Time.

Certain Covenants

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

Pre-merger Distributions

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

Faurecia Distribution

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

Comau Separation

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

Other Provisions

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

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

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

Abandonment of the transformation project of Peugeot S.A. into a European Company

The Supervisory Board approved, during its meeting on July 23, 2019, a project to transform PSA into a European Company (SE) and authorized the Managing Board to initiate certain operations with a view to carrying out this transformation. It was initially envisaged that this transformation project would be submitted to the PSA General Meeting of shareholders on May 14, 2020. PSA Managing Board, after having been authorized by the Supervisory Board, decided, during its meeting of February 25, 2020, to put an end to the process of transformation of PSA into a European Company. This decision comes within the context of the merger project between PSA and FCA within the framework of which PSA has undertaken to put an end to the process of transformation of PSA into a European Company

4.5. INVESTMENT IN RESEARCH & DEVELOPMENT

Automotive Expertise to deliver useful technologies

Innovation, research and development are powerful levers for developing competitive advantages by addressing the major challenges faced in the automotive industry (environmental, safety, emerging mobility and networking needs, etc.).

Every year, Groupe PSA invests in research and development to stay ahead, technologically, of environmental and market changes.

4.5.1. The R&D strategy in the "Push to Pass" plan

4.5.1.1. R&D AT THE HEART OF THE CORE MODEL STRATEGY

Through its Push to Pass strategic plan, the Group has decided to launch a product offensive that is focused on its customers and on its leading global profit pools by releasing one new car per region, per brand and per year.

To enact this ambitious plan as efficiently as possible, Groupe PSA's R&D develops all its Peugeot, Citroën, DS, Opel and Vauxhall body styles through global, multi-brand and multi-region programmes that help maximise the reuse of parts.

These body designs are created on two lighter, multi-energy platforms, and offer great modularity in terms of length, height and wheel diameter, to address the challenges faced in terms of mass, environment and functionalities.

- The mid- and high-end body designs of the C and D segments of all the Group's brands (sedans, *coupés*, MPVs, SUVs and LCVs) are developed on the EMP2 Efficient Modular Platform, launched in 2013. In addition to petrol and diesel engines, this platform has a plug-in hybrid petrol-electric powertrain (PHEV) that offers an electric alternative for all vehicles developed on EMP2 starting in 2019.
- The segment B city car models up to the compact SUVs, as well as the new segment C sedans, dedicated mainly to urban use, are developed on the Common Modular Platform (CMP), established in collaboration with Dongfeng Motor Corporation. CMP, which was launched in 2018, has a fully electric version (eCMP) and offers an electric alternative for all new models released starting in 2019.

This modular approach, coupled with programme-based organisation, will enable the reuse of basic parts and modules but also body parts, generating a 20% saving on R&D costs and a 30% saving on capital expenditure (CAPEX) compared to an entirely new model.

4.5.1.2. THE CORE TECHNOLOGY STRATEGY

Via its "Core Model Strategy", Groupe PSA offers a targeted range of technologies that aims to provide its customers with a diverse selection of technological options to meet all of their responsible and sustainable mobility needs, thus reflecting the social changes that have a direct impact on the automotive industry: energy transition, increased urbanisation, the ageing of the population, digital advances and hyper-connectivity, globalisation, mobility and changes in habits.

Groupe PSA has identified its R&D strategic focus areas through which it will offer its customers new types of automotive experience, tailored to the individual trends around the world. The goal is to design and develop:

- cars that are ever more environmentally friendly and support the energy transition;
- intelligent, connected and autonomous cars to assist drivers during the most monotonous moments of driving.

4.5.2. Groupe PSA technological response

4.5.2.1. CLEAN TECHNOLOGIES DPEF.16 DPEF.24 DPEF.27

Approximately 40% of Groupe PSA's R&D budget is dedicated to developing technologies to improve the environmental efficiency and performance of its vehicles.

Concerned to adopt a sustainable mobility approach (see Section 2.1.2) and to meet the challenge of energy transition, the Group has made the "clean car" a strategic focus of its R&D.

4.5.2.1.1. New electric powertrains

To meet the challenges of the energy transition, Groupe PSA has committed to an electrification offensive of its vehicles, defining clear targets:

- from 2019 onwards, every new model produced will be available in an electric or hybrid version;
- in 2021, half of all models marketed will include an electric version;
- by 2025, all models marketed by Groupe PSA's five brands will have an electric version.

This goal is possible because all of the Group's passenger cars are being developed on two multi-energy platforms: EMP2 and CMP (see Section 4.5.1.1).

Thanks to this multi-energy design:

- the combustion and electric versions of the same model are produced on the same production line; this allows Groupe PSA to adapt nimbly and flexibly to market changes;
- the electric versions offer cabin space, boot space and a calibre of equipment identical to the combustion versions.

Fully electric vehicles

Groupe PSA is introducing its new generation of fully electric cars on the DS3 Crossback E-Tense, Peugeot e-208, Peugeot e-2008 and Opel Corsa-e, which offer:

- range between 320 and 340 km (WLTP);
- full charge in 8 hours with a home Wallbox and 80% charge in 30 minutes on a public fast charger (100kW DC);
- acceleration from 0 to 100km/h in 8 seconds.

In addition, in 2020 the Group will be introducing fully electric versions of its compact vans with the Peugeot Expert, Citroën Jumpy, Opel and Vauxhall Vivaro.

By the end of 2021, Groupe PSA will release 12 fully electric models.

The plug-in petrol hybrid

Groupe PSA's plug-in petrol hybrid was rolled out in 2019 with the DS7 Crossback E-Tense, Peugeot 3008 Hybrid & Hybrid4, Peugeot 508 Hybrid and 508 SW Hybrid, Opel and Vauxhall Grandland X Hybrid4 and Citroën C5 Aircross Hybrid.

These vehicles, available with two- and four-wheel drive, have total power of 300hp in the four-wheel drive version and 224hp in the two-wheel drive version. This enables:

- approved CO_2 emissions between 29 and 37g/km (WLTP);
- range of up to 59km (4x4) and 56km (4x2) in fully electric mode (WLTP);
- full charge in 7 hours on a home charging station and in 1 hour 45 minutes on a fast charger;
- access to "low-emissions zones"; driving in ZEV mode is indicated by a blue light under the interior rearview mirror;
- acceleration from 0 to 100km/h in 6 seconds (4x4).

By the end of 2021, Groupe PSA will release 11 plug-in hybrid models.

Micro and Mild Hybrid

Stop & Start (micro-hybrid) technology has been used in Groupe PSA cars since 2004.

The 48V Mild Hybrid will be introduced in 2022. This new generation of electric internal combustion engines will reduce CO_2 emissions by around 15% compared to a vehicle powered entirely by an internal combustion engine.

4

4.5.2.1.2. Optimisation of internal combustion engines

Groupe PSA possesses a range of high-performing powertrains.

- Among petrol engines, the 3- and 4-cylinder PureTech family (formerly THP) is particularly efficient from the standpoint of consumption, weight and emissions.
  - The 3-cylinder 1.2l turbo version received the International Engine of the Year award in its category for four consecutive years, from 2015 to 2018.
  - The new generation of petrol engines was launched in 2017. Intended to conquer world markets, this range complies with the Euro 6d-temp standard (which came into force on 1 September 2018 for all vehicles) and, furthermore, with the more stringent Chinese China6b standard.
  - The EC engine family (four-cylinder atmospheric), rolled out across all regions, completes this range of Groupe PSA petrol engines.
- For diesel engines, Groupe PSA has followed the most efficient technological options, rather than the least costly.
  - SCR (Selective Catalytic Reduction), the most effective technology for reducing nitrogen oxides (No_x), is used on all of Groupe PSA's BlueHDi diesel engines.
  - The new generation of 1.5 BlueHDi engines, which was rolled out in 2017, abides by an RDE conformity factor of 1.5 on No_x emissions even though this value will not be mandatory until 2020 (the current required factor is 2.1).
- Groupe PSA also sells a range of high-performance gearboxes that in 2018 was expanded with a new automatic eight-speed gearbox (EAT8) that reduces vehicles' consumption even more drastically while offering better driving comfort.
- Lastly, Groupe PSA develops engines that are compatible with alternative fuels (see CSR Report – 2.1.2.4). In Latin America, Groupe PSA's models are equipped with flexfuel engines (100% bioethanol); a GPL version of the 3-cylinder Puretech engine (atmospheric version) was developed in 2017. Activities in the field of alternative fuels have been strengthened thanks to the expertise of the Opel Vauxhall teams. As such, the "Alternative fuels (LPG, CNG)" skills centre was awarded to the R&D teams at Rüsselsheim in November 2017.

These technological choices, which were made in anticipation of regulations, helped Groupe PSA become one of the few car manufacturers to have certified its entire range with the new WLTP protocol, which is more representative of real-world fuel consumption. This was completed on 1 September 2018. In 2019, all Peugeot, Citroën, DS, Opel and Vauxhall passenger cars were certified according to the new EURO 6d-TEMP-EVAP-ISC emission standard before it entered into force on 1 September 2019.

In addition, since 2015 Groupe PSA has been committed to being transparent with customers on its vehicles' consumption and actual emissions. It has partnered with the NGOs Transport & Environment (T&E) and France Nature Environnement (FNE) and the Bureau Veritas certification agency to outline a reliable protocol for measuring consumption and pollutant emissions (No_x and particulates) for real-world fuel consumption. This initiative, a first in the automotive world, won the ECOBEST 2018 award.

4.5.2.1.3. Optimisation of the vehicle and its use

In addition to work done on powertrains, Groupe PSA is working on all fronts to reduce its vehicles' consumption and in turn its CO_2 footprint:

- **mass**: market leader in terms of average vehicle weight, Groupe PSA has made the optimisation of mass a central feature of vehicle design. Thus, the relationship of weight to total size to benefits, which is optimised in every sense, has produced recent models that are lighter than the previous ones, achieving a 100kg reduction for the Peugeot 3008 and a 70kg reduction for the Peugeot 508, both developed on EMP2. Thanks to the CMP's reduced weight, its CO_2 emissions have declined by as much as 1.2g/km;
- **overall energy efficiency** by optimising aerodynamics, tyre rolling resistance, mechanical friction losses (brakes, bearings, rings, etc.) and power consumption (engines, equipment such as air conditioning, etc.);
- the Group also offers **driver assistance** that allows drivers to use their car more ecologically.

4.5.2.2. INTELLIGENT CARS: AUTONOMOUS AND CONNECTED

The autonomous, connected cars of tomorrow will promote the emergence of new models of transport and mobility while saving customers time and energy.

4.5.2.2.1. The communicating connected car

The communicating connected car marks the transition from a closed-off vehicle to a more open vehicle, with mobile devices connected to the cloud. With this development, the car enters the realm of the Internet of Things (IoT). The technological building blocks developed by Groupe PSA will give rise to new connected services that will radically transform how people use cars.

To do this, the Group is:

- teaming up with software development companies to create open source, scalable telematics platforms. These platforms make it possible to quickly and seamlessly incorporate services such as IVI (In-Vehicle Infotainment), Smart Antenna, etc.;
- adding cutting-edge solutions that offer secure, comprehensive, cost-effective and high value-added connectivity that is compatible with the development cycles of consumer electronics, such as SmartDeviceLink and Car Easy Apps;
- working with the GAFAM/BAT digital giants, such as Banma in China, to explore personal assistant solutions;
- involved in collaborative projects including 5GCAR, Autopilot, Concorda and Scoop, and is joining alliances and consortia including 5GAA and TIAA to speed up the introduction of new telecommunication and infrastructure technologies (5G, G5, etc.).

Groupe PSA introduced the communicating cars in 2003 with eCall, its emergency call service, and since 2010 it has been fitting all its models with an autonomous telematics box unit, particularly in Europe. More than three million vehicles are now connected.

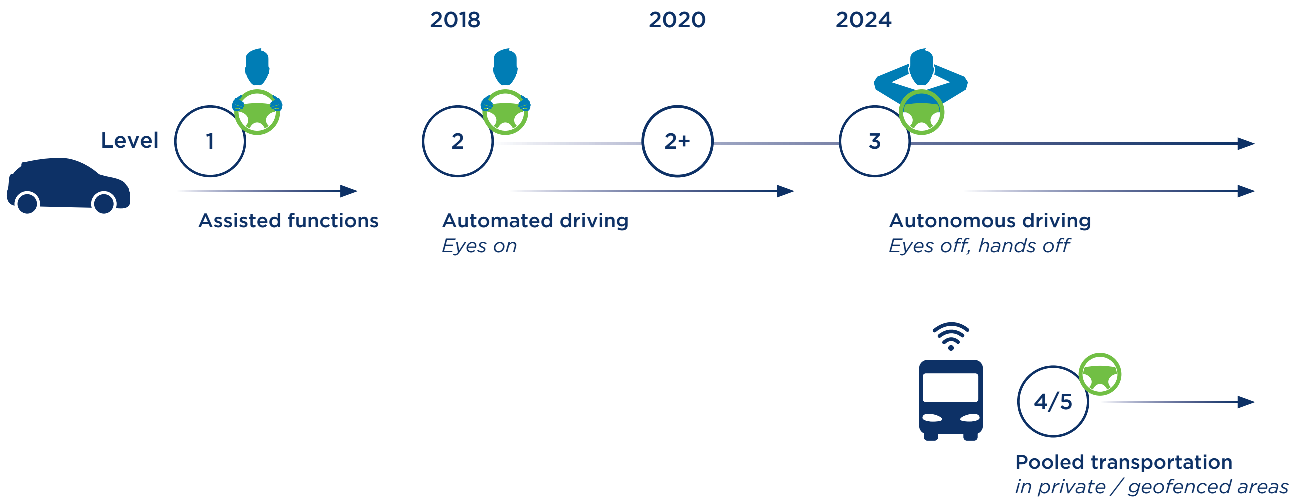
In 2019, in keeping with the SCOOP @ F programme, Groupe PSA participated in the C-ROADS project to roll out cooperative intelligent transport systems. Car manufacturers, infrastructure and mobility managers, universities and research institutes, and safety experts are working together on experiments on sections of motorway, with eight member states involved in the undertaking.

Groupe PSA is a pioneer in the development of V2X technology, where V means vehicle and X refers to infrastructure, vehicles, pedestrians, etc.). Road tests and public demonstrations have been carried out since early 2018 to assess the advanced performances of this technology in order to improve road safety and traffic management.

To improve the implementation and interoperability of new connectivity technologies, Groupe PSA has buttressed its joint arrangements with digital technology and telecommunications players. It is an active member of the 5G Automotive Alliance (5GAA), and contributes to several European undertakings: 5GCAR (5G Communication Automotive Research and Innovation), 5GCroCo (5G Cross Border Control) and Concorda (Connected Corridor).

4.5.2.2.2. Self-driving: towards the autonomous car

In order to offer increasingly safer cars to its customers, cars that take the pressure off the driver during tedious driving conditions, and thereby make daily life easier, Groupe PSA is launching through its AVA (Autonomous Vehicle for All) programme a wide range of assistance functions that will gradually lead to the option to partially, and then totally, hand over responsibility to the car, with total peace of mind, should the driver choose to do so. This means that the autonomous car will take hold over time, with regulated levels of automation and autonomy.



Groupe PSA's cars are equipped with the first technological building blocks, which are the precursors of tomorrow's autonomous car.

Groupe PSA has been introducing a series of ADAS since 2018, incorporating the first level 2 functions. Launched on the DS7 Crossback, functions such as HIA (Highway Integrated Assist), Night vision, latest-generation City Park and Driver Attention Alert are fitted onto the new Peugeot 508 and 508 SW and the Citroën C5 Aircross. The latest generation of light commercial vehicles is fitted with Surround Rear vision, which enhances peripheral rear vision.

Level 3 technologies (autonomous driving) will be introduced in passenger cars in 2024.

The higher-level functions (4 and 5) will offer new shared mobility solutions in private or geofenced areas.

Demonstrating its technical prowess when it comes to autonomous cars, Groupe PSA was the first car manufacturer:

- to obtain the permits needed to drive its autonomous prototypes on the open road, since July 2015 in France and January 2019 in China;
- to perform tests with "non-expert drivers", which it began doing in March 2017;
- to go through a toll booth barrier, in autonomous mode and with connectivity (July 2017), navigate construction zones and safely stop the vehicle on the motorway (July 2019), in experiments conducted in cooperation with Vinci.

Groupe PSA prototypes fitted with levels 3 and 4 autonomous functions continue to be tested on the open road in Europe and China.

In addition, in 2019 Groupe PSA tested an autonomous shuttle at its Vélizy site.

4.5.2.2.3. Artificial intelligence

Groupe PSA believes that artificial intelligence is central to a profound transformation in the automotive world and the mobility of tomorrow.

This conviction motivated the Group to become a founding member of the PRAIRIE institute[1], which was inaugurated in March 2018. Groupe PSA is the first car manufacturer to join the institute, which aims to bring together top artificial intelligence scientists and manufacturers to become a global leader in the field.

In addition, in 2018 Groupe PSA partnered with INRIA, the French national research institute for the digital sciences[2], to create an "Artificial Intelligence" OpenLab, which focuses on applied research for the automotive industry.

4.5.3. Groupe PSA Innovation

Innovation guarantees a genuine potential for differentiation in a demanding, fast-evolving market. Innovation enables Groupe PSA to stand out from the competition and bring to birth the car of tomorrow.

Groupe PSA commands a portfolio of high-value innovations protected by industrial property rights.

In 2019, Groupe PSA filed 1,183 patent applications in France. This high number of patents is testament to the Group's commitment to protecting and promoting its innovations.

(1) *Paris Artificial Intelligence Research Institute.*
(2) *French national research institute for the digital sciences.*

4.5.3.1. OPEN INNOVATION

To identify new trends, bring innovative technologies to market faster and lower its development expenditure, Groupe PSA draws on an Open Innovation approach, which brings together a broad range of partners that enable it to detect new trends and identify technological and scientific breakthroughs all over the world:

The "individuals" ecosystem, which encompasses the Group's employees, its customers and users of mobility in the broad sense, aims to involve customers in the innovation process, right from the beginning. Thanks to the creation of incubators, 689 applications were submitted, 110 incubations were launched and 25 projects were initiated by end-2019.

The "academic" ecosystem focuses on scientific partnerships with the most advanced universities and laboratories in their respective fields. This scientific network is led by StelLab, in close collaboration with PSA University. At end-2019, it comprised 17 OpenLabs and three academic chairs. As part of this initiative, in 2019 Groupe PSA deepened its joint-arrangement with the University of Orléans by creating "Expl'O Energetics", an experimental platform to study solutions for sustainable mobility and future energies. The Group also renewed the André Citroën teaching and research chair, which was created in partnership with the École Polytechnique and École Polytechnique Foundation. In addition, Groupe PSA is a founding member of the PRAIRIE Institute, which was selected by the French National Research Agency (ANR) through the France 3IA request for proposals and inaugurated on 2 October 2019.

The "institutions" ecosystem incorporates ministries, local administrations, the French National Research Agency (ANR), Agency for the Environment and Energy Management (ADEME), competitiveness clusters and the European Commission. Under this ecosystem, Groupe PSA is an active member of automotive industry competitiveness clusters (MOV'EO, *Véhicule du Futur*, ID4car) which foster collaborative projects, close relationships with SMEs and startups and encourage meetings with new potential partners.

In 2019, Groupe PSA took part in:

- 16 projects funded by the European Commission, including SCOOP and L3PILOT on the connected autonomous vehicle, EU-LIVE on new urban mobility objects, the Thomas, Versatile and Scalable projects on the plant of the future, and more;
- some 15 projects supported by the French government, mainly by the French National Research Agency (ANR), the Public Investment Bank (*Banque publique d'investissement*) and the Agency for the Environment and Energy Management (ADEME), including the Blind Spot Monitoring projects on safety and acceptability of autonomous driving and mobility, AutoConduct on the adaptation of the autonomous automation strategy for vehicles, QAIcars on air quality in the passenger compartment and the development of a cutting-edge battery pack.

The "business" ecosystem incorporates SMEs, VSEs, startups and businesses from a variety of industries involved in the innovation process to enhance business agility and help seize new scientific, technological and businesses opportunities as early as possible. Since 2016, the Business Lab has been the point of entry for start-ups for all Groupe PSA entities.

4.5.4. R&D effectiveness

4.5.4.1. R&D BUDGET

In 2019, capitalised R&D investment and expenditure amounted to €5,909 million (including €901 million in non-recurring investment), of which €2,359 million for Faurecia, compared with €4,721 million in 2018, including €1,313 million for Faurecia, and €4,713 million in 2017. Groupe PSA will continue its programme to optimise and make more effective its R&D expenses and investments, keeping them within a controlled scope. For further information, please refer to Note 5.3 to the 2019 Consolidated Financial Statements, Section 5.6 below.

Groupe PSA's R&D fuels the DNA of its five automotive brands in order to market ever-more attractive cars. The vehicles introduced in 2019 epitomise their distinctive positioning and manifest Groupe PSA's electrification strategy:

- Peugeot: new 208 and 2008, available in fully electric versions (e-208 and e-2008), and the 3008 Hybrid & Hybrid4, 508 Hybrid and 508 SW Hybrid plug-in hybrids;
- Opel: new Corsa, available in a fully electric version, the Corsa-e, and the Opel Grandland X Hybrid4;
- DS: DS3 Crossback and DS3 Crossback E-Tense and DS7 Crossback E-Tense;
- Citroën: reveal of the new Citroën C5 Aircross Hybrid SUV.

4.5.4.2. GLOBAL IMPACT OF R&D

Groupe PSA's R&D is global and structured around four clusters:

- **an R&D cluster in Europe:**
  - the main base, in France, is responsible for the entire Core Technology Strategy, programme launchers, "reskins" and derivative body styles and, like all the regions, for local integration and manufacturing. At end-2019, the workforce in France consisted of 8,850 full-time equivalent employees, based mostly at the three R&D centres and their testing site: Vélizy/La Ferté-Vidame, Sochaux/Belchamp and Poissy *Centre d'Expertise Métiers*/Carrières-sous-Poissy,
  - one R&D centre in Rüsselsheim, Germany, tasked with developing all new Opel/Vauxhall cars, light commercial vehicles for all of Groupe PSA's brands built on a special LCV platform[(1)], the new generation of four-cylinder petrol engines, and leading the 15 competence centres (expertise fields). The Rüsselsheim Technical Centre had 4,990 employees at end-2019;
- **one R&D centre in Morocco** (Casablanca), with 600 full-time equivalent employees at end-December 2019, the "home base" for the development of pick-ups (crucial vehicles in the Africa-Middle East region) and responsible for "reskins", updates and standard-life vehicles and subassemblies, along with local integration and manufacturing;
- **one R&D centre in China** with 570 full-time equivalent employees at end-December 2019, responsible for the development of vehicles for the Asian market, adaptation of engines, local integration and manufacturing;

(1) *LCV: Light Commercial Vehicle.*

- **one R&D centre in Latin America**, with 400 full-time equivalent employees at end-2019, the "home base" of Flex fuel engines that can run entirely on biofuels unique to the Latin America region, and responsibility for derivative body styles, local integration and manufacturing;
- **one new centre in India**, which opened in 2019 and had 30 full-time equivalent employees at year end, and where the "smart car" programme will be developed.

4.5.4.3. RESPONSIBLE SKILLS MANAGEMENT

Groupe PSA's R&D needs to deliver the products and technologies outlined in the Worldwide Master Plan by drawing on top-notch skills and at costs that are competitive on the automotive market.

The management of strategic skills (ADAS, electric powertrains, HMI/cockpit, infotainment, connectivity, electronic equipment) to match resources with technical challenges is based on several components:

- the expertise network, which at end-2010 included: 29 senior experts, 219 experts and 640 specialists, key competencies for Groupe PSA to continue to compete at the highest level globally and ensure the durability of its technological know-how;
- internal retraining to keep pace with changing job families and professions, changing business lines and the reorganisation of entities. Since 2013, around 2,000 internal retrainings have been delivered in the Research and Development Department through the "Top Compétences" programme;
- recruitment targeting strategic fields;
- the use of subcontracting in order to have flexibility when faced with changes in business volume and to cope with economic performance challenges;
- partnerships to bolster us with top expertise in highly strategic fields.

4.5.4.4. PERFORMANCE

Improving the effectiveness of Groupe PSA's R&D relies on three key factors:

- the development of our vehicles through multi-brand and multi-region programmes, based on multi-energy modular platforms that help maximise the reuse of parts (see Section 4.5.1);
- an international presence that is more fully taking root (see Section 4.5.4.2);
- the transformation of its R&D and a revolutionary internal performance plan;
- strategic partnerships to buttress us with top expertise in highly strategic fields.

4.5.4.4.1. The transformation of R&D and the performance plan

To meet competitiveness challenges, R&D has pledged to achieve a productivity gain of 5% per year, reinvested in Groupe PSA's engineering. To do this, the Quality and Engineering Department is leading a performance plan, *DRIVE*.

Managing major R&D transformations in *DRIVE* helps generate annual savings of around €150 million per year by:

- improving design processes;
- reducing time to market;
- speeding up the rollout of digital technology;
- minimising diversity and complexity;
- developing efficient subcontracting;
- establishing R&D sites and activities around the world, and more.

4.5.4.4.2. Partnerships

To effectively deploy its roadmap to cutting-edge technologies, Groupe PSA leverages its internal know-how combined with strategic partnerships:

- the CMP platform and its electric eCMP version are developed with Dongfeng Motor Corp. under the DCPA joint venture;
- when it comes to electrification, Groupe PSA is expanding its expertise in the design and production of vital electrical components for electric powertrains through joint ventures:
  - Nidec-PSA e-motors, for the design and engineering and manufacturing of electric machines,
  - Punch Powertrain PSA e-transmissions, for the electric transmission system (e-DCT),
  - the ACC (Automotive Cell Company) Project to develop a battery manufacturing business for electric vehicles through a joint venture with Saft, a subsidiary of the Total Group;
- in the field of connectivity, Groupe PSA has joined forces with:
  - Huawei to develop its IoT CVMP (Connected Vehicle Modular Platform), which corresponds to Cloud PSA,
  - Qualcomm for the connected cockpits in 5G, Harman for over-the-air infotainment post-2020.

4.6. RECENT EVENTS AND OUTLOOK

4.6.1. Recent events

The analysis of the results was established by the Managing Board on February 25, 2020 and the Supervisory Board authorized their publication on February 26, 2020. It therefore does not take into account the impact of the Covid-19 pandemic and the press releases published by the Group after February 26, 2020. Consequently, paragraph 4.1.4 "Other items contributing to Group profit (loss) for the period" must be read in conjunction with the following additional information:

The development of the Covid-19 epidemic, particularly from March 2020, increases the uncertainties of the global economic context and the markets. Its consequences for Groupe PSA are currently difficult to assess, and will depend on the scale, duration and geographic extent of the Covid-19 crisis, as well as the measures taken by the countries concerned. We are doing everything in our power to ensure the safety of Group employees as a priority in the countries affected by this health crisis.

After closing its production sites in China, the Group announced on March 16 the gradual closure of all its European production sites and then in the rest of the world. All European sites were closed on March 19. The production sites remain closed to this day with the exception of China where production has resumed gradually since the end of March.

The Covid-19 impacted demand significantly in the first quarter with a sharp drop in the global automotive market. The European market notably experienced a significant drop of more than 26% in the 1st quarter of 2020 compared to the 1st quarter of 2019 with in particular a month of March down by more than 50%. In China, where the epidemic started, the car market was also very affected, with a drop of more than 45% in the 1st quarter of 2020 compared to the 1st quarter of 2019.

Global sales of Groupe PSA fell by 29% in the 1st quarter of 2020 compared to the 1st quarter of 2019, including a drop of almost 30% in Europe, 78% in China and 44% in Latin America. The revenue of Groupe PSA and its Automobive division in the 1st quarter of 2020 decreased by nearly 16% over the same period.

Given this uncertain context, Groupe PSA has strengthened the financial security of its Automotive division with a new syndicated line of € 3 billion signed in early April 2020, which is in addition to a € 3 billion confirmed undrawn back-up line for a total amount of € 6 billion; Faurecia has also strengthened its financial security by signing on April 10, 2020 a Club Deal of € 800 million, which is in addition to the € 600 million not drawn from the € 1.2 billion syndicated credit line of which half was recently drawn. At the end of 2019, the net financial position of the Group's industrial and commercial activities (including Faurecia) amounted to € 7,914 million and its net financial security to € 23,405 million with € 19,205 million in cash and cash equivalents, financial investments, current and non-current financial assets and € 4,200 million of undrawn lines of credit.

DIVIDEND

In the context of the Covid-19 epidemic around the world, the Managing Board of Peugeot S.A., in agreement with the Supervisory Board, has decided to postpone the Annual Shareholders' General Meeting, initially scheduled on May 14th, to June 25th, 2020

A press release will be issued at a later date to inform shareholders of the arrangements for this Shareholders' Meeting and the payment of the dividend, taking into account the merger project between FCA and Groupe PSA, announced last December 18th, 2019.

CREDIT RATING

Peugeot SA's rating was confirmed to BBB- on April 8, 2020 by the rating agency S&P with a negative outlook due to the impact of the Covid-19. The rating agency Moody's has put Peugeot SA "under review for downgrade" on April 2, 2020.

4.6.2. Trend information

MARKET OUTLOOK

In 2020, the Group now anticipates a decrease of the automotive market by 25% in Europe, 10% in China, 25% in Latin America and 20% in Russia.

The development of the Covid-19 epidemic, particularly from March 2020, increases the uncertainties of the global economic context and the markets.

Its consequences in terms of outlook for Groupe PSA are currently difficult to assess and will depend on the scale, duration and geographic extent of the Covid-19 crisis, as well as the measures taken by the countries concerned.

OPERATIONAL TARGETS

Given the robustness of its business model, its solid 2019 results and the external consensus on a rebound in the automotive markets in 2021, Groupe PSA sets the following objective for the period 2019-2021 announced in February 2019:

- Deliver over 4.5% Automotive adjusted operating margin[(1)] on average in 2019-2021.

Groupe PSA has built its objectives on a basis comparable to the Group's historical financial information and in accordance with the accounting methods applied in the Group's consolidated accounts for the year ended December 31, 2019.

This objective integrates the outlook for market downturns as set out above for 2020 as well as the actions implemented since mid-March 2020 by the Group to preserve its profitability (closure of factories, partial unemployment) based on a breakeven point (in « adjusted operating income ») reduced to 1.8 million units at the end of 2019.

As of the filing date of this universal registration document, the impact of the Covid-19 epidemic on the markets and a fortiori on the financial results of Groupe PSA is difficult to quantify. For more information on the impacts and risks associated with Covid-19, see the "Risk Factors - Risks Related to the Group's economic, health and geopolitical environment" section of this universal registration document.

4.6.3. Profit forecasts or estimates

The Group has not made any profit forecasts or estimates.

(1) Automotive division (PCDOV) adjusted operating income related to revenue

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

5.1. CONSOLIDATED STATEMENTS OF INCOME

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

(in euros)	Notes	2019 [(1)]	2018	2017 restated [(2)]
Basic earnings per €1 par value share of continuing operations - attributable to Owners of the parent		3.58	3.16	2.18
Basic earnings per €1 par value share - attributable to Owners of the parent		3.58	3.16	2.17
Diluted earnings per €1 par value share of continuing operations - attributable to Owners of the parent		3.40	3.01	2.05
Diluted earnings per €1 par value share - attributable to Owners of the parent		3.40	3.01	2.04

(1) The effects of IFRS 16 application are described in Note 2.3.
(2) These financial statements have been restated due to first time application of IFRS 15.

5.2. CONSOLIDATED COMPREHENSIVE INCOME

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

(1) The effects of IFRS 16 application are described in Note 2.3.
(2) These financial statements have been restated due to first time application of IFRS 15.

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

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5.3. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

(1) The effects of IFRS 16 application are described in Note 2.3.
(2) These financial statements have been restated due to first time application of IFRS 15.

Equity and liabilities *(in million euros)*

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

(1) The effects of IFRS 16 application are described in Note 2.3.
(2) These financial statements have been restated due to first time application of IFRS 15.

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5.4. CONSOLIDATED STATEMENTS OF CASH FLOWS

(in million euros)	Notes	2019[(1)]	2018	2017 restated[(2)]
Consolidated profit (loss) from continuing operations		**3,584**	**3,295**	**2,354**
Adjustments for non-cash items:				
› depreciation, amortisation and impairment	*16.2*	3,717	2,995	2,754
› provisions		(97)	304	220
› changes in deferred and current taxes		(139)	(142)	134
› (gains) losses on disposals and other		(190)	(651)	(377)
Net financial expenses (income)	*16.3*	344	446	238
Dividends received from, net of share in net result of, equity method investments		274	189	152
Fair value remeasurement of cash flow hedges		30	72	28
Change in carrying amount of leased vehicles		50	226	(90)
Funds from operations		**7,573**	**6,734**	**5,413**
Changes in working capital	*6.4.A*	1,132	1,661	46
Net cash from (used in) operating activities of continuing operations[(3)]		**8,705**	**8,395**	**5,459**
Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies		51	38	85
Acquisitions of consolidated subsidiaries and equity method investments		(1,293)	(713)	(1,095)
Proceeds from disposals of property, plant and equipment and of intangible assets		298	509	323
Investments in property, plant and equipment	*8.2.B*	(2,765)	(2,510)	(2,351)
Investments in intangible assets	*8.1.B*	(2,146)	(2,061)	(1,947)
Change in amounts payable on fixed assets		(160)	(198)	(239)
Other		43	196	68
Net cash from (used in) investing activities of continuing operations		**(5,972)**	**(4,739)**	**(5,156)**
Dividends paid:				
› to Peugeot S.A. shareholders		(697)	(474)	(431)
› to minority shareholders of subsidiaries		(133)	(143)	(135)
Proceeds from issuance of shares		4	27	305
(Purchases) sales of treasury shares		(29)	(48)	(137)
Changes in other financial assets and liabilities	*16.4*	923	631	42
Payment of lease liabilities		(377)	-	-
Other		-	-	2
Net cash from (used in) financing activities of continuing operations		**(309)**	**(7)**	**(354)**
Net cash from the transferred assets and liabilities of operations held for sale		**-**	**-**	**(7)**
Impact of hyperinflation		(28)	22	-
Effect of changes in exchange rates		7	(66)	(121)
Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership		**2,403**	**3,605**	**(179)**
Net cash and cash equivalents at beginning of period		**15,402**	**11,797**	**11,976**
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	*16.1*	**17,805**	**15,402**	**11,797**

(1) The effects of IFRS 16 application are described in Note 2.3.
(2) These financial statements have been restated due to first time application of IFRS 15.
(3) Including an impact of tax paid of €854 millions (€816 millions in 2018 and €687 millions in 2017).

5.5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(1) Financial statements restated due to the first application of IFRS 15.
(2) Financial statements restated due to the first application of IFRS 9.
(3) Financial statements restated due to the first application of IFRS 16.

5.6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

CONTENTS

PRELIMINARY NOTE

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

NOTE 1 SIGNIFICANT EVENT

GROUPE PSA AND FCA AGREE TO MERGE

On 17 December 2019, Fiat Chrysler Automobiles N.V. ("FCA") (NYSE: FCAU/MTA: FCA) and Peugeot S.A. ("Groupe PSA") signed a binding Combination Agreement providing for a 50/50 merger of their businesses to create the 4th largest global automotive Original Equipment Manufacturer (OEM) by volume and 3rd largest by revenue (the "Merger").

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

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

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

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

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

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

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

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

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NOTE 2 ACCOUNTING POLICIES

2.1. ACCOUNTING STANDARDS APPLIED

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

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

New standards and amendments

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

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

New standards and amendments not yet effective

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

- amendments to IFRS 3 "Definition of a business"
- amendments to IAS 1 and IAS 8 "Definition of Material"
- interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- amendment to conceptual framework

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

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

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

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

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

2.2. FIRST APPLICATION IMPACT OF IFRS 16 – ACCOUNTING PRINCIPLES

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

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

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

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

- Transition measures:
  - use of the modified retrospective approach. No restatement of the comparative periods.
  - the identical classification of asset and liability balances for finance leases identified under IAS 17 in right-of-use assets and lease liabilities as authorized by the standard;
  - the lease liability is assessed at the present value of the rental payments remaining due. The Group makes use of knowledge acquired after the fact, for example, to determine the term of a lease that contains renewal or termination options;
  - the right-of-use as at the transition date is equal to the liability of the lease, adjusted for the amount of the rent payments paid in advance or to be paid. The initial direct costs are included in the valuation of the right-of-use on the transition date;
  - exemption of leases whose remaining term is less than 12 months at 1 January 2019, and the low-value leases held by the Group;
  - the discount rate applied on the transition date corresponds to the incremental borrowing rate determined on the remaining term of the leases for the entire Group. The impact reported in the 30 June 2019 interim financial statements has been adjusted as a consequence of Faurecia's change to incremental borrowing rates on the duration rather than the terms of the leases at 2019 year-end resulting in a €39 million increase in Lease liabilities.
  - the Group opted to record deferred taxes for the net amount of temporary differences resulting from the 1st application of IFRS 16.
- Permanent recognition:
  - exemption of new short-term leases (term of less than 12 months including economic incentive renewal periods) and low-value leases;
  - **The lease term** corresponds to the non-cancellable period of each lease, to which should be added any renewal option that the Group is reasonably certain to carry out, and any option of termination that the Group is reasonably certain to not carry out. Specifically, in the case of commercial leases in France (3-6-9 years), the Group used a maximum term of 9 years, in accordance with the opinion of the ANC *(Autorité des Normes Comptables)*. However, IFRS Interpretation Committee decided on 26 November that as long as either the lessor or the lessee has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated. The Group is currently assessing the impact of this decision on the lease liability and lease assets as of January 1st 2019.
  - **The discount rate** corresponds to the incremental borrowing rate determined on the lease term of the leases for the entire Group; this rate is defined according to the duration of the contract in order to take into account the payment profiles. The incremental borrowing rate is a default rate, to be used only if the interest rate implicit in the contract can not be easily determined.

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

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

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

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

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

A. Consolidated statements of income

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

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

B. Consolidated balance sheet

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

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

C. Consolidated statement of cash flows

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

- the net cash from (used in) operating activities of continuing operations for a positive amount of €377 million;
- the net cash from (used in) financing activities of continuing operations (payment of lease liabilities) for a negative amount of €377 million.

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

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

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

A. Accounting principles

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

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

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

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

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

B. Impact on the 2017 consolidated financial statements

(1) Consolidated statement of income

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

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

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

(2) Consolidated statement of financial position

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

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

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

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

(in million euros)	2017 Reported in February 2018	IFRS 15 impact in 2017	Restatement Financing activities[1]	2017 Restated
Funds from operations	**5,350**	**63**	**-**	**5,413**
Changes in working capital	(73)	115	4	46
Net cash from (used in) operating activities of continuing operations	**5,277**	**178**	**4**	**5,459**
Net cash from (used in) investing activities of continuing operations	**(4,978)**	**(178)**	**-**	**(5,156)**
Net cash from (used in) financing activities of continuing operations	**(354)**	**-**	**-**	**(354)**
Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership	**(7)**	**-**	**-**	**(7)**
Effect of changes in exchange rates	(121)	-	-	(121)
Increase (decrease) in cash from continuing operations held for sale or to be continued in partnership	**(183)**	**-**	**4**	**(179)**
Net cash and cash equivalents at beginning of period	**11,986**	**-**	**(10)**	**11,976**
NET CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS AT END OF PERIOD	**11,803**	**-**	**(6)**	**11,797**

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

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

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

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

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

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

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

2.6. USE OF ESTIMATES AND ASSUMPTIONS

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

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

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

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

- The recoverable amount of goodwill, intangible assets and property, plant and equipment (see Note 8.3), as well as the recoverable amount of investments in companies accounting for under the equity method (see Note 11.5);
- Recognition of development expenditures as assets (see Note 5.3);
- Provisions (particularly restructuring provisions, pensions, warranty provisions for new cars as well as claims and litigation) (see Note 5.4, Note 7.1 and Note 10);
- Sales incentives (see Note 5.1.A.(1).(a));
- Residual values of vehicles sold with buyback commitment (see Note 8.2.D and Note 9.2);
- Deferred tax assets (see Note 14);

For the preparation of the 2017 annual financial statements, special attention was also paid to the fair value of the assets acquired and liabilities assumed in the course of a business combination relating to the acquisition of the Opel Vauxhall operations.

NOTE 3 SCOPE OF CONSOLIDATION

3.1. ACCOUNTING POLICIES

A. Consolidation policies

(1) Consolidation methods

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

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

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

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

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

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

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

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

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

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

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

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

(3) Goodwill on equity method investments

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

(4) Other changes in scope of consolidation

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

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

B. Conversion methods

(1) Translation of the financial statements of foreign subsidiaries

(a) Standard method

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

(b) Specific method

Certain subsidiaries outside the euro zone carry out most of their transactions in euros or US dollars, which is accordingly recognised as their functional currency, rather than their local currency. Non-monetary items in these subsidiaries' accounts are translated at the historical exchange rate and monetary items at the year-end exchange rate. The resulting translation gains and losses are recognised directly in profit or loss.

The Group does not operate in hyperinflationary countries within the meaning of ***IAS 21 – The Effects of Changes in Foreign Exchange Rates***, except Argentina.

(2) Translation of transactions in foreign currencies

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

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

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

3.2. COMPOSITION OF THE GROUP

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

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

Business combinations: Acquisition of Clarion by Faurecia

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

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

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

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

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

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

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

NOTE 4 SEGMENT INFORMATION

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

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

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

  Faurecia is listed on Euronext. At 31 December 2019, Peugeot S.A. holds 46.34% of Faurecia's capital and 62.99% of its voting rights which give exclusive control by the Group. The exercise of all the dilutive instruments issued by Faurecia would have no impact on the Group's exclusive control;
- The Finance segment, corresponding to the Banque PSA Finance group, which provides exclusively retail financing to customers of the Peugeot, Citroën, DS, Opel and Vauxhall brands as well as wholesale financing to the brands' dealer networks. Banque PSA Finance is classified as a financial institution. This mainly stems from the partnerships between Banque PSA Finance and Santander Consumer Finance for the Peugeot, Citroën and DS brands as well as from the partnerships with BNP Paribas for the Opel and Vauxhall brands.

The Group's other activities are housed under "Other businesses", which mainly includes the Peugeot S.A. holding company and the 25% retained interests in GEFCO.

4.1. BUSINESS SEGMENTS

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

All intersegment transactions are eliminated and, for the purposes of reconciliation with the Group's financial statements, are shown under the heading "Eliminations and unallocated" together with unallocated amounts.

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

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

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

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

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

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

In 2019, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €50 million. Net provision expense (cost of risk) amounted to €1 million.

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

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

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

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

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

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

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

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

4.2. CONSOLIDATED BALANCE SHEETS

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

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

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

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

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

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

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

4.3. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

4.4. GEOGRAPHICAL INFORMATION

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

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

(1) of which France :

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

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

NOTE 5 OPERATING INCOME

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

5.1. REVENUE

A. Accounting policies

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

(1) Manufacturing and sales companies

(a) Automotive segment

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

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

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

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

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

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

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

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

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

The Group acts as a principal for transportation services.

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

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

(b) Automotive Equipment segment

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

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

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

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

(2) Finance companies

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

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

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

B. Key figures

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

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

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

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

5.2. OPERATING EXPENSES ANALYSED BY NATURE

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

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

Staff costs (excluding restructuring costs)

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

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

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

Details of pension costs are disclosed in Note 7.

Depreciation expense

Depreciation expense included in operating income breaks down as follows:

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

5.3. RESEARCH AND DEVELOPMENT EXPENSES

A. Accounting policies

Research and development expenses include the cost of scientific and technical activities, industrial property, and the education and training necessary for the development, production or implementation and marketing of new or substantially improved materials, methods, products, processes, systems or services. Under ***IAS 38 – Intangible Assets***, development expenditure is recognised as an intangible asset if the entity can demonstrate in particular:

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

Capitalised development costs include related borrowing costs (see Note 12.2.A).

Expenses for the year include research costs, non-capitalised study and development costs under the above criteria, and the depreciation of capitalized development costs.

(1) Automotive segment

Development expenditure on vehicles and mechanical sub-assemblies (engines and gearboxes) incurred between the project launch (corresponding to the styling decision for vehicles) and the start-up of pre-series production is recognized in intangible assets. It is amortised from the start-of-production date over the asset's useful life, representing up to seven years for vehicles and ten years for mechanical sub-assemblies and modules. The capitalised amount mainly comprises payroll costs of personnel directly assigned to the project, the cost of prototypes and the cost of external services related to the project. No overheads or indirect costs related to research and development activities are included, such as rent, building depreciation and information system utilisation costs.

The capitalised amount also includes the portion of qualifying development expenditure incurred by the Group under cooperation agreements that is not billed to the partner.

Generally, development costs billed to the Group by its partners under cooperation agreements are also capitalised, when they are meeting capitalisation criteria. All development expenditure incurred to develop mechanical sub-assemblies compliant with new emissions standards is monitored on a project-by-project basis and capitalised.

(2) Automotive Equipment Division

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

B. Research and development expenses, net

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

(1) Including €2,959 million for the Automotive segment (€2,872 million in 2018).
(2) In addition to this expenditure, borrowing costs are capitalised pursuant to IAS 23 - Borrowing costs (Revised).

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

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

5.4. RESTRUCTURING COSTS

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

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

Termination costs for employees

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

Termination costs for employees consist mainly of workforce reductions.

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

5.5. IMPAIRMENT OF CGUS

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

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

5.6. OTHER OPERATING INCOME (EXPENSE)

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

In 2019, the other operating income (€158 million) stems mainly from the disposals of equity investments (€119 million).

In 2017, the other operating income (€143 million) derived chiefly from the sales of property (€164 million).

NOTE 6 WORKING CAPITAL

6.1. INVENTORIES

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

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

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

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

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

6.2. TRADE RECEIVABLES

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

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

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

(in million euros)	31/12/2019	31/12/2018	31/12/2017
Trade receivables	2,837	2,272	2,767
Allowances for doubtful accounts	(311)	(343)	(307)
Total - manufacturing and sales companies	**2,526**	**1,929**	**2,460**
Elimination of transactions with the finance companies	(23)	(25)	(34)
TOTAL TRADE RECEIVABLES IN THE STATEMENTS OF FINANCIAL POSITION	**2,503**	**1,904**	**2,426**

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

6.3. OTHER RECEIVABLES AND OTHER PAYABLES

A. Other receivables

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

B. Other payables

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

6.4. CHANGE IN WORKING CAPITAL

A. Analysis of the change in working capital

(in million euros)	2019	2018	2017
(Increase) decrease in inventories	485	368	(50)
(Increase) decrease in trade receivables	(197)	1,342	(476)
Increase (decrease) in trade payables	745	294	1,177
Change in income taxes	(11)	(67)	(124)
Other changes	151	(330)	(404)
Total manufacturing and sales companies	**1,173**	**1,607**	**123**
Net cash flows with Group finance companies and eliminations	(41)	54	(77)
CHANGES IN WORKING CAPITAL IN THE STATEMENT OF CASH FLOWS	**1,132**	**1,661**	**46**

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

(1) Analysis by type

2019 *(in million euros)*	**At 1 January**	**At 31 December**
Inventories	(6,710)	(6,269)
Trade receivables	(1,929)	(2,526)
Trade payables	13,551	14,505
Income taxes	159	251
Other receivables	(2,390)	(2,827)
Other payables	8,265	8,840
Derivative financial instruments on operating	(51)	29
TOTAL MANUFACTURING AND SALES COMPANIES	**10,895**	**12,003**
Finance companies and eliminations	(37)	(46)
TOTAL WORKING CAPITAL	**10,858**	**11,957**

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

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

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

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

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

NOTE 7 EMPLOYEE BENEFITS EXPENSE

7.1. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

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

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

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

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

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

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

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

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

A. Plan descriptions

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

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

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

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

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

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

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

B. Assumptions

	Euro zone	United-Kingdom
Discount Rate		
DECEMBER 2019	**1.20%**	**2.20%**
December 2018	1.95%	2.95%
December 2017	1.60%	2.60%
Inflation Rate		
DECEMBER 2019	**1.80%**	**3.10%**
December 2018	1.80%	3.30%
December 2017	1.80%	3.20%

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

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

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

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

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

	Discount rate +0,25%	Inflation rate +0,25%
France	-2.90%	2.07%
United Kingdom	-3.85%	3.50%
Germany	-5.01%	-0.11%

A 1-point increase or decrease in the expected return on external funds would have led to an increase or decrease in the investment income recognised in 2019 of €8 million for French plans, €26 million for the United Kingdom plans and €26 million for the German plans.

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

C. Information on external funds

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

The breakdown of external funds is as follows:

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

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

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

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

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

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

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

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

D. Movement for the year

EXCLUDING MINIMUM FUNDING REQUIREMENT (IFRIC 14)

	2019					2018					2017				
(in million euros)	France	United Kingdom	Germany	Other	Total	France	United Kingdom	Germany	Other	Total	France	United Kingdom	Germany	Other	Total
Projected benefit obligation															
At beginning of period: Present value	**(1,357)**	**(2,136)**	**(2,847)**	**(505)**	**(6,845)**	**(1,498)**	**(2,274)**	**(3,024)**	**(554)**	**(7,350)**	**(1,620)**	**(2,098)**	**(425)**	**(270)**	**(4,413)**
Service cost	(40)	(36)	(96)	(28)	(200)	(42)	(41)	(109)	(14)	(206)	(49)	(62)	(48)	(14)	(173)
Interest cost	(26)	(64)	(53)	(8)	(151)	(22)	(59)	(50)	(9)	(140)	(24)	(56)	(26)	(7)	(113)
Benefit payments for the year	56	108	21	43	228	104	178	18	32	332	111	114	11	35	271
Unrecognised actuarial gains and (losses):	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
› amount	(82)	(40)	(371)	(50)	(543)	98	55	313	42	508	86	(187)	(151)	3	(249)
› as a% of projected benefit obligation at beginning of period	6.0%	1.9%	0.0%	9.7%	7.9%	6.5%	2.4%	10.4%	7.6%	6.9%	5.3%	8.9%	5.4%	1.1%	5.6%
Past service cost	-	-	-	-	-	-	(6)	-	6	-	-	-	-	-	-
Effect of changes in exchange rates	-	(111)	-	(3)	(114)	-	16	-	3	19	-	75	-	15	90
Effect of changes in scope of consolidation and other	76	-	70	(8)	138	(1)	(1)	1	(14)	(15)	(3)	(60)	(2,385)	(316)	(2,764)
Effect of curtailments and settlements	59	(7)	12	114	178	4	(4)	4	3	7	1	-	-	-	1
AT PERIOD-END: PRESENT VALUE	**(1,314)**	**(2,286)**	**(3,264)**	**(445)**	**(7,309)**	**(1,357)**	**(2,136)**	**(2,847)**	**(505)**	**(6,845)**	**(1,498)**	**(2,274)**	**(3,024)**	**(554)**	**(7,350)**
External fund															
At beginning of period: Fair value	**789**	**2,567**	**2,602**	**381**	**6,339**	**859**	**2,764**	**2,704**	**297**	**6,624**	**899**	**2,777**	**130**	**140**	**3,946**
Normative return on external funds	14	77	44	7	142	12	72	45	5	134	13	75	22	4	114
Actuarial gains and (losses):	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
› amount	31	131	550	7	719	(4)	(109)	(51)	(12)	(176)	20	81	46	(3)	144
› as a% of projected benefit obligation at beginning of period	3.9%	5.1%	21.1%	1.8%	11.3%	0.5%	3.9%	1.9%	4.0%	2.7%	2.2%	2.9%	1.7%	2.1%	3.6%
Effect of changes in exchange rates	-	138	-	(1)	137	-	(22)	-	1	(21)	-	(97)	-	(8)	(105)
Employer contributions	8	64	6	24	102	33	37	4	24	98	45	42	15	7	109
Benefit payments for the year	(92)	(108)	(21)	(42)	(263)	(114)	(176)	(19)	(31)	(340)	(118)	(114)	(11)	(25)	(268)
Effect of changes in scope of consolidation and other	-	-	(98)	(85)	(183)	3	1	(81)	97	20	-	-	2,502	182	2,684
AT PERIOD-END: FAIR VALUE	**750**	**2,869**	**3,083**	**291**	**6,993**	**789**	**2,567**	**2,602**	**381**	**6,339**	**859**	**2,764**	**2,704**	**297**	**6,624**

E. Reconciliation of statement of financial position's items

	2019					2018					2017				
(in million euros)	France	United Kingdom	Germany	Other	Total	France	United Kingdom	Germany	Other	Total	France	United Kingdom	Germany	Other	Total
Present value of projected benefit obligation	**(1,314)**	**(2,286)**	**(3,264)**	**(445)**	**(7,309)**	**(1,357)**	**(2,136)**	**(2,847)**	**(505)**	**(6,845)**	**(1,498)**	**(2,274)**	**(3,024)**	**(554)**	**(7,350)**
Fair value of external funds	750	2,869	3,083	291	6,993	789	2,567	2,602	381	6,339	859	2,764	2,704	297	6,624
NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET BEFORE MINIMUM FUNDING REQUIREMENT (IFRIC 14)	**(564)**	**583**	**(181)**	**(154)**	**(316)**	**(568)**	**431**	**(245)**	**(124)**	**(506)**	**(639)**	**490**	**(320)**	**(257)**	**(726)**
Minimum funding requirement liability (IFRIC 14)	-	-	-	-	-	-	(37)	-	-	(37)	-	(37)	-	-	(37)
NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET	**(564)**	**583**	**(181)**	**(154)**	**(316)**	**(568)**	**394**	**(245)**	**(124)**	**(543)**	**(639)**	**453**	**(320)**	**(257)**	**(763)**
Of which, liability (Note 10)	(590)	(91)	(305)	(181)	(1,167)	(592)	(159)	(273)	(159)	(1,183)	(663)	(134)	(320)	(276)	(1,393)
Of which, asset	26	674	124	27	851	24	553	28	35	640	24	587	-	19	630
Of which, unfunded plans	0.0%	0.0%	0.0%	11.7%	0.7%	*0.0%*	*0.0%*	*0.0%*	*10.0%*	*0.7%*	*0.3%*	*0.0%*	*0.0%*	*15.4%*	*1.2%*

F. Expenses recognised in the statement of income

These expenses are recorded as follows:

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

Pension expenses break down as follows:

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

7.2. SHARE-BASED PAYMENT

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

A. Employee stock options

No plan was awarded between 2009 and 2019. The last plan expired on 19 August 2016.

B. Performance share plans

(1) Peugeot S.A. performance share plans

Main features of the performance share plans

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

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

Performance share plans – Share-based compensation costs

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

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

(a) 2015 performance share plan

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

(b) 2016 performance share plan

A performance share plan was established in 2016. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. Taking into consideration the performance targets, the shares will vest in two equal parts subject to continued employment on 3 June 2019 and 3 June 2020.

The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €4.8 million for 2019, excluding payroll taxes (€7 million euros in 2018 and €7.1 million euros in 2017).

(c) 2017 performance share plan

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

(d) 2018 performance share plan

A performance share plan was established in 2018. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. In light of the objectives, the shares will vest in two equal parts subject to presence within the Company at 10 April 2021 and 10 April 2022. The personnel expense associated with this plan, measured in accordance with IFRS 2, was €13.2 million for 2019, excluding payroll taxes (€9.5 million euros in 2018).

(e) 2019 performance share plan

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

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

- Profitability through the average percentage of adjusted operating income of the Automotive division;
- Quality through the Group World Automotive quality failure rate;
- Compliance with environmental requirements through the level of CO_2 emissions.

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

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

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

(2) Faurecia performance share plan

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

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

The details of performance share plans at year-end 2019 are provided in the following table:

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

(1) Net of free shares granted cancelled.

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

7.3. MANAGEMENT COMPENSATION

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

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

(in million euros)	Notes	2019	2018	2017
Number of Executive Committee members at 31 December		19	18	18
Fixed & variable compensation and other short-term benefits (excluding pensions)		24.2	21.7	22.2
Stock option and performance share costs[1]	7.2	9.1	9.0	4.8

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

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

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

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

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

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

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

8.1. GOODWILL AND INTANGIBLE ASSETS

A. Accounting policies

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

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

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

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

B. Change in carrying amount

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

*(1) Including borrowing costs of €47 million capitalised in accordance with **IAS 23 (Revised) - "Borrowing Costs"** (see Note 12.2.A).*
(2) Including Clarion impact (see Note 3.2 for €604 million).

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

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

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

*(1) Including borrowing costs of €88 million capitalised in accordance with **IAS 23 (Revised) - "Borrowing Costs"** (see Note 12.2.A).*
(2) Including €1, 810 million of goodwill and €1,792 miilion of intangible assets related to the acquisition of Opel.

C. Breakdown of goodwill at period-end

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

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

8.2. PROPERTY, PLANT AND EQUIPMENT

A. Accounting policies

(1) Gross value

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

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

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

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

Maintenance costs are expensed as incurred.

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

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

The assets are depreciated by applying the method and rates indicated below.

(2) Depreciation

(a) Standard method

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

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

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

(b) Specific tooling

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

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

B. Breakdown of property, plant and equipment

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

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

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

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

*(1) Including property, plant and equipment acquired under finance leases for €14 million. Borrowing costs capitalised in accordance with **IAS 23 (Revised) - "Borrowing Costs"** amounted to €17 million (see Note 12.2.A).*
(2) Change in scope of consolidation and other" movements in "Leased vehicles" includes net changes for the year (additions less disposals).

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

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

*(1) Including property, plant and equipment acquired under finance leases for €14 million. Borrowing costs capitalised in accordance with **IAS 23 (Revised) - "Borrowing Costs"** amounted to €31 million (see Note 12.2.A).*
(2) Change in scope of consolidation and other" movements in "Leased vehicles" includes net changes for the year (additions less disposals).

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C. Rights of use

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

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

D. Leased vehicles

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

8.3. ASSET IMPAIRMENT

A. Accounting policies

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

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

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

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

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

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

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

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

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

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

Goodwill and intangible assets and property with an indefinite useful life

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

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

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

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

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

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

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

Other assets

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

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

C. Impairment test on Faurecia Group CGUs and other assets

Faurecia Group CGUs

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

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

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

The test performed at end-2019 confirmed that the goodwill allocated to the CGUs was fairly stated in the statement of financial position. The statement of financial position's values are presented in the table below:

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

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

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

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

Faurecia CGU in the accounts of Groupe PSA

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

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

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

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

(1) IFRS 16 impact (see Note 2.3).

(1) Joint Comprehensive of Action Plan signed in Vienna.

A. Minimum purchase commitments

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

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

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

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

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

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

NOTE 9 OTHER NON-CURRENT ASSETS AND LIABILITIES

9.1. OTHER NON-CURRENT ASSETS

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

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

9.2. OTHER NON-CURRENT LIABILITIES

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

NOTE 10 CURRENT AND NON-CURRENT PROVISIONS

Accounting Policies

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

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

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

Warranties

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

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

(1) The main additions for restructuring plans in 2019 are discussed in Note 5.4

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

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

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

NOTE 11 EQUITY METHOD INVESTMENTS

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

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

Equity method investments include:

- joint ventures in the automotive activities with Dong Feng Motor Group (see Note 11.4.A) and Changan, located in China;
- finance companies in partnership with:
  - Santander Consumer Finance covering the financing of the Peugeot, Citroën and DS brands' operations in the following countries: France, the United-Kingdom, Malta, Spain, Switzerland, Italy, the Netherlands, Belgium, Germany, Austria, Brazil and Poland (see Note 11.4.B);
  - BNP Paribas covering the financing of the Opel and Vauxhall brands' operations in the following countries: Germany, France, the Netherlands, the United-Kingdom, Sweden and Switzerland (see Note 11.4.C);
  - as well as the joint company with Dongfeng Motor Group in China;
- the companies over which the Group has significant influence, mainly GEFCO.

11.1. CHANGES IN THE CARRYING AMOUNT OF EQUITY METHOD INVESTMENTS

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

11.2. SHARE IN NET ASSETS OF EQUITY METHOD INVESTMENTS

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

(1) Including goodwill (see Note 11.1).
(2) Peugeot Scooters were sold to the indian group Minhindra Two Wheelers Europe in October 2019.

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

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

11.3. SHARE IN NET EARNINGS OF EQUITY METHOD INVESTMENTS

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

(1) Including goodwill (see Note 11.1).

11.4. KEY FINANCIAL DATA OF EQUITY METHOD INVESTMENTS

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

A. Dongfeng Motor Group cooperation agreement in the automotive activities

PSA Group and Dongfeng Motor Group have two joint ventures:

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

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

EARNINGS ITEMS AT 100%

	In million euros			In million yuans		
	2019	2018	2017	2019	2018	2017
Revenue	1,781	3,652	5,404	13,595	28,339	41,355
Adjusted operating income (loss)	(315)	(244)	59	(2,441)	(1,918)	498
Operating income (loss) [(1)]	(463)	(490)	(138)	(3,600)	(3,858)	(1,060)
Of which depreciation and impairment	(406)	(550)	(548)	(3131)	(4,314)	(4,172)
Net financial income (loss)[(1)]	(30)	10	51	(240)	75	384
Income taxes, including impairment	(272)	12	26	(2,120)	96	211
PROFIT (LOSS) OF THE PERIOD	**(765)**	**(468)**	**(61)**	**(5,960)**	**(3,687)**	**(465)**
Group's share in the profit (loss) of the period (Share in net earnings of equity method companies)	(383)	(234)	(30)			
Income and expenses recognised in equity, net	-	-	-			
Other information	**-**	**-**	**-**			
Net dividend received from the joint venture(s) by PSA Group	-	-	200			

(1) No material impact from IFRS 16 application.

STATEMENT OF FINANCIAL POSITION'S ITEMS AT 100%

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

B. Santander agreement in the financing activities

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

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

EARNINGS ITEMS AT 100%

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

(1) O/w 3 million euros from IFRS 16 application.

STATEMENT OF FINANCIAL POSITION'S AT 100%

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

(1) O/w 25 million euros as at 1 January 2019 for the first time application of IFRS 16.

C. BNP Paribas agreement in the financing activities

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

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

EARNINGS ITEMS AT 100%

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

(1) No material impact from IFRS 16 application.

STATEMENT OF FINANCIAL POSITION'S ITEMS AT 100%

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

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

D. Summarized information relating to the investees

EARNINGS ITEMS AT 100%

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

STATEMENT OF FINANCIAL POSITION'S ITEMS AT 100%

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

11.5. IMPAIRMENT OF EQUITY METHOD INVESTMENTS IN THE AUTOMOTIVE BUSINESS

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

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

Dongfeng

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

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

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

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

Changan

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

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

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

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

11.6. RELATED PARTY TRANSACTIONS – EQUITY METHOD INVESTMENTS

Transactions with equity method investments are billed on arm's length terms.

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

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

(1) of which €189 million in sales to companies in partnership with Dongfeng Motor Group (€294 million in 2018 and €546 millions en 2017).
(2) of which €2,264 million in purchases from GEFCO (€1,942 million in 2018 and €1,856 million in 2017).

Receivables and payables with equity method investments are as follows:

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

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

NOTE 12 FINANCING AND FINANCIAL INSTRUMENTS – MANUFACTURING AND SALES COMPANIES

12.1. ACCOUNTING POLICIES

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

12.2. NET FINANCIAL INCOME (EXPENSE)

(in million euros)	2019	2018	2017
Interest income	81	19	42
Finance costs	(290)	(288)	(208)
Other financial income	108	159	121
Other financial expenses	(246)	(346)	(196)
TOTAL MANUFACTURING AND SALES COMPANIES	**(347)**	**(456)**	**(241)**
Finance companies	3	10	3
Net financial income (expense) in the consolidated statement of income	**(344)**	**(446)**	**(238)**

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

A. Finance costs of manufacturing and sales companies

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

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

Capitalised borrowing costs

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

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

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

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

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

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

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

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

A. Current and Non-current financial assets

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

B. Current and Non-current financial liabilities

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

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

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

12.4. BREAKDOWN OF FINANCIAL ASSETS

A. Other non-current and current financial assets

	31 December 2019		31 December 2018		31 December 2017	
(in million euros)	Non-current	Current	Non-current	Current	Non-current	Current
Financial assets classified as "at amortised cost"	241	1,269	259	841	255	1,261
Financial assets classified as "at fair value through profit or loss"	411	-	425	1	232	8
Financial investments "at amortised cost"[(1)]	-	50	-	50	-	165
Other non-current financial assets - Manufacturing and sales companies	**652**	**1,319**	**684**	**892**	**487**	**1,434**
Other non-current financial assets - Finance companies	11	2	28	-	23	-
TOTAL OTHER FINANCIAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION	**663**	**1,321**	**712**	**892**	**510**	**1,434**

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

B. Cash and cash equivalents

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

Cash and cash equivalents include the following items:

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Mutual fund units and money market securities	12,942	11,537	8,719
Cash and current account balances	4,437	3,424	2,863
Total - manufacturing and sales companies	**17,379**	**14,961**	**11,582**
o/w deposits with finance companies	-	*(1)*	*(8)*
Finance companies	454	465	312
CASH AND CASH EQUIVALENT IN THE STATEMENT OF FINANCIAL POSITION	**17,833**	**15,426**	**11,894**

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

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

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

12.5. BREAKDOWN OF FINANCIAL LIABILITIES

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

(1) In 2017 and 2018, debts from finance leases

A. Main financing transactions during the year

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

The main transactions during the year were as follows:

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

B. Characteristics of bonds and other borrowings

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

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

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

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

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

D. Finance lease liabilities

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

(in million euros)	31/12/2019
2020	322
2021	266
2022	215
2023	183
2024	144
2025	141
Subsequent years	443
TOTAL FINANCE LEASE LIABILITIES	**1,714**

E. Financing by the assignment of receivables

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

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

Other financing through the sale of receivables is as follows:

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

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

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

The sale of receivables constitutes usual short-term financing.

F. UNDRAWN SYNDICATED LINES OF CREDIT

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

(in million euros)	31/12/2019	31/12/2018	31/12/2017
Peugeot S.A. and GIE PSA Trésorerie	3,000	3,000	3,000
Faurecia	1,200	1,950	1,200
UNDRAWN CONFIRMED LINES OF CREDIT	**4,200**	**4,950**	**4,200**

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

This credit facility was undrawn at the period-end.

Faurecia's additional borrowing capacity, independent from that of Peugeot S.A., results from a syndicated line of credit arranged on 15 December 2014. It comprises only one €1,200 million tranche expiring in December 2019. Following the signing of an amendment on 15 June 2018, the maturity of the line was extended to June 2023 with two optional one-year extensions. Following the exercise of the first extension option in June 2019, the maturity of this credit has been extended to June 2024.

This credit facility was undrawn at the period-end.

12.6. MANAGEMENT OF FINANCIAL RISKS

A. Financial risk management policy

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

(1) Liquidity risk

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

Pursuant to this policy, the Group:

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

The Group could also raise funds by a capital increase.

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

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

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

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

			Undiscounted contractual cash flows					
31 December 2019 *(in million euros)*	**Assets**	**Liabilities**	**2020**	**2021**	**2022**	**2023**	**2024**	**> 5 years**
Financial liabilities								
Bonds - principal repayments								
Manufacturing and sales companies - excl. Faurecia	-	(3,748)	(176)	-	-	(700)	(700)	(2,172)
Faurecia	-	(2,115)	35	-	-	-	-	(2,150)
Other long-term debt - principal repayments								
Manufacturing and sales companies - excl. Faurecia	-	(814)	(251)	(66)	(66)	(67)	(307)	(57)
Faurecia	-	(1,091)	(121)	(66)	(388)	(211)	(213)	(92)
Total bonds and other borrowings								
Manufacturing and sales companies - excl. Faurecia	-	(4,562)	(427)	(66)	(66)	(767)	(1,007)	(2,229)
Faurecia	-	(3,206)	(86)	(66)	(388)	(211)	(213)	(2,242)
Total interest on bonds and other borrowings								
Manufacturing and sales companies - excl. Faurecia	-	(44)	(44)	-	-	-	-	-
Faurecia	-	(4)	(4)	-	-	-	-	-
Commitment to buy out (Dongfeng)(1)	-	(667)	(667)	-	-	-	-	-
Finance lease liabilities								
Manufacturing and sales companies - excl. Faurecia	-	(808)	(149)	(130)	(104)	(88)	(68)	(269)
Faurecia	-	(906)	(173)	(136)	(111)	(95)	(76)	(315)
Derivative instruments	**108**	**(142)**	**(142)**	**-**	**-**	**-**	**-**	**-**
TOTAL	**108**	**(10,339)**	**(1,692)**	**(398)**	**(669)**	**(1,161)**	**(1,364)**	**(5,055)**

(1) See Note 1.

5

Covenants

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

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

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

All of these clauses were complied with in 2019.

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

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

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

Net Debt(1)/EBITDA(2)	maximum	2.79(3)

(1) Consolidated net debt.
(2) EBITDA Faurecia’s Earnings Before Interest, Tax, Depreciation and Amortisation for the last 12 months.
(3) In 2019, the ratio was adjusted to take into account the application of IFRS 16 (Leases). It was 2,50 in 2018.

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

(2) Interest rate risks

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

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

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

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

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

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

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

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

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

(in million euros)		31 December 2019			
		Intraday to1 year	**2 to 5 years**	**Beyond 5 years**	**Total**
Total assets	Fixed rate	1,429	110	242	1,781
	Variable rate	17,268	1	-	17,269
Total liabilities	Fixed rate	(818)	(1,915)	(4,392)	(7,125)
	Variable rate	(1,379)	(935)	(92)	(2,406)
NET POSITION BEFORE HEDGING	**FIXED RATE**	**611**	**(1,805)**	**(4,150)**	**(5,344)**
	VARIABLE RATE	**15,889**	**(934)**	**(92)**	**14,863**
Derivative financial instruments	Fixed rate	-	(763)	-	(763)
	Variable rate	-	763	-	763
NET POSITION AFTER HEDGING	**FIXED RATE**	**611**	**(2,568)**	**(4,150)**	**(6,107)**
	VARIABLE RATE	**15,889**	**(171)**	**(92)**	**15,626**

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

(in million euros)		31 December 2017			
		Intraday to 1 year	**2 to 5 years**	**Beyond 5 years**	**Total**
Total assets	Fixed rate	1,484	90	241	1,815
	Variable rate	11,565	-	-	11,565
Total liabilities	Fixed rate	(2,405)	(1,403)	(3,015)	(6,823)
	Variable rate	-	(213)	-	(213)
NET POSITION BEFORE HEDGING	**FIXED RATE**	**(921)**	**(1,313)**	**(2,774)**	**(5,008)**
	VARIABLE RATE	**11,565**	**(213)**	**-**	**11,352**
Derivative financial instruments	Fixed rate	(415)	383	-	(32)
	Variable rate	415	(383)	-	32
NET POSITION AFTER HEDGING	**FIXED RATE**	**(1,336)**	**(930)**	**(2,774)**	**(5,040)**
	VARIABLE RATE	**11,980**	**(596)**	**-**	**11,384**

(3) Counterparty and credit risks

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

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

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

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

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

(4) Currency risk

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

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

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

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

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

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

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

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

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

Futures operations and cash flow hedges

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

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

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

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

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

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

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

(in million euros)	**JPY/EUR**	**USD/EUR**	**PLN/EUR**	**MEX/EUR**	**CZK/EUR**	**GBP/EUR**	**TRY/EUR**	**RUB/EUR**	**Others**
Hypothetical fluctuation against the euro	5%	5%	5%	5%	5%	5%	5%	5%	5%
Impact on income before tax	0.57	(1.94)	(1.51)	5.40	0.04	16.44	(0.14)	0.09	1.73
Impact on equity	(16.43)	5.02	(15.78)	(0.16)	(2.71)	(111.81)	-	-	(1.67)

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

	31 December 2019				
(in million euros)	**UAH/USD**	**USD/BRL**	**USD/ARS**	**USD/GBP**	**CNY/USD**
Total assets	-	5	11	-	-
Total liabilities	(25)	(38)	(13)	-	-
NET POSITION BEFORE HEDGING	**(25)**	**(33)**	**(2)**	**-**	**-**
Derivative financial instruments	-	37	4	-	-
NET POSITION AFTER HEDGING	**(25)**	**4**	**2**	**-**	**-**

	31 December 2018				
(in million euros)	**UAH/USD**	**USD/BRL**	**USD/ARS**	**USD/GBP**	**CNY/USD**
Total assets	-	78	37	-	3
Total liabilities	(9)	(282)	(293)	(7)	-
NET POSITION BEFORE HEDGING	**(9)**	**(204)**	**(256)**	**(7)**	**3**
Derivative financial instruments	-	221	239	-	-
NET POSITION AFTER HEDGING	**(9)**	**17**	**(17)**	**(7)**	**3**

	31 December 2017				
(in million euros)	**UAH/USD**	**USD/BRL**	**USD/ARS**	**USD/GBP**	**CNY/USD**
Total assets	-	72	18	-	5
Total liabilities	(11)	(58)	(197)	-	-
NET POSITION BEFORE HEDGING	**(11)**	**14**	**(179)**	**-**	**5**
Derivative financial instruments	-	(19)	180	-	-
NET POSITION AFTER HEDGING	**(11)**	**(5)**	**1**	**-**	**5**

(5) Commodity risk

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

The risk of changes in certain raw materials prices expose the production costs of the Automotive division and Faurecia to either as a result of their direct purchases or indirectly through the impact of these changes on their suppliers' costs. These raw materials are either industrial products such as steel and plastics whose prices and related adjustments are negotiated between buyers and vendors, or commodities directly traded on organised markets, such as aluminium, copper, lead or precious metals, for which the transaction price of the commodities or components is determined by direct reference to the prices quoted on the commodity market.

Part of the Automotive division's exposure to fluctuations in commodity prices is hedged using derivative instruments traded on regulated markets. The aim of these hedges is to minimize the impact of changes in commodity prices on physical deliveries for the Group's production needs.

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

For the Automotive segment, in the event of a 19% rise (fall) in base metals' prices (aluminium, copper and lead), a 21% rise (fall) in precious metals' prices (platinum and palladium), and a 29% rise (fall) in energy prices (electricity, gas), the impact of the commodity hedges held at 31 December 2019 would have been a decrease/increase of €180 in consolidated equity at 31 December 2018 (versus €71 million in 2018 and €59 million in 2017). As all commodity hedges qualified as cash flow hedges under IFRS 9, changes in the fair value of these instruments resulting from changes in the prices of the hedged commodities would not have had any impact on 2019 profit.

The commodity price trend assumptions were determined based on the average historical and implicit volatilities observed on the relevant commodity markets in the reporting year.

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

B. Hedging instruments

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

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

The Group uses two hedging relationships:

- ***fair value hedges:***

  Gains and losses arising from remeasurement at fair value are recognised in profit or loss, and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument;

- ***cash flow hedges:***

  The effective portion of the change in fair value of the hedging instrument is directly recognised in “other amounts of comprehensive income”. The change in value of the ineffective portion is recognised in “other financial income or expenses”, excluding the time value of options which is now recognised in “other amounts of comprehensive income”. Cumulative gains and losses recognised in equity are reclassified to profit or loss in the same way as the recognition of the hedged items when they affect profit or loss. Given its non-materiality, the effective portion of changes in fair value of hedging for raw materials purchases is not included in the value at which the raw materials are recognised in inventory.

IFRS 9 now allows for recognising hedging of the raw materials portions, which helps accounting to better correspond to economic reality. Since 1 January 2018, this allows the Group to extend hedging in compliance with its management rules (see Note 12.7.A.(5) to the 2017 consolidated financial statements).

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

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

Manufacturing and sales companies

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

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

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

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

(2) Impact of hedging instruments on income and equity

(a) Impact of cash flow hedges

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

(b) Impact of fair value hedges

(in million euros)	2019	2018	2017
Change in ineffective portion recognised in profit or loss	(65)	112	(23)
NET IMPACT ON INCOME	**(65)**	**112**	**(23)**

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

12.7. FINANCIAL INSTRUMENTS

A. Financial assets and liabilities - definitions

Financial assets and liabilities within the meaning of IFRS 9 include the items listed in the table in Note 12.7.E.

The event generating the statement of financial position recognition is the transaction (i.e. commitment) date, and not the settlement date.

B. Translation of transactions in foreign currencies

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

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

C. Recognition and measurement of financial assets

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

(1) Financial assets as "at amortised cost"

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

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

Measurement of trade receivables

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

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

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

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

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

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

D. Recognition and measurement of financial liabilities

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

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

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

E. Financial instruments reported in the statement of financial position

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

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

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

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

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

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

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

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

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

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

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

G. Information about financial liabilities not measured at fair value

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

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

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

H. Effect of financial instruments on profit or loss

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

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

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

12.8. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

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

Pledged or mortgaged assets

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

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

(in million euros)	31/12/2019	31/12/2018	31/12/2017
2018	-	-	391
2019	-	153	6
2020	131	-	38
2021	-	32	-
2022	-	-	-
2023	-	-	-
Total pledged or mortgaged assets	46	43	43
TOTAL ASSETS	**177**	**228**	**478**
Total assets	69,766	61,952	57,915
Percentage of total assets	0.3%	0.4%	0.8%

NOTE 13 FINANCING AND FINANCIAL INSTRUMENTS – FINANCE COMPANIES

13.1. ACCOUNTING POLICIES

A. Financial assets and liabilities - definitions

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

B. Recognition and measurement of financial assets

(1) Financial assets as "at amortised cost"

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

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

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

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

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

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

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

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

Equity investments in non consolidated companies recognised at cost under IAS 39 due to the size of their business not being material are reclassified at fair value through profit or loss under IFRS 9 without impacting the accounts of Banque PSA Finance at 31 December 2019.

C. Recognition and measurement of financial liabilities

See Note 12.7.D.

13.2. CURRENT FINANCIAL ASSETS

A. Loans and receivables - finance companies

(1) Analysis

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

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

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

(2) Maturities of loans and receivables

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

(3) Allowances for credit losses

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

B. Short-term investments – Finance companies

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

C. Cash and cash equivalents

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

13.3. FINANCING LIABILITIES – FINANCE COMPANIES

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

A. Analysis by maturity

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

B. Analysis by repayment currency

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

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

C. Credit lines

	31/12/2019	31/12/2018	31/12/2017
UNDRAWN CONFIRMED LINES OF CREDIT	**150**	**235**	**301**

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

- €150 million in undrawn revolving bilateral lines.

13.4. MANAGEMENT OF FINANCIAL RISKS

A. Financial risk management policy

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

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

(1) Liquidity risk

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

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

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

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

Financing strategy implemented in 2019

At 31 December 2019, the only financing of Banque PSA Finance is derived from the bond issues.

The bank also has liquidity reserves of €454 million.

Renewal of bank facilities

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

Covenants

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

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

(2) Interest rate risk

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

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

(3) Counterparty and credit risks

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

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

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

Defaults with no impairment concern only corporate loans.

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

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

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

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

(4) Currency risk

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

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

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

5

B. Hedging instruments: Finance companies

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

Impact of hedging instruments on income and equity

IMPACT OF FAIR VALUE HEDGES

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

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

13.5. FINANCIAL INSTRUMENTS

A. Financial instruments reported in the statement of financial position

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

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

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

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

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

D. Effect of financial instruments on profit or loss

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

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

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

13.6. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

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

NOTE 14 INCOME TAXES

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

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

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

In practice:

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

14.1. INCOME TAXES OF CONSOLIDATED COMPANIES

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

A. Current taxes

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

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

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

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

B. Tax rate in France

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

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

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

C. Deferred taxes

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

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

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

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

(in million euros)	2019	2018	2017
Income (loss) before tax of fully-consolidated companies	**4,324**	**3,954**	**2,836**
French statutory income tax rate for the period	*34.4%*	*34.4%*	*34.4%*
Theoretical tax expense for the period based on the French statutory income tax rate	**(1,489)**	**(1,361)**	**(976)**
Tax effect of the following items:	**-**	**-**	**-**
› Permanent differences	97	(202)	116
› Income taxable at reduced rates	4	77	80
› Tax credits	16	21	27
› Effect of differences in foreign tax rates and other	251	202	133
Income tax before impairment losses on the French tax group	**(1,121)**	**(1,263)**	**(620)**
Effective tax rate applicable to the Group	*25.9%*	*31.9%*	*21.9%*
› French tax group of Peugeot S.A.	-	-	-
- Utilisation during the fiscal year of previously unrecognised losses	90	171	52
- Capitalisation of deferred taxes on previously unrecognised tax loss carryforwards	254	390	82
› Deferred taxes on tax loss carryforwards outside of the Peugeot S.A. French tax group	61	87	(213)
INCOME TAX EXPENSE	**(716)**	**(615)**	**(699)**
Effective tax rate applicable to the Group after recognition of deferred taxes losses	*16.6%*	*15.6%*	*24.6%*

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

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

A. Analysis by nature

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Current taxes			
Assets	221	376	353
Liabilities	(469)	(525)	(234)
Net current taxes	**(248)**	**(149)**	**119**
Deferred taxes			
Tax credits	**12**	**12**	**13**
Gross value - excluding Faurecia	3,896	4,136	4,274
Impairment of assets or assets originally unrecognized - excluding Faurecia	(3,062)	(3,256)	(3,719)
Gross amount - Faurecia	734	703	733
Impairment of assets or assets originally unrecognized - Faurecia	(569)	(564)	(671)
Total deferred tax assets on tax losses carry forward	**999**	**1,019**	**617**
Research and development costs	(1,204)	(1,092)	(979)
Amortization (excluding regulated depreciation)	(7)	81	(11)
Regulated provisions and special amortization	(759)	(739)	(677)
Provisions for pensions	130	159	21
Inventories	95	91	72
Provisions for risks and charges	692	794	782
Other	142	(256)	(80)
Other deferred tax assets and liabilities (excluding Faurecia)	**(911)**	**(962)**	**(872)**

(in million euros)	31 December 2019	31 December 2018	31 December 2017
Research and development costs	(464)	(367)	(292)
Amortization (excluding regulated depreciation)	338	234	120
Provisions for pensions	90	66	75
Inventories	129	98	80
Other	175	155	171
Other deferred tax assets and liabilities (Faurecia)	**268**	**186**	**154**
Total other deferred tax assets and liabilities	**(643)**	**(776)**	**(718)**
TOTAL DEFERRED TAX ASSETS, NET OF LIABILITIES	**368**	**255**	**(88)**
Defered tax assets	1,198	1,036	809
Deferred tax liabilities	(830)	(781)	(897)
TOTAL DEFERRED TAX ASSETS AND LIABILITIES NET IN THE STATEMENTS OF FINANCIAL POSTION	**368**	**255**	**(88)**

B. Changes in deferred tax positions by nature

(in million euros)	1 January 2019	Recognized in consolidated Income Statement	Recognized in Other Comprehensive Income	Transferred to Assets/ (Liabilities) Held for Sale	Translation differences and other changes	31 December 2019
Deferred taxes						
Tax credits	**12**	**(1)**	**-**	**-**	**1**	**12**
Total deferred tax assets on tax losses carry forward - excluding Faurecia	880	(42)	-	-	(4)	834
Total deferred tax assets on tax losses carry forward - Faurecia	139	25	-	-	1	165
Total deferred tax assets on tax losses carry forward	**1,019**	**(17)**	**-**	**-**	**(3)**	**999**
Research and development costs	(1092)	(124)	-	-	12	(1204)
Regulated provisions and special amortization	(739)	(26)	-	-	6	(759)
Provisions for pensions	159	69	-	-	(98)	130
Inventories	91	3	-	-	1	95
Provisions for risks and charges	794	(130)	-	-	28	692
Others	(175)	272	(4)	-	42	135
Other deferred tax assets and liabilities (excluding Faurecia)	**(962)**	**64**	**(4)**	**-**	**(9)**	**(911)**
Research and development costs	(367)	(97)	-	-	-	(464)
Amortization	234	103	-	-	1	338
Provisions for pensions	66	8	16	-	-	90
Inventories	98	32	-	-	(1)	129
Others	155	8	8	-	4	175
Other deferred tax assets and liabilities (Faurecia)	**186**	**54**	**24**	**-**	**4**	**268**
Total other deferred tax assets and liabilities	**(776)**	**118**	**20**	**-**	**(5)**	**(643)**
DEFERRED TAX ASSETS NET	**255**	**100**	**20**	**-**	**(7)**	**368**

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

C. *Tax losses carry forward*

Tax losses carry forward as at 31 December 2019

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

NOTE 15 EQUITY AND EARNINGS PER SHARE

15.1. EQUITY

A. Capital management policy

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

Equity breaks down into portions attributable to Non controlling interests and to the Owners of the parent company.

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

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

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

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

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

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

B. Analysis of share capital and changes in the year

Rights issues

Grants of performance shares by Peugeot S.A.

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

Analysis of share capital

(in euros)	31 December 2019	31 December 2018	31 December 2017
Share capital at beginning of period	904,828,213	904,828,213	859,924,895
Equity warrants converted into shares	-	-	44,903,318
SHARE CAPITAL AT END OF PERIOD	**904,828,213**	**904,828,213**	**904,828,213**

Situation at 31 December 2019

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

The share price on 31 December 2019 was €21.30.

C. Treasury shares

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

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

Changes in treasury shares are presented in the following table:

(1) Number of shares held

(number of shares)	2019 Transactions	2018 Transactions	2017 Transactions
At beginning of period	**11,315,735**	**11,315,735**	**9,113,263**
Purchases (sales) of treasury shares	(65,328)	-	5,729,987
Shares delivered under the 2015 free share plan	(325,792)	-	(2,019,000)
Shares delivered under the 2016 free share plan	(980,880)	-	-
Shares delivered as part of the employees' shareholding plan	-	-	(1,508,515)
AT PERIOD-END	**9,943,735**	**11,315,735**	**11,315,735**

5

(number of shares)		2019 Transactions	2018 Transactions	2017 Transactions
Allocation				
› Shares held for allocation on exercise of future performance share or stock options plans		871,735	3,333,735	6,033,735
› Coverage of the 2015 performance share plan		-	389,000	389,000
› Coverage of the 2016 performance share plan	7.2.B	1,014,000	2,200,000	2,200,000
› Coverage of the 2017 performance share plan	7.2.B	2,452,000	2,693,000	2,693,000
› Coverage of the 2018 performance share plan	7.2.B	2,524,500	2,700,000	-
› Coverage of the 2019 performance share plan	7.2.B	3,081,500	-	-
		9,943,735	**11,315,735**	**11,315,735**

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

2) Change in value

(in million euros)	2019	2018	2017
At beginning of period	**(270)**	**(270)**	**(238)**
Purchases (sales) during the period	2	-	(116)
Shares delivered under the 2015 free share plan	10	-	53
Shares delivered under the 2016 free share plan	13	-	-
Shares delivered as part of the employees' shareholding plan	-	-	31
Others	5	-	-
AT PERIOD-END	**(240)**	**(270)**	**(270)**
Average price per share (in euros)	24.14	23.86	23.86

The purchase price of treasury shares is deducted from equity.

The share price on 31 December 2019 was €21.30.

D. Reserves and retained earnings, excluding non controlling interests

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

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

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

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

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

E. Non controlling interests

Non controlling interests correspond mainly to the interests of other shareholders of Faurecia.

15.2. EARNINGS PER SHARE

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

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

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

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

	2019	2018	2017
Consolidated basic earnings of continuing operations - attributable to the Owners of the parent *(in million euros)*	3,201	2,827	1,931
Consolidated basic earnings - attributable to the Owners of the parent (in million euros)	3,201	2,827	1,924
Average number of €1 par value shares outstanding	894,402,311	893,512,478	886,113,459
Basic earnings per €1 par value share of continuing operations - attributable to the Owners of the parent (in euros)	**3.58**	**3.16**	**2.18**
Basic earnings per €1 par value share *(in euros)* - attributable to the Owners of the parent	**3.58**	**3.16**	**2.17**

B. Diluted earnings per share - Attributable to the Owners 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 7.2.B) and the equity warrants (see Note 15.1.B) had a potential dilutive effect on 31 December 2019.

The following tables show the effects of the calculation:

(1) Effect on the average number of shares

	Notes	2019	2018	2017
Average number of €1 par value shares outstanding		894,402,311	893,512,478	886,113,459
Dilutive effect, calculated by the treasury shares method, of:				
› Equity warrants (2014 capital increases)		-	-	10,763,952
› Equity warrants delivered to General Motors Group		39,727,324	39,727,324	39,727,324
› Performance share grants	7.2.B	7,602,712	6,252,094	4,350,427
Diluted average number of shares		**941,732,347**	**939,491,896**	**940,955,162**

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

(in million euros)	2019	2018	2017
Consolidated profit (loss) from continuing operations - attributable to the Owners of the parent	3,201	2,827	1,931
Dilutive effect of Faurecia (performance share grants)	(1)	-	-
CONSOLIDATED PROFIT (LOSS) FROM CONTINUING OPERATIONS (AFTER FAURECIA DILUTION EFFECT)	**3,200**	**2,827**	**1,931**
Diluted earnings of continuing operations - attributable to the Owners of the parent per €1 par value share *(in euros)*	3.40	3.01	2.05

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

(in million euros)	2019	2018	2017
Consolidated profit (loss) from continuing operations - attributable to the Owners of the parent	3,201	2,827	1,924
Dilutive effect of Faurecia (performance share grants)	(1)	-	-
CONSOLIDATED PROFIT (LOSS) FROM CONTINUING OPERATIONS (AFTER FAURECIA DILUTION EFFECT)	**3,200**	**2,827**	**1,924**
Diluted earnings of continuing operations - attributable to the Owners of the parent per €1 par value share *(in euros)*	3.40	3.01	2.04

The performance share grants of Faurecia have a potential impact on the total number of Faurecia shares outstanding without affecting the number of shares held by the PSA Group. Consequently, they have a potential dilutive effect on consolidated profit attributable to the PSA Group.

Due to their terms, the Faurecia performance share plans do not have any material dilutive impact in 2017, 2018, nor in 2019.

NOTE 16 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The statement of cash flows is partitioned into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities depending on the nature of the transactions.

The Group's main choices as regards presentation were as follows:

- Interest flows are including in cash flows from financing activities;
- Payments received in connection with grants were allocated by function to cash flows from investing activities or cash flows from operating activities depending on the nature of the grant;
- The conversion options of convertible bonds (involving both optional and mandatory conversion) are presented on a capital increase line under cash flows from financing activities;
- Voluntary contributions paid into pension funds are recognised under cash flows from operating activities;
- Payments made on the deferred portion of a fixed asset purchase are presented under cash flows from investing activities for the period ("Change in amounts payable on fixed assets");
- Tax payments are classified under cash flows from operating activities;
- Bonds' redemptions are classified under cash flows from financing activities.

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

(in million euros)	Notes	31 December 2019	31 December 2018	31 December 2017
Cash and cash equivalents	*12.4.B*	17,379	14,961	11,582
Payments issued		(26)	(23)	(93)
Other		1	3	2
Net cash and cash equivalents - manufacturing and sales companies		**17,354**	**14,941**	**11,491**
Cash and cash equivalents	*13.2.C*	454	466	320
Other		(3)	(4)	(6)
Net cash and cash equivalents - finance companies		**451**	**462**	**314**
Elimination of intragroup transactions		-	*(1)*	*(8)*
TOTAL		**17,805**	**15,402**	**11,797**

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

(in million euros)	Notes	2019	2018	2017
Depreciation and amortisation expense	*5.2*	(3,388)	(2,815)	(2,710)
Impairment of:		-	-	-
› capitalised development costs	*8.1.B*	(160)	(102)	(80)
› property, plant and equipment	*8.2.B*	(135)	(38)	43
Depreciation of equity invesments		2	(33)	(7)
Other		(36)	(7)	-
TOTAL		**(3,717)**	**(2,995)**	**(2,754)**

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

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

(in million euros)	2019	2018	2017
Interest received	53	15	32
Interest paid	(278)	(292)	(287)
NET INTEREST RECEIVED (PAID)	**(225)**	**(277)**	**(255)**

16.4. CHANGES IN OTHER FINANCIAL ASSETS AND LIABILITIES FOR THE MANUFACTURING AND SALES COMPANIES

(in million euros)	2019	2018	2017
Increase in borrowings	2,512	1,647	1,046
Repayment of borrowings and conversion of bonds	(1,079)	(1,258)	(731)
(Increase) decrease in non-current financial assets	17	(232)	169
(Increase) decrease in current financial assets	(475)	557	(548)
Increase (decrease) in current financial liabilities	(52)	(83)	107
	923	**631**	**43**
Net cash flows with Group finance companies	-	-	*(1)*
TOTAL	**923**	**631**	**42**

Increase in borrowings in the amount of €2,512 million notably includes:

- €522 million raised by Peugeot S.A. using a private investment under German law, Schuldscheindarlehen;
- €500 million and €250 million from the Faurecia bond issues, both due in June 2026;
- €600 million from Peugeot S.A. bond issue maturing in September 2029;

Debt repayments in the amount of €1079 million include notably the repayment by Peugeot S.A. of €430 million in 2013 bonds upon maturity in January 2019.

NOTE 17 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

Off-balance sheet commitments given in the normal course of business were as follows at 31 December 2019:

(in million euros)	Notes	31 December 2019	31 December 2018	31 December 2017
› Financing commitments	*12.8*	901	838	884
› Operating commitments	*8.4*	1,717	3,169	3,346
Manufacturing and sales companies		**2,618**	**4,007**	**4,230**
Finance companies	*13.6*	**16**	**-**	**12**

In 2019, the decrease in operating commitments results from the effect of the application of IFRS 16 Leases (see Note 2.2 and 2.3).

17.1. CONTINGENT LIABILITIES

Automotive equipment

On 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 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 group affiliates, alleging anticompetitive practices in regard to Exhaust Systems. These agreements have been validated by the court.

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

The consequences of still on-going procedures and above mentioned can not be predicted. Therefore, no accruals were accounted for as of 31 December 2019.

In 2014, the Alliance of Artists and Recording Companies, Inc. (AARC) filed two consolidated cases in the United States District Court for the District of Columbia seeking damages and an injunction against a group of automotive manufacturers and suppliers, including Clarion Corporation of America. AARC alleged that the defendants were distributing in-vehicle navigation systems in violation of the Audio Home Recording Act of 1992, in part, because no royalties were paid pursuant to the Act. The case centers on whether the systems are "digital audio recording devices" that are capable of making "digital audio copied recordings" as defined by the statute. On 23 March 2018, the District Court issued summary judgment in favor of Clarion and ruled that Clarion's navigation systems are not "digital audio recording devices" because they are not capable of producing a "digital audio copied recording" under the statute's definitions. The District Court entered final judgment in favor of Clarion and the other defendants and there are no additional claims against Clarion that remain pending at the District Court level. AARC appealed the District Court's summary judgment opinion to the United States Court of Appeals for the District of Columbia Circuit ("D.C.Circuit") on similar grounds argued at the District Court.

On 28 January 2020, the D.C. Circuit's three-judge panel unanimously affirmed the District Court's summary judgment in Clarion's favor, ruling that automakers and manufacturers of certain onboard vehicle systems (which include Clarion's systems), comprised of hard drives, computer programmes and databases, were not liable for damages or royalty payments under the Audio Home Recording Act of 1992, 17 U.S.C. §1001, *et. seq.* Plaintiffs may petition the D.C. Court for rehearing or request an appeal from the U.S. Supreme Court.

There are no other claims or litigation in progress or pending that are likely to have a material impact on the Group's consolidated financial position.

Automotive business

The customs agreement governing the automotive industry between Brazil and Argentina provides for the payment of penalties by the Argentine automotive industry should the average ratio of imports to exports vis-à-vis Brazil exceed a certain threshold over the 2015–2029 period. Penalties may be payable by the Group should the automotive industry as a whole and the Group not hit the required ratio. No provision has been funded due to the uncertainties surrounding developments in the automotive markets in Argentina and Brazil between now and 2029 and the steps that the Group could take.

17.2. COMMITMENTS CONNECTED WITH THE GEFCO GROUP

Representations and warranties were made to JSC Russian Railways (RZD) as part of its acquisition of the GEFCO Group from PSA in December 2012. At 31 December 2019, the Group had not identified any material risks associated with these representations and warranties.

Under the logistics and transportation service agreements entered into by the PSA and GEFCO groups, the Group gave guarantees regarding the satisfactory performance of the logistics contracts and a five-year exclusivity clause. An amendment signed in November 2016 supplemented these logistics and transportation service agreements. This amendment, which came into effect on 1 January 2017, extends the exclusivity clause until the end of 2021 and confirms the guarantees regarding the satisfactory performance of the logistics contracts given by PSA Group. At 31 December 2019, the Group had not identified any material risks associated with these guarantees.

NOTE 18 RELATED PARTY TRANSACTIONS

Details of transactions with related parties, as referred to in the standards adopted in accordance with European Regulation (EC) 1606/2002, concluded by Group companies during the years 2017, 2018 and 2019 are disclosed in Note 11.6 in the notes to the consolidated financial statements. These transactions concern the equity method companies. Other than these transactions, there were no significant transactions with other related parties.

NOTE 19 SUBSEQUENT EVENTS

Between 31 December 2019, the closing date, and 25 February 2020, the date of review of the accounts by the Supervisory Board, the **coronavirus health crisis** occurred.

The situation in China in the current epidemic context remains uncertain. At this stage, it is difficult to measure the impacts on the activity; the Group implements the appropriate measures for its employees and to meet the needs of its customers.

NOTE 20 FEES PAID TO THE AUDITORS

	Mazars			EY			PWC		
(in million euros)	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Audit									
Statutory and contractual audit services									
› Peugeot S.A.	0.5	0.6	0.7	0.6	0.6	0.7	-	-	-
› Fully-consolidated subsidiaries	7.6	3.7	2.1	10.6	9.7	7.6	0.1	4.1	4.4
o/w France	*2.1*	*1.4*	*1.9*	*3.5*	*5.3*	*2.5*	-	*4.1*	*1.1*
o/w International	*5.5*	*2.3*	*0.2*	*7.1*	*4.4*	*5.1*	*0.1*	-	*3.3*
Sub-total	**8.1**	**4.3**	**2.8**	**11.2**	**10.3**	**8.3**	**0.1**	**4.1**	**4.4**
o/w Faurecia	3.9	-	-	4.8	3.9	4.1	-	4.1	4.4
Excluding Faurecia	4.2	4.3	2.8	6.4	6.4	4.2	0.1	-	-
	93%	*98%*	*97%*	*93%*	*89%*	*89%*	*50%*	*80%*	*83%*
Other services provided to subsidiaries									
› Peugeot S.A.	-	-	-	-	-	-	-	-	-
› Fully-consolidated subsidiaries	0.6	0.1	0.1	0.8	1.3	1.0	0.1	1.0	0.9
o/w France	*0.2*	*0.1*	*0.1*	*0.5*	*0.9*	*0.8*	*0.1*	*0.8*	*0.9*
o/w International	*0.4*	-	-	*0.3*	*0.4*	*0.2*	-	*0.2*	-
Sub-total	**0.6**	**0.1**	**0.1**	**0.8**	**1.3**	**1.0**	**0.1**	**1.0**	**0.9**
o/w Faurecia	0.1	-	-	0.4	0.8	0.5	-	0.8	0.9
Excluding Faurecia	0.5	0.1	0.1	0.4	0.5	0.5	0.1	0.2	-
	7%	*2%*	*3%*	*7%*	*11%*	*11%*	*50%*	*20%*	*17%*
TOTAL	**8.7**	**4.4**	**2.9**	**12.0**	**11.6**	**9.3**	**0.2**	**5.1**	**5.3**
o/w Faurecia	4.0	-	-	5.2	4.7	4.6	-	4.9	5.3
Excluding Faurecia	4.7	4.4	2.9	6.8	6.9	4.7	0.2	0.2	-

Faurecia's Statutory Auditors are EY and Mazars since 2019.

NOTE 21 CONSOLIDATED COMPANIES AT 31 DECEMBER 2019

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

Companies	Country	% share
Other Businesses		
Peugeot S.A.	France	100
Financière Pergolèse	France	100
GIE PSA Trésorerie	France	100
Grande Armée Participations	France	100
PSA Ventures	France	100
Sté Anonyme de Réassurance Luxembourgeoise - SARAL	Luxembourg	100
PSA International S.A.	Switzerland	100
Groupe GEFCO	France	25*
Automotive Peugeot Citroën DS		
PSA Automobiles SA	France	100
Peugeot Citroën South-Africa	South Africa	100
Peugeot Algérie S.p.A.	Algeria	100
Peugeot Citroën Production Algérie Spa	Algeria	49
Peugeot Deutschland GmbH	Germany	100
Citroën Deutschland AG	Germany	100
PSA Services Deutschland GmbH - DFCA	Germany	100
PSA Retail GmbH	Germany	100
Circulo de Inversiones S.A. - CISA	Argentina	100
Peugeot-Citroën Argentina S.A.	Argentina	100
PCA Asesores de seguros S.A.	Argentina	98
Citroën Österreich GmbH	Autria	100
Peugeot Austria GmbH	Autria	100
PSA Retail Austria GmbH	Autria	100
Peugeot Belgique Luxembourg	Belgium	100
S.A. Peugeot Distribution Service	Belgium	100
Citroën Belux	Belgium	100
Datosco	Belgium	67
DATOS	Belgium	67
PCI do Brasil Limitada	Brazil	100
Peugeot Citroën do Brasil Automoveis	Brazil	100
PSA Ventures Serviços de Mobilidade Urbana Ltda	Brazil	100
PSA Chile S.A.	Chile	100
Automotores Franco Chilena S.A.	Chile	100
PSA Management Co Ltd (Shanghai)	China	100
Peugeot Citroën (CHINA) Automotive Trade Co	China	100
PSA (Wuhan) Management Co., Ltd.	China	100
Shanghaï Jianxin Enterprise Management Co. Ltd.	China	67
PSAG Automóviles Comercial España, S.A.	Spain	100
Peugeot Citroën Automóviles España	Spain	100
Placas de Piezas y Componentes de Recambios (PPCR)	Spain	100
Plataforma Comercial de Retail, S.A.U.	Spain	97

Companies	Country	% share
Clicars Spain SL	Spain	64
Conception d'Équipement Peugeot Citroën - CEPC	France	100
Automobiles Peugeot	France	100
Française de Mécanique	France	100
Mister AUTO	France	100
Automobiles Citroën	France	100
SNC - Société Mécanique Automobile de l'Est - SMAE	France	100
PSA VO France	France	100
SNC Peugeot Poissy	France	100
PSA Retail France SAS	France	100
SEVELNORD	France	100
GEIE Sevelind	France	100
Citroën Dunkerque	France	100
Société Lyonnaise de Pièces et Services Automobile	France	100
Est PR	France	100
Mhiri Innovation	France	100
Autobiz	France	71
CELOR	France	71
ARAMIS SAS	France	71
Peugeot Citroën Sochaux	France	100
Peugeot Citroën Mulhouse	France	100
Peugeot Citroën Rennes	France	100
Mécaniques et Bruts du Nord-Ouest	France	100
Mécaniques et Bruts du Grand Est	France	100
Peugeot Media Production	France	100
SNC PC PR	France	100
SCDPRS (Société Commerciale de Distribution Pièces de Rechange et Services)	France	100
SPSAO (Société de Pièces et Services Automobile de l'Ouest)	France	100
D.J. - 56	France	100
Société Lilloise de Services et de Distribution Automobile de Pièces de Rechange	France	100
Pièces et Entretien Automobile Bordelais	France	100
PSA ID	France	100
PCA Motors Private Ltd.	India	100
PCA Automobiles India Private Limited	India	87
PSA AVTEC Powertrain Private Ltd.	India	57
Peugeot Citroën Retail Italia S.p.A.	Italy	100
Peugeot Automobili Italia	Italy	100
Citroën Italia Spa	Italy	100
PSA Services SRL - DFCI	Italy	100
Peugeot Citroën Japan K.K.	Japan	100
Peugeot Tokyo	Japan	100

Companies	Country	% share
NAZA Automotive Manufacturing Sdn Bhd	Malaya	61
Peugeot Citroën Automobiles Maroc	Morocco	95
Peugeot Citroën DS Maroc	Morocco	100
Peugeot Mexico	Mexico	100
Servicios Automotores Franco-Mexicana	Mexico	100
Citroën Nederland B.V.	The Netherlands	100
Peugeot Nederland N.V.	The Netherlands	100
PCMA Holding	The Netherlands	70
PSA Retail Nederland BV	The Netherlands	100
Citroën Polska Sp. z.o.o.	Poland	100
Peugeot Polska Sp.Zo.O.	Poland	100
PSA Retail Rent Poland SP Z.O.O	Poland	100
PSA Manufacturing Poland Sp. z o.o.	Poland	100
Peugeot Portugal Automoveis S.A.	Portugal	100
Peugeot-Citroën Automoveis Portugal	Portugal	99
Automoveis Citroën S.A.	Portugal	100
PSAR Portugal S.A.	Portugal	100
Citroën UK Ltd.	United Kingdom	100
Peugeot Motor Company PLC	United Kingdom	100
Peugeot Citroën Retail UK Ltd.	United Kingdom	100
Peugeot-Citroên Automobiles UK	United Kingdom	100
Robins and Day Ltd.	United Kingdom	100
Melvin Motors (Bishopbriggs) Ltd.	United Kingdom	100
WarWick Wright Motors Chiswick Ltd.	United Kingdom	100
Rootes Ltd.	United Kingdom	100
Go Motor Retailing Ltd.	United Kingdom	100
Peugeot Citroën Rus	Russia	100
PSA Automobile International Pte. Ltd.	Singapour	100
PSA Services Centre Europe S r o	Slovakia	100
Peugeot Citroën Gestion Internationale	Switzerland	100
PCA Logistika Cz S.r.o.	Czech Republic	100
Groupe PSA Automotiv Pazarlama AS	Turkey	100
Peugeot Citroën Ukraine	Ukraine	100
Auto Avaliar	Brazil	41*
Shandong UAP Auto Union E-Commerce Co. Ltd.	China	15*
Dongfeng Peugeot-Citroën Automobile Ltd. - DPCA	China	50*
Wuhan Shenlong Hongtai Automotiv	China	10*
Dongfeng Peugeot Citroën Automobiles Sales Company Ltd.	China	50*
Changan PSA Automobiles Co Ltd.	China	50*
Nidec PSA emotors	France	50*

Companies	Country	% share
Iran Khodro Automobiles Peugeot	Iran	50*
Saipa Citroën Automobiles Company	Iran	50*
STAFIM	Tunisia	34*
STAFIM-GROS	Tunisia	34*
Societa Europea Veicoli Leggeri S.p.A. - SEVEL	Italy	50**
PCMA Automotiv RUS	Russia	70**
Toyota Peugeot-Citroën Automobile Czech	Czech Republic	50**
Automotive Opel Vauxhall		
Opel Automobile GmbH	Germany	100
Opel Wien GmbH	Autria	100
Opel South Africa PTY Ltd.	South Africa	100
Opel Group Warehousing GmbH	Germany	100
Opel Austria GmbH	Autria	100
Opel Belgium NV	Belgium	100
Opel Automotive Services Belgium NV	Belgium	100
Opel España, SLU	Spain	100
Opel Europe Holdings, SLU	Spain	100
Opel France S.A.S.	France	100
Opel Hellas S.A.	Greece	100
Opel Szentgotthard Automotive Manufacturing Ltd.	Hungary	100
Opel Southeast Europe Ltd.	Hungary	100
Opel Italia S.r.l.	Italy	100
Opel Nederland B.V.	The Netherlands	100
Opel Manufacturing Poland Sp.z o.o.	Poland	100
Opel Poland Sp.z o.o.	Poland	100
Opel Portugal, Lda	Portugal	100
Opel Sibiu SRL	Roumania	100
IBC Vehicles Ltd.	United Kingdom	100
Vauxhall Motors Limited	United Kingdom	100
Opel Türkiye Otomotiv Ltd. Sirketi	Turkey	100
Automotive equipment		
Faurecia (société)	France	46.34
Faurecia Interior Systems South Africa(Pty) Ltd.	South Africa	46.34
Faurecia Interior Systems Pretoria (Pty) Ltd.	South Africa	46.34
Faurecia Emission Control Technologies South Africa (Cape Town) (Pty) Ltd.	South Africa	46.34
Faurecia Autositze GmbH	Germany	46.34
Faurecia Automotive GmbH	Germany	46.34
Faurecia Innenraum Systeme GmbH	Germany	46.34
Faurecia Abgastechnik GmbH	Germany	46.34
Hug Engineering GmbH	Germany	46.34
Faurecia Emissions Control Technologies, Germany GmbH	Germany	46.34
Clarion Europa GmbH	Germany	46.34
Faurecia Sistemas de Escape Argentina	Argentina	46.34
Faurecia Argentina SA	Argentina	46.34

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Companies	Country	% share
Faurecia Angell Demmel Ges.m.b.H.	Autria	46.34
Faurecia Automotive Belgium	Belgium	46.34
Faurecia Industrie NV	Belgium	46.34
Faurecia Automotive do Brasil	Brazil	46.34
FMM Pernambuco Componentes Automotivos, Ltda	Brazil	23.63
Clarion do Brasil Ltda.	Brazil	46.34
Faurecia Emissions Control Technologies Canada Ltd.	Canada	46.34
Clarion Canada Inc.	Canada	46.34
Faurecia Tongda Exhaust System (Wuhan) Co Ltd.	China	23.17
Faurecia Exhaust Systems Changchun Co Ltd.	China	23.63
Faurecia Honghu Exhaust Systems Shanghai Co Ltd.	China	30.58
Faurecia PowerGreen Emissions Control Technologies Co. Ltd.	China	46.34
Faurecia Emissions Control Technologies (Ningbo Hangzhou Bay New District) Co. Ltd.	China	30.58
Faurecia (Wuxi) Seatings Components Co Ltd.	China	46.34
Changchun Faurecia Xuyang Automotive Seatings (CFXAS)	China	27.80
Faurecia GSK (Wuhan) Automotive Seating Co Ltd.	China	23.63
Faurecia (Changchun) Automotive Systems Co	China	46.34
Faurecia Emissions Control Technologies Development (Shanghai) Co Ltd.	China	46.34
Faurecia (Quigdao) Exhaust Systems Co Ltd.	China	46.34
Faurecia (Shanghai) Automlotive Systems Co Ltd.	China	46.34
Faurecia (China) Holding Co	China	46.34
Dongfeng Faurecia Automotive Interior Systems Co. Ltd.	China	23.17
Faurecia (Guangzhou) Automotive Systems Co Ltd.	China	46.34
Faurecia Emissions Control Technologies (Chengdu) Co Ltd.	China	23.63
Faurecia (Nanjing) Automotive Systems Co Ltd.	China	46.34
Faurecia (Wuhan) Automotive Components Systems Co Ltd.	China	46.34
Changchung Faurecia Xuyang Interiors Systems Co Ltd.	China	27.80
Faurecia (Shenyang) Automotive Systems Co Ltd.	China	46.34
Zhesiang Faurecia Limin Interior & Exterior Systems Co Ltd.	China	46.34
Chengdu Faurecia Limin Automotive Systems Co Ltd.	China	41.79
Faurecia (Yancheng) Automotive Systems Co Ltd.	China	46.34
Faurecia Emissions Control Technologies (Beijing) Co Ltd.	China	46.34
Faurecia Emissions Control Technologies (Nanchang) Co Ltd.	China	23.63

Companies	Country	% share
Faurecia Emissions Control Technologies (Ningbo) Co Ltd.	China	46.34
Faurecia NHK (Xingyang) Automotive Seating Co Ltd.	China	23.63
Foshan Faurecia Xuyang Interior Systems Co Ltd.	China	27.80
CSM Faurecia Automotive Parts Co Ltd.	China	23.17
Faurecia Emissions Control Technologies (Foshan) Co Ltd.	China	23.63
Shanghai Faurecia Automotive Seating Co Ltd.	China	25.48
Changsha Faurecia Emissions Control Technologies Co Ltd.	China	46.34
Faurecia (Tianjin) Automotive Systems Co., Ltd.	China	23.63
Faurecia Exhaust Systems Qingpu Co., Ltd.	China	46.34
Faurecia (Jimo) Emissions Control Technologies Co., Ltd.	China	46.34
Faurecia Yinlun Emissions Control Technology (Weifang) Co. Ltd.	China	24.09
Faurecia (Tianjin) Emission Control Technology Co Ltd.	China	23.63
Tianjin Faurecia Xuyang Automotive Seat Co Ltd.	China	27.80
Faurecia (Changshu) Automotive Systems Co., Ltd.	China	25.48
Faurecia Liuzhou Automotive Seating Co., Ltd.	China	23.17
Dongfeng Faurecia Emissions Control Technologies Co., Ltd.	China	23.17
Jiangxi Faurecia Coagent Electronics Co., Ltd.	China	46.34
Faurecia (Hangzhou) Automotive Systems Co., Ltd.	China	46.34
Faurecia (Liuzhou) Automotive Interior Systems Co., Ltd.	China	23.17
Shenzhen Faurecia Automotive Parts Co., Ltd.	China	32.44
Guangdong Coagent Global S&T Co., Ltd.	China	46.34
Faurecia Emissions Control Technologies (Chongqing) Co Ltd.	China	33.59
Faurecia Emissions Control Technologies (Yantai) Co Ltd.	China	46.34
Faurecia Chongqing Zhuotong Automotive Interior System Co., Ltd.	China	23.17
Shanghai Faurecia Automotive Seating component Co., Ltd.	China	25.48
Parrot Automotive Shenzhen	China	46.34
HUG Engineering Shanghai Co., Ltd.	China	46.34
Dongguan Clarion Orient Electronics Co., Ltd.	China	46.34
Xiamen Clarion Electrical Enterprise Co., Ltd.	China	46.34
Chengdu Faurecia Xuyang Automotive Seat Co. Ltd.	China	27.80
Faurecia Emissions Control Systems Korea Ltd.	Korean	46.34
FCM Yeongcheon	Korean	46.34
FAS Yeongcheon	Korean	46.34
Amminex Emissions Technology AS	Danemark	42.40

Companies	Country	% share
Faurecia Sistemas de Escape España SA	Spain	46.34
Faurecia Asientos para Automovil España SA	Spain	46.34
Asientos del Norte SA	Spain	46.34
Asientos de Castilla Leon SA	Spain	46.34
Tecnoconfort	Spain	23.17
Asientos de Galicia SL	Spain	46.34
Faurecia Automotive España SL	Spain	46.34
Faurecia Interior Systems España SA	Spain	46.34
Faurecia Interior Systems SALC España SL	Spain	46.34
Valencia Modulos de Puertas SL	Spain	46.34
Faurecia Holding España S.L.	Spain	46.34
Faurecia Acoustic Spain, S.A.	Spain	46.34
Faurecia Emissions Control Technologies Pamplona SL	Spain	46.34
Incalplas S. L.	Spain	46.34
Faurecia Automotive Seating LLC	United States	46.34
Faurecia Madison Automotive Seating Inc.	United States	46.34
Faurecia USA Holdings Inc.	United States	46.34
Faurecia Emissions Control Systems Inc.	United States	46.34
Faurecia Mexico Holdings LLC	United States	46.34
Faurecia Interior Systems Inc.	United States	46.34
Faurecia Interiors Louisville LLC	United States	46.34
Faurecia Interior Systems Saline LLC	United States	46.34
FKN North America Inc.	United States	46.34
Faurecia North America Holdings LLC	United States	46.34
Hug Engineering Inc.	United States	46.34
Faurecia DMS	United States	46.34
Faurecia Emissions Control Technologies, USA, LLC	United States	46.34
Clarion Corporation of America	United States	46.34
ECSA - Études et Construction de Sièges pour l'Automobile	France	46.34
Faurecia Industries	France	46.34
Faurecia Systèmes d'Échappements	France	46.34
TRECIA	France	46.34
Faurecia Ventures	France	46.34
Faurecia Investments	France	46.34
Faurecia Sièges d'Automobile	France	46.34
Faurecia Seating Flers	France	46.34
SIEMAR	France	46.34
SIEDOUBS	France	46.34
SIELEST	France	46.34
Faurecia Services Groupe	France	46.34

Companies	Country	% share
Faurecia Automotive Holdings	France	46.34
Faurecia Automotive Industrie SNC	France	46.34
Faurecia Intérieur Industrie SNC	France	46.34
Faurecia Intérieurs Mornac - France	France	46.34
Faurecia Intérieurs Saint Quentin	France	46.34
Faurecia Exhaust International	France	46.34
Faurecia Exhaust International	France	32.44
Faurecia Automotives Composites	France	46.34
Hanbach Automotive Exteriors	France	46.34
Hennape six	France	46.34
Parrot Faurecia Automotive	France	46.34
Faurecia Smart Surfaces	France	46.34
Clarion Europe S.A.S.	France	46.34
Coagent Global Limited	Hong-Kong	46.34
Parrot Automotive Asia Pacific Ltd.	Hong-Kong	46.34
Clarion (H.K.) Industries Co., Ltd.	Hong-Kong	46.34
Chang Ming Company Limited	Hong-Kong	38.00
Faurecia Emissions Control Technologies Hungary KFT	Hungary	46.34
Clarion Hungary Electronics Kft.	Hungary	46.34
Faurecia Automotive Seating India Private	India	46.34
Faurecia Interior Systems India Private Ltd.	India	46.34
Faurecia Emission Control Technologies India Private Ltd	India	34.29
Clarion India Pvt, Ltd.	India	46.34
Faurecia Security Technologies	Israel	46.34
Hug Engineering Italia S.r.l.	Italy	46.34
Faurecia Emissions Control Technologies, Italy Srl	Italy	46.34
Faurecia Japan K.K.	Japan	46.34
Faurecia Howa Interiors Co Ltd.	Japan	23.17
Clarion Co., Ltd.	Japan	46.34
Clarion Sales and Marketing Co., Ltd.	Japan	46.34
Clarion Manufacturing and Service Co., Ltd.	Japan	46.34
Faurecia AST Luxembourg SA	Luxembourg	46.34
Faurecia Acoustic Luxembourg SARL	Luxembourg	46.34
Faurecia Holdings AST Sarl	Luxembourg	46.34
Crystal Precision (M) Sdn. Bhd.	Malaya	46.34
Faurecia Équipements Automobiles Maroc	Morocco	46.34
Faurecia Automotive Systems Technologies	Morocco	46.34
Faurecia Automotive Industries Morocco	Morocco	46.34
Faurecia Sistemas Automotrices de Mexico SA de CV	Mexico	46.34
Servicios Corporativos de Personal Especializado SA de CV	Mexico	46.34
Exhaust Services Mexicana SA de CV	Mexico	46.34
Faurecia Howa Interiors de Mexico SA de CV	Mexico	23.63
ET Mexico Holdings II, S de RL de CV	Mexico	46.34
Electronica Clarion, S.A. de C.V.	Mexico	46.34
Ultra Industrial, S.A. de C.V.	Mexico	46.34
Hug Engineering B.V.	The Netherlands	46.34

Companies	Country	% share
ET Dutch Holdings BV	The Netherlands	46.34
Faurecia Emissions Control Technologies Netherlands BV	The Netherlands	46.34
Faurecia Legnica SA	Poland	46.34
Faurecia Grojec R&D Center SA	Poland	46.34
Faurecia Walbrzych SA	Poland	46.34
Faurecia Automotive Polska SA	Poland	46.34
Faurecia Gorzow SA	Poland	46.34
Faurecia Assentos de Automoveis Ltda	Portugal	46.34
SASAL	Portugal	46.34
EDA - Estofagem de Assentos Ltda	Portugal	46.34
Faurecia Sistemas de Escape Portugal Ltda	Portugal	46.34
Faurecia Sistemas de Interior de Portugal, Componentes Para Automoveis SA	Portugal	46.34
Euro Auto Plastic Systems SRL	Roumania	23.17
Faurecia Romania Srl	Roumania	46.34
Faurecia Midlands Ltd.	United Kingdom	46.34
Faurecia Automotiv Seating UK Ltd.	United Kingdom	46.34
SAI Automotive Fradley	United Kingdom	46.34
SAI Automotive Washington Ltd.	United Kingdom	46.34
EMCON Technologies UK Ltd.	United Kingdom	46.34
OOO Faurecia Interior Luga	Russia	46.34
OOO Faurecia Automotive Development	Russia	46.34
OOO Faurecia Metalloprodukcia Exhaust Systems	Russia	32.44
OOO Faurecia Automotive Exterior Bumpers	Russia	46.34
Clarion RUS LLC	Russia	46.34
Faurecia Automotive Slovakia Sro	Slovakia	46.34
Faurecia Interior Systems Sweden AB	Sweden	46.34
Faurecia CREO	Sweden	33.36
Hug Engineering AG	Switzerland	46.34
Faurecia Switzerland Sàrl	Switzerland	46.34
Clarion (Taiwan) Manufacturing Co., Ltd.	Taïwan	46.34
Covatech Inc.	Taïwan	38.00
Faurecia Exhaust Systems S.r.o.	Czech Republic	46.34
Faurecia Components Pisek Sro	Czech Republic	46.34
Faurecia Interiors Pardubice S.R.O	Czech Republic	46.34
Faurecia Plzen	Czech Republic	46.34
Faurecia Interior Systems Bohemia S.R.O	Czech Republic	46.34
Faurecia Automotive Czech Republic S.R.O	Czech Republic	46.34
Faurecia Emissions Control Technologies Mlada Boleslav S.R.O	Czech Republic	46.34
Faurecia Interior Systems (Thailand) Co Ltd.	Thailand	46.34

Companies	Country	% share
Faurecia & Summit Interior Systems (Thailand) Co Ltd.	Thailand	23.17
Faurecia Emission Control Technologies, Thailand Co Ltd.	Thailand	46.34
Clarion Asia (Thailand) Co., Ltd.	Thailand	46.34
Société Tunisienne d'Équipements d'Automobile	Tunisia	46.34
Faurecia Informatique Tunisie	Tunisia	46.34
Faurecia Polifleks Otomotiv Sanayi Ve Ticaret Anonim Sirketi	Turkey	46.34
Faurecia Automotive de Uruguay	Uruguay	46.34
Faurecia Vietnam HAIPHONG	Vietnam	46.34
SAS Autosystemtechnik GmbH & Co KG	Germany	23.17*
Dongfeng Faurecia Automotive Parts Sales Company Limited	China	23.17*
Chongqing Guangneng Faurecia Interior Systems Co Ltd.	China	23.17*
Jinan Jidao Automotive Parts Co Ltd.	China	23.17*
Changchun Xuyang Acoustics & Soft Trim Co Ltd.	China	18.55*
Changchun Faurecia Xuyang Automotive Components Technologies R&D Co Ltd.	China	20.87*
Beijing WKW-FAD Automotive Parts Co., Ltd.	China	23.17*
Faurecia Liuzhou Automotive Seating Sales Co., Ltd.	China	23.17*
Dongfeng Faurecia (Xiangyang) Emissions Systems Co., Ltd.	China	23.17*
Hongtai Faurecia Composite (Wuhan) Co., Ltd.	China	23.17*
Wuhan Clarion Kotei Software Technology Co., Ltd.	China	11.58*
Faurecia (Liuzhou) Emissions Control Technologies Co., Ltd.	China	23.17*
Copo Iberica SA	Spain	23.17*
Componentes de Vehiculos de Galicia SA	Spain	23.17*
INDUSTRIAS COUSIN FRERES, S.L.	Spain	23.17*
Detroit Manufacturing Systems, LLC	United States	22.70*
DMS LEVERAGE LENDER (LLC)	United States	22.70*
DMS Toledo, LLC	United States	22.70*
Total Network Manufacturing, LLC	United States	22.70*
Automotive Performance Materials (APM)	France	23.17*
Symbio	France	23.17*
NHK F. Krishna India Automotive Seating Private Limited	India	8.81*
Basis Mold India Private Limited	India	17.61*
LIGNEOS Srl	Italy	23.17*
Faurecia NHK Co Ltd.	Japan	23.19*
Clarion (Malaysia) Sdn. Bhd.	Malaya	20.85*
Steva Mexico SLP, S.A. de C.V.	Mexico	22.70*
Hitachi Automotive Systems San Juan Del Rio, S.A. de C.V.	Mexico	9.27*
Vanpro Assentos Ltda	Portugal	23.17*
Teknik Malzeme Ticaret ve Sanayi A.S.	Turkey	23.17*

Companies	Country	% share
Peugeot Citroën DS Finance		
Banque PSA Finance	France	100
BPF Algérie	Algeria	100
PCA Compañía de Seguros S.A	Argentina	70
PSA Recupero S.R.L. in liquidazione	Italy	100
PSA Insurance Solutions Ltd.	Malta	100
PSA Services Ltd.	Malta	100
PSA Life Insurance Ltd.	Malta	100
PSA Insurance Ltd.	Malta	100
PSA Insurance Manager Ltd.	Malta	100
Banque PSA Finance Mexico SA de CV SOFOM ENR	Mexico	100
PSA Finance Nederland B.V.	The Netherlands	100
PSA Financial Holding B.V.	The Netherlands	100
Economy Drive Cars Ltd.	United Kingdom	100
Vernon Wholesale Investments Company Ltd	United Kingdom	100
Bank PSA Finance Rus	Russia	100
Peugeot Citroën Leasing Russie	Russia	100
BPF Pazarlama A.H.A.S.	Turkey	100
PSA Bank Deutschland GmbH	Germany	50*
Auto ABS German Lease Master 2019	Germany	50*
PSA Finance Argentina	Argentina	50*
PSA Finance Belux	Belgium	50*
Auto ABS Belgium Loans 2019 SA	Belgium	50*
Banco PSA Finance Brasil SA	Brazil	50*
PSA Corretora de Seguros e Serviços Ltda. (PFBR)	Brazil	50*
Dongfeng Peugeot Citroën Automobiles Finance Company	China	25*
Dongfeng Peugeot Citroën Financial Leasing Co.	China	25*
PSA Financial Services Spain E.F.C S.A.	Spain	50*
FCT Auto ABS Spanish Loans 2016	Spain	50*
FCT Auto ABS Spanish Loans 2018	Spain	50*
CREDIPAR	France	50*
Compagnie pour la Location de Véhicules - CLV	France	50*

Companies	Country	% share
PSA Banque France	France	50*
Auto ABS DFP Master Compartment France 2013	France	50*
FCT Auto ABS French Loans Master	France	50*
FCT Auto ABS French Leases Master	France	50*
FCT Auto ABS LT Leases Master	France	50*
FCT Auto ABS German Loans 2018	France	50*
FCT Auto ABS French Leases 2018 - Fonds E	France	50*
PSA Renting Italia	Italy	50*
Banca Italia S.P.A	Italy	50*
FCT Auto ABS Italian Loans 2018	Italy	50*
Auto ABS Italian Loans 2019	Italy	50*
PSA Insurance Europe Ltd.	Malta	50*
PSA Life Insurance Europe Ltd.	Malta	50*
PSA Financial Services Nederland BV	The Netherlands	50*
PSA Finance Polska	Poland	50*
PSA Consumer Finance Polska Sp. Z o.o.	Poland	50*
PSA Finance UK Ltd.	United Kingdom	50*
Auto ABS UK Loans PLC - Compartiment 2012-5	United Kingdom	50*
FCT Auto ABS UK Loans 2017	United Kingdom	50*
Auto ABS UK Loans 2019 – Fonds 4	United Kingdom	50*
PSA Finance Suisse S.A.	Switzerland	50*
Opel Vauxhall Finance		
Opel Bank S.A	France	50*
Opel Leasing GmbH	Germany	50*
Opel Finance BVBA	Belgium	50*
Ecarat 10 Germany	France	50*
Opel Finance International B.V.	The Netherlands	50*
Opel Finance N.V.	The Netherlands	50*
Vauxhall Finance plc	United Kingdom	50*
Ecarat 10 PLC	United Kingdom	50*
Opel Finance SA	Switzerland	50*

5.7. SUPERVISORY BOARD'S REPORT: COMMENTS BY THE SUPERVISORY BOARD ON THE MANAGING BOARD'S REPORT AND ON THE FINANCIAL STATEMENTS OF THE PERIOD

The Group **sold 3.5 million vehicles** worldwide and maintained its registrations in Europe achieving a market share of 16.8% in a slightly increasing market (+1.3%), whilst respecting strict discipline to meet its CO_2 emissions targets.

Groupe PSA achieved solid results in 2019, boasting an adjusted operating margin of 8.5% for the Group at €6.3 billion, and 8.5% for the Automotive division, up 0.9 percentage points on 2018 at €5 billion. Profit (loss) for the period attributable to owners of the parent hit a new high at €3.2 billion. The *PACE!* plan target (6% adjusted operating margin in 2026) was met with a 6.5% adjusted operating margin for Opel Vauxhall from 2019. The Group's free cash flow stood at €2.7 billion including the acquisition of Clarion, and at €3.2 billion for the Automotive division.

2019 was a **consolidation year for Peugeot**. The brand overhauled its segment B products to help growth in 2020. The new electric range, led by the Peugeot e-208 and e-2008 and the plug-in hybrid versions of the Peugeot 3008 Hybrid and 508 Hybrid (sedan and SW), is now available and boasts CO_2 emissions that are among the lowest on the market. Of the 12 best-selling brands in Europe, **Citroën grew the most** and its market share increased in the main countries led, in particular, by the C5 Aircross SUV. **Sales of the DS range of vehicles were up sharply,** above all in the second half when sales were up 56%, driven by the success of the new range, particularly in France with the DS7 Crossback and the DS3 Crossback, and the development of the exclusive DS network which now has 356 points of sale.

Thanks to the systematic implementation of the "Core Model Strategy", **Opel/Vauxhall has made progress towards achieving its ambitious CO_2 emissions targets**. The Grandland X and Crossland X SUVs posted impressive sales growth (up 29% and 28% respectively), as did the LCV models (up 20%).

To deal with the difficulties the company faces in China, a recovery plan was decided by the two partners Dongfeng and PSA.

Groupe PSA continues to roll out measures on **CSR issues relating to CO_2** emissions from vehicles, energy/industrial carbon footprint and environmental performance of the supply chain, in recognition of the European Commission's decision to cut CO_2 emissions by 37.5% between 2020 and 2030, primarily through specific governance led by a monthly CO_2 Committee.

Groupe PSA has already introduced **10 new plug-in hybrid** or fully electric models, in keeping with its target of making all its vehicles electric starting in 2025 and half of them electric by the end of 2021, with 13 additional models. Since 2019, all new models launched by the Group are available in a plug-in hybrid or fully electric version. Orders of low-emission vehicles are promising and in line with the Group's objective to meet the requirements of the 2020 European standards on CO_2 emissions as soon as they take effect.

Groupe PSA's CSR performance is already well known internationally. The Group has been hailed as an industry leader in the Dow Jones Sustainability Index for the third year running and by the rating agency Vigeo. It is also present in SRI indexes such as STOXX and FTSE4Good, and was featured once again this year on the A-List of the Carbon Disclosure Project, in which it has been involved since 2016. Groupe PSA's CO_2 emission reduction targets have been scientifically certified by SBTi1 as complying with the reductions required to meet the targets set by the Paris Climate Agreement, *i.e.* to limit global warning to 2°C above pre-industrial levels. Last December, Groupe PSA was at the top of WBA2's "Climate and Energy Benchmark", which ranks car manufacturers on their propensity to actively promote low-emission vehicles and to invest in new technologies.

Based on criteria assessing the Group's competitiveness, geographical diversification, profitability and liquidity, Moody's Investors Service raised Peugeot S.A.'s **credit rating** to Baa3/Stable on 28 March 2019, and Fitch and S&P kept their rating at BBB-/Stable.

With regard to changes in the membership of the Supervisory Board, on the recommendation of the shareholder, Dongfeng Motor Group Company Ltd, the Peugeot S.A. Supervisory Board decided to co-opt **You Zheng** as a member of the Supervisory Board to replace An Tiecheng, who stepped down, and appointed You Zheng as a member of the Strategic Committee and the Finance and Audit Committee and as Chair of the Asia Business Development Committee.

2019 was also an historic year for the Supervisory Board and the Managing Board with the construction, negotiation and signing of a **binding agreement between Peugeot S.A. and Fiat Chrysler Automobiles N.V.** with a view to entering into a 50/50 merger.

This new entity will be the fourth largest car manufacturer in the world by volume and the third largest by revenue and will be a key industry player, with the management, the know-how, the resources and the size to enable it to seize all the opportunities offered by the new age of sustainable mobility.

The new entity will record annual sales of 8.7 million vehicles, a consolidated revenue of almost €170 billion, an adjusted operating income of over €11 billion, and an operating margin of 6.6%, based on 2018 aggregated results. This healthy consolidated statement of financial position offers the new entity financial flexibility and plenty of room for manoeuvre, both in terms of implementing strategic plans and long-term investment in new technologies in the fields of electrification, sustainable mobility, autonomous cars and connectivity.

The new entity will have a balanced and profitable global presence with a brand portfolio that is both highly visible, and very complementary, covering all of the key luxury segments, from premium and mid-range passenger vehicles, to SUVs, pick-ups and light commercial vehicles. This global presence will benefit from FCA's strength in North America and Latin America as well as from Groupe PSA's strong position in Europe. The new group's geographical balance will be more even: 46% of its revenue will come from Europe, 43% from North America, based on 2018 aggregated figures.

The new entity will have effective governance, structured to boost performance. The Board of Directors will have eleven members, the majority of whom will be independent. Five will be appointed by FCA and its main shareholder (including John Elkann as Chairman) and five by Groupe PSA and its main shareholders (including the Lead Director and the Vice-Chairman). The strategic shareholders, EXOR N.V., EPF/FFP and Bpifrance, will sit on the Board. Once the operation is complete, the Board will include two employee representatives from FCA and Groupe PSA. Carlos Tavares will take up the post of Chief Executive Officer for an initial five-year term and will also sit on the Board.

The Supervisory Board acknowledged the Report of the Managing Board and the financial statements for the financial year, as approved up by the Managing Board on 25 February last year. The Board had no comment to make on that report or on the financial statements for the year.

The Supervisory Board would like to congratulate Carlos Tavares and all Group employees on the excellent results obtained in 2019 and on the signing of the PSA/FCA merger agreement, and will continue to support the Managing Board during this important "Signing to Closing" phase.

This merger could be a fantastic opportunity to take a stronger position in the automotive industry, whilst we seek to manage the transition to clean, safe and sustainable mobility and to offer our customers the very best products, technologies and services. The Supervisory Board has every confidence in the ability of Carlos Tavares and Mike Manley, and their respective teams, to rebuild businesses and to bring together manufacturers from different cultures.

5.8. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Peugeot S.A.

Year ended December 31, 2019

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

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

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

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

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Peugeot S.A. for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Basis for Opinion

AUDIT FRAMEWORK

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

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

INDEPENDENCE

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2019 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics *(Code de déontologie)* for Statutory Auditors.

Emphasis of Matter

We draw attention to Notes 2.2 and 2.3 to the consolidated financial statements, which describe the impacts of first-time application of IFRS 16 « Leases ». Our opinion is not modified in respect of this matter.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

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

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

RECOVERABLE AMOUNT OF GOODWILL AND BRANDS

Risk identified	Our response
The net carrying amount of goodwill and brands is respectively M€ 4,312m and M€ 2,034 as at 31 December 2019. These assets are allocated to cash generating units (CGUs). As stated in Note 8.3 to the consolidated financial statements, in accordance with IAS 36 - Impairment of Assets, goodwill and brands are not amortized but are subject to impairment tests at each annual close or more frequently when there is an indication of impairment. Impairment is recognized when the recoverable amount of these assets is less than their net carrying amount. The recoverable amount is the higher of value in use and market value. Value in use is determined by reference to discounted future cash flows and requires a high degree of judgment on the part of management, in particular to determine forecasts, discount rates and perpetuity growth rates. Given the significance of these assets in the Group's consolidated financial statements, and the degree of management's judgment inherent in the estimates and assumptions used, we consider the measurement of the recoverable amount of the Group's goodwill and brands as a key audit matter.	We assessed, with our valuation experts, the methods used by management to determine the recoverable amount of goodwill and brands of the Group. For each of the CGUs to which these assets are allocated, we obtained Management's latest Medium-Term Plans and the impairment test results prepared by Management. On the basis of this information, our work consisted in: › reconciling the net carrying amounts of the assets tested with the accounting records; › analyzing the future cash flow projections, in particular the consistency of the margin rates and volumes used for the tests with external sources or Management's latest estimates presented to the Group's governance bodies; › assessing the projections by comparing them with the data used for the previous impairment tests and the Group's historical performance; › analyzing the consistency of the discount rates used, notably by comparing them with the available market data; › verifying, by sampling, the arithmetical accuracy of the valuation model used by Management; › analyzing the sensitivity of the recoverable amount of the CGUs tested to a variation in the main assumptions used (long-term growth rate, operating margin rate used for terminal value, discount rates); › assessing the appropriateness of the information disclosed in the notes to the consolidated financial statements.

CAPITALIZATION AND VALUATION OF DEVELOPMENT COSTS

Risk identified	Our response
Development costs are recognized under intangible assets on the balance sheet according to the conditions described in Note 5.3 to the consolidated financial statements and in accordance with IAS 38 - Intangible Assets. The amount capitalized in 2019 was M€ 2,179. Capitalized development costs are amortized on a straight-line basis for the assets allocated to the Peugeot – Citroën – DS Automotive division and the Opel – Vauxhall Automotive division, based on the mass production agreement and on their useful life capped at seven years for vehicles and ten years for sub-assemblies and modules. For the Automotive Equipment business, development costs incurred for specific orders received from customers are amortized on a straight-line basis in line with the parts delivery cycle, with a minimum accumulated each year corresponding to straight-line amortization over five years. Capitalized development costs are subject to an impairment test when there is an indication of impairment. The Group recognizes impairment when the recoverable amount of the asset is less than its net carrying amount. The recoverable amount is the higher of value in use and market value. Value in use is determined by reference to discounted future cash flows and requires a high degree of judgment on the part of Management, in particular to determine forecasts, discount rates and perpetuity growth rates. We identified the capitalization and valuation of development costs as a key audit matter due to the significance of these intangible assets in the Group's consolidated balance sheet and the judgment exercised by Management upon their initial capitalization and the performance of impairment tests, if any.	Within the framework of our audit of the consolidated financial statements, our work consisted in: › analyzing the Group rules relating to the initial recognition of development costs based on the accounting standards in force, and assessing compliance with these rules; › reconciling the net carrying amounts of the assets dedicated, subject to an impairment test carried out by Management; › testing, by sampling, the compliance of the amounts capitalized at December 31, 2019 with the underlying documented evidence; › holding discussions with Management to identify any indications of impairment; › analyzing the cash flow projections, in particular the consistency of the margin rates and volumes used for the tests with external sources or Management's latest estimates presented to the governance bodies; › assessing projections by comparing them with the data used for the previous impairment tests and the Group's historical performance; › assessing the appropriateness of the information provided in the notes to the consolidated financial statements.

RECOVERABILITY OF THE FRENCH TAX GROUP'S DEFERRED TAX ASSETS

Risk identified	Our response
As stated in Note 14 to the consolidated financial statements, the Group's deferred tax assets on loss carryforwards amount to M€ 999 as at 31 December 2019, including M€ 821 of deferred tax assets on losses within the French tax group of Peugeot S.A. The tax assets on loss carryforwards of the tax group in France that may be offset against net deferred tax liabilities (up to a maximum of 50%) are recognized on the balance sheet. In addition, deferred tax assets are recognized if they have a reasonable chance of being realized given the taxable income projections. Deferred taxes are tested for impairment on the basis of tax projections that are consistent with the assumptions of the Group's Medium-Term Plan and established over the period during which the Group estimates their recoverability to be probable. Given the significant amount of these assets and the degree of Management's judgment inherent in the estimates and assumptions used, we considered the recoverability of the deferred tax assets recognized in respect of the tax loss carryforwards of the tax group in France as a key audit matter.	Within the framework of our audit of the consolidated financial statements, our work consisted in: › for deferred tax assets on loss carryforwards whose recoverability is justified by the existence of deferred tax liabilities, assessing whether the principle of recognition of deferred tax assets for 50% of net deferred tax liabilities has been correctly applied; › for deferred tax assets on loss carryforwards whose recoverability is justified by taxable income projections, assessing the consistency of the tax projections with the assumptions of the Group's Medium-Term Plan approved by the governance bodies; › assessing the appropriateness of the disclosures in Note 14 to the consolidated financial statements.

VALUATION OF EQUITY-ACCOUNTED INVESTMENTS RELATING TO THE AUTOMOTIVE ACTIVITIES

Risk identified	Our response
As stated in Note 11.2 to the consolidated financial statements, as at 31 December 2019, the equity-accounted investments relating to the Group's automotive activities are recognized on the balance sheet for the amount of M€ 195. These investments mainly include the Group's share in joint ventures with the Dong Feng Motor Company Group for the activities located in China. The results of the equity-accounted companies include the depreciation of assets resulting from impairment tests performed according to the same principles as those applied to test the fixed assets of the PSA Group's automotive activities. When there is an indication of impairment, the assets dedicated to specific vehicle models are tested, and the total assets (including those not allocated to a specific vehicle model) are also tested at the level of each joint venture, as stated in Note 8.3.B to the consolidated financial statements. Furthermore, the PSA Group performs an additional impairment test at its level when there is an indication of impairment. Given the significance of these equity-accounted investments in the Group's accounts, the volatility of the Chinese market, and the degree of judgement that Management is required to exercise concerning the assumptions underlying the valuation of the assets of these companies, we considered the valuation of the equity-accounted investments relating to the automotive activities as a key audit matter.	Within the framework of our audit of the consolidated financial statements, our work consisted in: › analyzing the existence of impairment indicators within these equity-accounted companies, such as a significant decrease in volumes and a deterioration in profitability; › assessing the consistency and relevance of the main assumptions used for the impairment tests performed on the assets of the joint ventures with the Dong Feng Motor Company Group, notably by reference to the Medium-Term Plan approved by the governance bodies of these joint ventures; › assessing the appropriateness of the information disclosed in Note 10 to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of Group's information given in the Managing Board's management report.

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

We attest that the consolidated non-financial statement required by article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Group's information given in the management report, it being specified that, in accordance with article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE STATUTORY AUDITORS

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

As at December 31, 2019, MAZARS and ERNST & YOUNG et Autres were in the fifteenth year and in the ninth year of total uninterrupted engagement, respectively.

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

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

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

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

The consolidated financial statements were approved by the Managing Board.

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

OBJECTIVES AND AUDIT APPROACH

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

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

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

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

REPORT TO THE FINANCE AND AUDIT COMMITTEE

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

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

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

Courbevoie and Paris-La Défense, March 12, 2019

The Statutory Auditors

French original signed by

MAZARS	ERNST & YOUNG et Autres
Thierry Blanchetier	Laurent Miannay
Charles Desvernois	Ioulia Vermelle

PEUGEOT S.A. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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6.1. INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(in million euros)	Notes	2019	2018
Operating income		253.2	212.5
Operating expenses		(254.4)	(232.2)
Net operating income (expense)	*16*	**(1.2)**	**(19.7)**
Investment income		**1,612.2**	**475.8**
Other financial income		3.2	2.5
Financial provision reversals and expense transfers		319.2	19.8
Financial income		**1,934.6**	**498.1**
Charges to financial provisions		(53.2)	(38.5)
Other financial expenses		(55.0)	(81.8)
Financial expenses		**(108.2)**	**(120.3)**
Net financial income (expense)	*17*	**1,826.4**	**377.8**
Adjusted income before tax		**1,825.2**	**358.1**
On management transactions		-	-
On capital transactions		1.4	-
Non-recurring provision reversals and expense transfers		23.0	9.7
Non-recurring income		**24.4**	**9.7**
On management transactions		(36.1)	(31.4)
On capital transactions		(320.8)	-
Non-recurring charges to provisions		(26.8)	(15.1)
Non-recurring expenses		**(383.7)**	**(46.5)**
Net non-recurring income (expense)	*18*	**(359.3)**	**(36.8)**
Non-discretionary profit-sharing		**-**	**-**
Income tax benefit	*19*	122.4	157.0
NET PROFIT FOR THE YEAR		**1,588.3**	**478.3**

6.2. BALANCE SHEET AT 31 DECEMBER 2019

ASSETS

		31/12/2019			31/12/2018
(in million euros)	**Notes**	**Total**	**Depreciation, amortization and impairment**	**Net**	**Net**
Intangible assets		**0.1**	**-**	**0.1**	**0.1**
Property plant and equipment		**-**	**-**	**-**	**-**
Investments	*3*	**-**	**-**	**-**	**-**
Shares in subsidiaries and affiliates	*4*	19,149.9	(409.4)	18,740.5	18,618.8
Advances to subsidiaries and affiliates		-	-	-	-
Other investments	*5*	130.9	(37.3)	93.6	103.7
Long-term loans and receivables		3.7	(1.4)	2.3	2.2
		19,284.5	**(448.1)**	**18,836.4**	**18,724.7**
Total non-current assets		**19,284.6**	**(448.1)**	**18,836.5**	**18,724.8**
Current assets					
Trade receivables		150.8	(2.0)	148.8	141.7
Other receivables and prepayments to suppliers	*6*	971.7	-	971.7	735.5
Marketable securities	*7*	202.7	(9.8)	192.9	200.4
Cash equivalents	*8*	4,684.0	-	4,684.0	3,117.8
Cash		-	-	-	0.1
Total current assets		**6,009.2**	**(11.8)**	**5,997.4**	**4,195.5**
Prepaid expenses		2.1	-	2.1	-
Bond redemption premiums		7.9	-	7.9	1.9
TOTAL ASSETS		**25,303.8**	**(459.9)**	**24,843.9**	**22,922.2**

LIABILITIES AND SHAREHOLDERS' EQUITY

(in million euros)	Notes	31/12/2019	31/12/2018
Shareholders' equity			
Share capital	*10*	904.8	904.8
Additional paid-in capital		4,676.2	4,676.2
Revaluation reserve		454.5	454.5
Other reserves			
Reserves and retained earnings		13,024.2	13,243.1
Net profit for the year		1,588.3	478.3
Untaxed provisions		27.1	16.8
Total equity	*11*	**20,675.1**	**19,773.7**
Provisions for contingencies and charges	*9*	161.4	117.1
Long- and short-term debt			
Bonds	*12*	3,006.4	2,336.7
Other long and short-term debt	*12*	54.4	21.5
		3,060.8	**2,358.2**
Operating liabilities			
Trade payables		28.4	25.1
Accrued taxes and payroll costs		591.5	330.7
		619.9	**355.8**
Due to suppliers of fixed assets	*13*	**58.4**	**59.7**
Other liabilities		**268.1**	**257.4**
Total liabilities		**4,007.2**	**3,031.1**
Deferred income		0.2	0.3
TOTAL LIABILITIES & EQUITY		**24,843.9**	**22,922.2**

6.3. CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(in million euros)	Notes	31/12/2019	31/12/2018
Net profit for the year		**1,588.3**	**478.3**
Net change in provisions		(206.3)	(0.2)
Net gains (losses) on disposals of fixed assets		301.7	-
Other net financial and net non-recurring income and expenses		-	-
Funds from operations		**1,683.7**	**478.1**
Change in working capital requirement		28.1	(291.0)
Net cash from operating activities		**1,711.8**	**187.1**
(Acquisitions) disposals of intangible assets and property and equipment		-	-
Proceeds from disposals of shares in subsidiaries and affiliates		-	-
Purchases of shares in subsidiaries and affiliates		(166.9)	(329.2)
Net cash used in investing activities		**(166.9)**	**(329.2)**
Dividends paid		(697.2)	(473.6)
Capital increase		-	-
(Purchases) sales of Peugeot S.A. shares		19.2	28.5
Increase (decrease) in other long-term debt		717.0	110.2
(Increase) decrease in long-term loans and receivables		-	-
Change in other financial assets and liabilities		(17.8)	(4.3)
Net cash from/(used in) financing activities		**21.2**	**(339.2)**
Net decrease in cash and cash equivalents		**1,566.1**	**(481.3)**
Cash and cash equivalents at beginning of period		3,117.9	3,599.2
Cash and cash equivalents at end of period		**4,684.0**	**3,117.9**
Breakdown of cash and cash equivalents at end of period			
Cash equivalents	*8*	4,684.0	3,117.8
Cash		-	0.1
Bank overdrafts		-	-
TOTAL		**4,684.0**	**3,117.9**

6.4. NOTES TO PEUGEOT S.A. FINANCIAL STATEMENTS

For the year ended 31 December 2019

CONTENTS

Appendix

The following disclosures constitute the notes to the balance sheet at 31 December 2019, before appropriation of net profit for the year, which shows total assets of €24,843.9 million and to the income statement for the year then ended, which shows net profit of €1,588.3 million.

The financial statements cover the twelve-month period from 1 January to 31 December 2019.

Notes are an integral part of the financial statements. All amounts are in millions of euros unless otherwise specified.

The financial statements for 2019 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on 25 February 2020.

These financial statements are included in the consolidated financial statements of PSA Group.

NOTE 1 ACCOUNTING POLICIES AND METHODS

General accounting principles intended to provide a true and fair view of the business have been applied, including the principle of prudence and the following basic assumptions:

- the going concern;
- the continuity of accounting methods from one year to the next;
- segregation of accounting periods;
- in accordance with the general rules for the preparation and presentation of annual financial statements (Regulation ANC 2014-03 of 5 June 2014, validated by a Decree of 8 September 2014).

Items recorded in the accounts are stated in accordance with the historical cost convention.

With reference to the ANC (French accounting standards body) Regulation 2018-01 of 20 April 2018, no changes have been made to the accounting method.

The main accounting policies applied are as follows:

A. SHARES IN SUBSIDIARIES AND AFFILIATES

Since 2007, the cost of shares in subsidiaries and affiliates includes transaction costs.

In prior years, these investments were stated at purchase cost excluding transaction costs, except for investments acquired before 31 December 1976 that were included in the legal revaluation.

The asset values of investments in subsidiaries are estimated at the value in use, based on one of the following methods:

- market value of the securities;
- share of underlying net assets restated in accordance with the Group's accounting principles;
- the economic value of the consolidated equity of the business that they represent. This is determined by the future cash flow generated in the medium term updated every year. The automotive market forecasts used in this plan are the Group's most recent estimates, which are based on external data.

In the case of a prolonged decline in the value in use of an investment to below cost, a provision is recorded for the difference.

If an investment has a negative value in use and circumstances warrant it, a provision for contingencies is booked.

If sold, shares are valued using weighted average cost (WAC).

B. OTHER INVESTMENTS

Units in FCPR investment funds

Units in FCPR investment funds are recorded in "Other investments" in full for the amount booked under "Due to suppliers of fixed assets". The liability is gradually cancelled as payments are made. If the units' net asset value is below cost, a provision is recorded.

C. LOANS AND RECEIVABLES

Loans and receivables are stated at their nominal amount. A provision is booked to cover any probable losses.

D. MARKETABLE SECURITIES

Treasury shares

Shares allocated to performance share grants and likely to be delivered at the end of the vesting period are recorded at a new gross value equal to the carrying amount at the day on which their allocation was decided. (Note 7)

Shares allocated to performance share grants and not likely to be delivered, and those allocated to future grants, are recorded at their purchase cost. A provision for impairment is recorded when the market value is less than the carrying amount.

Other marketable securities

Other marketable securities consist of money market securities purchased under resale agreements. Interest income on these securities is recognised in "Financial income". No impairment provisions are recorded for these securities if there is no tangible probability of default by the issuer or of loss expected at the time of purchase by a third party (firm commitment to buy at an agreed upon date).

E. UNTAXED PROVISIONS

Untaxed provisions primarily concern reinvested capital gains on sales of shares in subsidiaries and affiliates qualifying for rollover relief under the former Article 40 of the French Tax Code and the tax spreading out of the acquisition costs on equity investments.

F. BORROWINGS

Borrowings are stated at their nominal amount. Debt issuance costs are not capitalised but are expensed in full in the period when they are incurred.

When the face value of non-convertible bonds is higher than the amount received by Peugeot S.A., the discount is amortised over the life of the bond.

G. FINANCIAL INSTRUMENTS

The purpose of implementing derivative financial instruments is to limit exposure to the fluctuations in interest rates for variable-rate borrowings.

These interest rate swaps abide by the principles of cash flow hedge accounting, pursuant to ANC (French accounting standards body) Regulation 2015-05:

- information on financial instruments is recognised under off-balance sheet commitments, (Note 21 Financial commitments);
- the hedging effect in net financial income is recognised at the same rate as the hedged interest.

H. RETIREMENT COMMITMENTS

Company employees are entitled to length-of-service awards payable on retirement and supplementary pension benefits under defined contribution or defined benefit plans.

The Company has not elected to recognise its retirement obligations in the balance sheet. Further information on these is provided in Note 22.

I. INCOME TAXES

Peugeot S.A. and its over 95%-owned subsidiaries in France elected to file a consolidated tax return, in accordance with Article 223A of the French General Tax Code.

The effects of Group relief recorded in the Company's income statement comprise:

- the total income corresponding to the sum of the tax due by profitable subsidiaries;
- the net tax expense or tax benefit resulting from setting off the taxable profits and losses of the companies in the tax group;
- the income corresponding to any repayments from profitable subsidiaries to which tax savings were transferred in prior periods;
- any adjustments of income tax expense for prior periods;
- charges to provisions for contingencies set up to cover the estimated net income tax expense that may be due following periodic tax audits of subsidiaries in the tax group.

J. CHANGES IN MEASUREMENT METHOD

There were no changes in measurement method during the year.

NOTE 2 SIGNIFICANT EVENTS

DISTRIBUTION OF DIVIDENDS

On 6 May 2019, Peugeot S.A. paid dividends to its shareholders of €697.2 million, equivalent to €0.78 per share.

BONDS ISSUE

In April 2019, a Schuldschein bond was issued for a total amount of EUR 522.0 million broken down into several tranches.

Issue of a new €600 million bond in September 2019 (Note 12).

FREE SHARE ALLOCATION PLAN

Two free share allocation plans have matured. At the end of the second vesting period of the 2015 plan, which concluded on 31 March 2019, 325,792 shares were distributed to foreign residents.

For the 2016 plan, whose three-year vesting period ended on 3 June 2019, 980,880 shares were distributed to beneficiaries.

On 20 May 2019, a new free share plan was instituted.

COMMITMENT TO BUY BACK SHARES FROM DONGFENG MOTOR GROUP COMPANY LIMITED

As part of the combination of Peugeot S.A.'s and Fiat Chrysler Automobiles N.V.'s business activities, a share buyback programme was signed between Peugeot S.A. and Dongfeng Motor Group on 17 December 2019.

This agreement states that DFG, which holds a 12.23% stake in the share capital of Peugeot S.A., is obligated to dispose of 30,700,000 shares out of the 110,622,220 shares held before 31 December 2020, and Peugeot S.A. has agreed to buy them back (Note 21).

GROUPE PSA AND FCA AGREEMENT

On 18 December 2019, Fiat Chrysler Automobiles N.V. and Peugeot S.A. signed a binding agreement for a 50/50 merger of their business activities.

The merger is subject to the usual conditions, notably voting by the shareholders of the two groups at their respective Extraordinary General Meetings and compliance with the regulatory requirements (anti-trust and other laws). It should be competed within 12 to 18 months.

NOTE 3 FINANCIAL ASSET

(in million euros)	Invested entities (Note 4)	Loans & advances to invested entities	Other long-term investments (Note 5)	Long-term loans & receivables
Cost at 1 January 2019	19,284.6	-	134.3	3.5
› Additions	166.9	-	-	0.3
› Disposals	(301.6)	-	(3.4)	(0.1)
Cost at 31 December 2019	**19,149.9**	**-**	**130.9**	**3.7**
Impairment at 1 January 2019	(665.8)	-	(30.6)	(1.3)
› Charges	(45.3)	-	(6.7)	(0.2)
› Reversals	301.7	-	-	0.1
› Other changes	-	-	-	-
Provisions for impairment at 31 December 2019	**(409.4)**	**-**	**(37.3)**	**(1.4)**
NET COST AT 31 DECEMBER 2019	**18,740.5**	**-**	**93.6**	**2.3**

NOTE 4 SHARES IN SUBSIDIARIES AND AFFILIATES

INVESTED ENTITIES

	Cost			Impairment			Net cost
(in million euros)	At 1 January	Change	At 31 December	At 1 January	Change	At 31 December	At 31 December
PSA Automobiles SA	12,559.3	-	12,559.3	-	-	-	12,559.3
Automobiles Citroën	625.7	-	625.7	-	-	-	625.7
Automobiles Peugeot	480.5	-	480.5	-	-	-	480.5
Conception d'Équipement Peugeot Citroën	170.3	-	170.3	-	-	-	170.3
Total of Automotive division subsidiaries Peugeot Citroën DS	**13,835.8**	**-**	**13,835.8**	**-**	**-**	**-**	**13,835.8**
Opel Automobile GmbH	2,366.1	68.1	2,434.2	-	-	-	2,434.2
Opel Wien	3.4	-	3.4	-	-	-	3.4
Total of Automotive subsidiaries division Opel	**2,369.5**	**68.1**	**2,437.6**	**-**	**-**	**-**	**2,437.6**
Faurecia	1,609.4	-	1,609.4	-	-	-	1,609.4
Grande Armée Participations	408.9	-	408.9	(342.5)	0.1	(342.4)	66.5
Peugeot Motocycles (Peugeot Scooters)	301.6	(301.6)	-	(301.6)	301.6	-	-
PSA Ventures	150.0	50.0	200.0	(21.5)	(45.3)	(66.8)	133.2
Banque PSA Finance	582.4	-	582.4	-	-	-	582.4
Other Subsidiaries	27.0	48.8	75.8	(0.2)	-	(0.2)	75.6
TOTAL	**19,284.6**	**(134.7)**	**19,149.9**	**(665.8)**	**256.4**	**(409.4)**	**18,740.5**

A. GROSS VALUES

Within the framework of the provisions of the Master Agreement, Peugeot S.A. made further payments during the course of the financial year to General Motors worth a total of €68.1 million recorded as a purchase price adjustment of Opel Automobile GmbH.

On 14 February 2019, Peugeot S.A. subscribed € 50.0 million to a new increase in the share capital of PSA Ventures.

On 5 November 2019, Peugeot S.A. sold all of its PMTC shares to the Mahindra & Mahindra group, *i.e.* 300,415 shares.

On 19 December 2019, Peugeot S.A. acquired the insurance company Kommun Garanti Reinsurance SA for SEK 509.7 million (€48.8 million).

B. CARRYING VALUES

1) Peugeot Citroën DS Automotive division

Peugeot S.A. owns automotive subsidiaries through four central companies, namely PSA Automobiles SA, Automobiles Peugeot, Automobiles Citroën, Conception d'Équipements Peugeot Citroën, which are inseparable. The shares taken altogether had a gross value of €13,835.8 million at 31 December 2019.

At year-end 2019, the net carrying amount of these investments, of €13,835.8 million, was compared to the present value of the discounted future cash flows. These tests include the business of the Peugeot Citroën DS Automotive division excluding China and the Chinese operations. The net carrying amount remained below of the present value, no impairment was recognised.

2) Opel Automotive division

Peugeot S.A. owns automotive subsidiaries through two central companies, namely OPEL Automobile Gmbh and Opel Wien.

At year-end 2019, the net carrying amount of these investments, of €2,437.6 million, was compared the present value of the discounted future cash flows. The net carrying amount remained below of the present value, no impairment was recognised.

3) Faurecia

At 31 December 2019 the cost value of Peugeot S.A.'s investment in Faurecia was €1,609.4 million. The investment by Peugeot S.A. (63,960,006 shares and 127,920,012 voting rights) represented at 31 December 2019, 46.34% of the capital and 62.99% of the voting rights.

The stock market value of the Faurecia shares held by Peugeot S.A. at 31 December 2019 was €3,072.0 million. This represented the share price paid in transactions between minority shareholders not leading to control.

No impairment was recognised at that date as this value far exceeded their carrying amount.

4) Other Subsidiaries

At 31 December 2019, the other subsidiaries were individually valued on the basis of their restated equity. The provisions for impairment were adjusted accordingly.

NOTE 5 OTHER LONG-TERM INVESTMENTS

UNITS IN FCPR INVESTMENT FUNDS

Peugeot S.A. holds units in France's Fonds Avenir Automobiles (FAA), a private equity fund set up by the French government as part of the Automobile Pact signed on 9 February 2009. These units are measured at value in use, which corresponds to their market value at the balance sheet date. This reflects the value in use of the investments made by the fund. On the assumption that they are not publicly traded, their value is estimated at their cost during the first twelve months following acquisition, adjusted if necessary for any unfavourable subsequent event. After the first twelve months, value in use is estimated using earnings multiples.

At 31 December 2019 the monies already called and paid into the Fund were valued at €39.7 million. The total provision for FAA shares amounted to €37.3 million. A provision for impairment of €6.7 million was thus recognised over the period.

FAA units not yet called at 31 December 2019 amounted to €53.9 million. The liability is carried in the balance sheet under "Due to suppliers of fixed assets" (Note 1.B).

These units are governed by the tax rules relating to FCPR investment funds, with the result that long-term capital gains on the units will be taxed at a reduced rate.

NOTE 6 OTHER RECEIVABLES AND PREPAYMENTS TO SUPPLIERS

(in million euros)	**31/12/2019**	**31/12/2018**
Recoverable taxes(1)	375.6	335.9
Shareholder advances(2)	595.5	399.6
Other	0.6	-
TOTAL	**971.7**	**735.5**

(1) Of which receivables from the State as research Tax Credits in the amount of €261.5 million in 2019, versus €304.8 million in 2018, and income tax prepayments in the amount of €107.0 million in 2019 versus €1.6 million in 2018.
(2) Of which receivables related to the VAT consolidation of December 2019 for December VAT €224.8 million in 2019 versus €132.5 million in 2018.

NOTE 7 MARKETABLE SECURITIES

Changes treasury shares classified as "marketable securities":

	Allocations to performance share grants		Allocations for future LTI plans		Total	
(in million euros)	**Number**	**Value**	**Number**	**Value**	**Number**	**Value**
Total at 1 January 2019	**7,982,000**	**147.3**	**3,333,735**	**67.3**	**11,315,735**	**214.6**
› Share acquisitions	-	-	-	-	-	-
› Disposal of shares	(65,328.0)	(0.9)	-	-	(65,328)	(0.9)
› Share awarded	(1,306,672.0)	(18.7)	-	-	(1,306,672)	(18.7)
› Shares reclassified: change of category(1)(2)	2,462,000.0	51.5	(2,462,000)	(43.8)	-	7.7
COST AT 31 DECEMBER 2019	**9,072,000**	**179.2**	**871,735**	**23.5**	**9,943,735**	**202.7**
Impairment at 1 January 2019						**(14.2)**
› Charges						(0.4)
› Reversals						12.1
› Shares reclassified: change of category(2)						(7.3)
Provisions for impairment	**-**	**(4.6)**	**-**	**(5.2)**	**-**	**(9.8)**
NET COST AT 31 DECEMBER 2019	**9,072,000**	**174.6**	**871,735**	**18.3**	**9,943,735**	**192.9**

(1) Recategorisations made by the Managing Board.
(2) The transfer of treasury shares to the performance share plans was made at their net carrying amount for the portion of the shares whose award was considered likely.

PERFORMANCE SHARE PLAN

During 2019, a new free share plan was instituted. The plans instituted factor in performance criteria which determine the number of free shares awarded to the grantees.

As a reminder:

1) Performance share plan 2015

At midnight on 31 March 2019, in accordance with the terms of the plan, 325,792 free shares were issued to the Non-French tax residents and 32,208 shares were sold to cover the associated withholding taxes.

The 2015 plan is now fully implemented.

2) Performance share plan 2016

The first maturity date of this plan expired on 3 June 2019, 980,880 free shares were delivered to beneficiaries under the terms of the plan and 33,120 shares were sold to cover the associated withholding taxes.

The last tranche of this plan with an initial number of shares of 1,100,000 will expire on 3 June 2020. In accordance with the Managing Board meeting of 23 July 2019, 1,014,000 treasury shares have been allocated to this plan.

3) Performance share plan 2017

The free share plan subject to performance conditions in 2017 represents 2,693,000 shares originally. In accordance with the Managing Board meeting of 23 July 2019, 2,452,000 treasury shares were allocated to this plan.

4) Performance share plan 2018

The free share plan subject to performance conditions in 2018 represents 2,700,000 shares originally. In accordance with the Managing Board meeting of 23 July 2019, 2,524,500 treasury shares were allocated to this plan.

5) Performance share plan 2019

On 25 February 2019, the Managing Board of Peugeot S.A. approved a new long-term discretionary profit-sharing plan in the form of free shares awarded, subject to performance conditions.

The Managing Boards of 20 May and 23 July 2019 decided to increase this plan to a total of 3,081,500 existing shares held in treasury by the Company.

Definitive acquisition is subject to the achievement of performance targets linked to the average adjusted operating income of the Automotive division, to quality through the automotive world quality failure rate and to environmental compliance through the level of CO2 emissions.

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

For all guarantees, the performance shares will be acquired in two tranches, following two vesting periods:

- an initial vesting period of three years, expiring on 23 May 2022 for 50% of the shares; and
- a second period of four years, expiring on 23 May 2023 for the remaining 50%.

For both of the aforementioned tranches, vesting will be subject to a condition of presence within Groupe PSA at the end of the vesting period in question.

No subsequent lock-in period shall be required of the beneficiaries.

These grants led to the recognition of a provision for expenses related to the probable share grants. The probability of allocation is assessed on a grant-by-grant basis, in accordance with the terms and conditions of each grant.

NOTE 8 CASH AND CASH EQUIVALENTS

Cash equivalents correspond to cash advances made to GIE PSA Trésorerie, manager of the cash pool for the Group's manufacturing and sales companies. The funds are immediately available to meet the Company's day-to-day cash needs and bear interest at a rate based on the average monthly EONIA.

The cash advances are used by GIE PSA Trésorerie to meet the short-term financing needs of Group subsidiaries. External investments consist of units in money market funds with a capital guarantee and a guaranteed yield, retail certificates of deposit and money market notes at overnight rates.

At 31 December 2019, advances to GIE PSA Trésorerie totalled €4,684.0 million.

NOTE 9 PROVISIONS RECOGNISED

Type of provisions *(in million euros)*	**Notes**	**At 1 January**	**Charges for the year**	**Used in the year**	**Reversals for the year**	**Other movements**	**At 31 December**
Untaxed provisions							
Untaxed provisions		16.8	10.3	-	-	-	27.1
		16.8	**10.3**	**-**	**-**	**-**	**27.1**
Provisions for contingencies and charges							
Provisions for tax risks		10.6	-	-	-	-	10.6
Provisions for employees[(1)]		106.5	60.1	(30.1)	-	-	136.5
Other provisions		-	14.3	-	-	-	14.3
		117.1	**74.4**	**(30.1)**	**-**	**-**	**161.4**
Provisions for impairment of investments							
Shares in subsidiaries and affiliates	*4,B*	665.8	45.3	-	(301.7)	-	409.4
Advances to subsidiaries and affiliates		-	-	-	-	-	-
Other investments	*5*	30.6	6.7	-	-	-	37.3
Loans		1.3	0.2	-	(0.1)	-	1.4
		697.7	**52.2**	**-**	**(301.8)**	**-**	**448.1**
Provisions for impairment of current assets							
Marketable securities	*7*	14.2	0.4	-	(12.1)	7.3	9.8
Non-performing loans		2.0	-	-	-	-	2.0
		16.2	**0.4**	**-**	**(12.1)**	**7.3**	**11.8**
TOTAL		**847.8**	**137.3**	**(30.1)**	**(313.9)**	**7.3**	**648.4**
Movements classified under:							
› operations			57.9	(20.2)	-	-	
› financing			52.7	(5.2)	(313.9)	7.3	
› non-recurring			26.7	(4.7)	-	-	
› income tax	*19*		-	-	-	-	

(1) At 31 December 2019, provisions relating to the free share allocation plans amounted to €133.7 million.

NOTE 10 SHARE CAPITAL

(number of shares)	31/12/2019	31/12/2018
At 1 January	**904,828,213**	**904,828,213**
Shares issued during the year	-	-
AT 31 DECEMBER	**904,828,213**	**904,828,213**

SITUATION AT 31 DECEMBER 2019

Share capital amounted to €904,828,213 at 31 December 2019, divided into shares with a par value of €1 each. It is fully paid-up. Shares may be held in registered or bearer form, at the shareholder's discretion.

At 31 December 2019, the interest of each of the three main shareholders, namely Bpifrance (through its family Holding Company Lion Participations), Dongfeng Motor Group and the Peugeot family group (FFP, Établissements Peugeot Frères and Maillot 1), amounted to 12.23% each.

Pursuant to Article 11 of the Company by-laws currently in force, all the shares registered in the name of a given shareholder for two years or more qualify for a double voting right.

At 31 December 2019, a total of 353,282,107 shares carried double voting rights.

Dongfeng Motor Group and the companies in the Peugeot family group (EPF,FFP and Maillot 1) hold 221,244,440 voting rights each.

The share price on 31 December 2019 was €21.30.

NOTE 11 CHANGES IN EQUITY

(in million euros)	31/12/2018	Capital increase	Distribution of dividends	Other movements for the year	31/12/2019
Share capital	**904.8**	**-**	**-**	**-**	**904.8**
Additional paid-in capital	**4,676.2**	**-**	**-**	**-**	**4,676.2**
Revaluation reserve[(1)]					
Equity investments	454.5	-	-	-	454.5
RESERVES AND RETAINED EARNINGS					
Legal reserve	90.5	-	-	-	90.5
Long-term capital gains reserve	1,068.5	-	-	-	1,068.5
Other reserves	4,751.4	-	-	-	4,751.4
Retained earnings	7,332.7	-	(218.9)	-	7,113.8
	13,243.1	**-**	**(218.9)**	**-**	**13,024.2**
Net profit for the year	**478.3**	**-**	**(478.3)**	**1,588.3**	**1,588.3**
Untaxed provisions	**16.8**	**-**	**-**	**10.3**	**27.1**
TOTAL	**19,773.7**	**-**	**(697.2)**	**1,598.6**	**20,675.1**

(1) 1976 legal revaluation.

NOTE 12 LONG-AND SHORT-TERM DEBT

(in million euros)	31/12/2019	31/12/2018
Other bond debt	3,006.4	2,336.7
Other long-and short-term debt	54.4	21.5
TOTAL	**3,060.8**	**2,358.2**

PEUGEOT S.A. BOND ISSUES

The bond issues outstanding at 31 December 2019 stood at €2,972.0 million (as against €2,280.4 million at 31 December 2018).

The following were the main developments in 2019:

- on 18 January 2019, the bond loan issued on 18 September 2013, for €600.0 million at a 6.5% fixed-rate coupon, matured and was redeemed in full for €430.4 million;
- the issue on 11 April 2019 of a Schuldschein bond for a total of €522.0 million:
  - €100.0 million with a 1.050% fixed-rate coupon maturing in 4.5 years,
  - €35.0 million with a 1.596% fixed-rate coupon maturing in 7 years,
  - €25.0 million with a 1.614% fixed-rate coupon maturing in 7 years,
  - €50.0 million with a 1.812% fixed-rate coupon maturing in 8 years,
  - €100.0 million with a variable-rate coupon maturing in 4.5 years,
  - €212.0 million with a variable-rate coupon maturing in 7 years;
- a bond issue on 18 September 2019 maturing in ten years, for a nominal amount of €600.0 million with a 1.125% fixed-rate coupon.

At the same date accrued interest recognised on these bonds amounted to €34.4 million versus €56.3 million in 2018.

BREAKDOWN OF BONDS BY MATURITY

(in million euros)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total at 31/12/2019
Other bonds	-	-	-	700.0	700.0	650.0	272.0	50.0	-	600.0	2,972.0
Convertible bonds	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**700.0**	**700.0**	**650.0**	**272.0**	**50.0**	**-**	**600.0**	**2,972.0**

NOTE 13 MATURITIES OF RECEIVABLES AND PAYABLES

Receivables *(in million euros)*	Total	Due within one year	Due beyond one year
Advances to subsidiaries and affiliates	-	-	-
Loans	3.7	0.2	3.5
Non-current assets	**3.7**	**0.2**	**3.5**
Trade receivables	150.8	148.8	2.0
Other receivables and prepayments to suppliers			
Tax prepayments and tax credits	*370.9*	*370.9*	-
Subsidiaries	*595.5*	*595.5*	-
Other	*5.3*	*5.3*	-
Total	***971.7***	***971.7***	**-**
Marketable securities	202.7	40.7	162.0
Cash equivalents	4,684.0	4,684.0	-
Current assets	**6,009.2**	**5,845.2**	**164.0**
Prepaid expenses	2.1	0.4	1.7
TOTAL	**6,015.0**	**5,845.8**	**169.2**

Payables *(in million euros)*	Total	Due within one year	Due beyond one year
Long-and short-term debt	**3,060.8**	**37.0**	**3,023.8**
Trade payables	**619.9**	**619.9**	**-**
Due to suppliers of fixed assets	**58.4**	**-**	**58.4**
Shareholder advances	267.2	267.2	-
Other	0.9	0.9	-
Other liabilities	**268.1**	**268.1**	**-**
TOTAL LIABILITIES	**4,007.2**	**925.0**	**3,082.2**
Deferred income	**0.2**	**-**	**0.2**

On 31 December 2019, the liabilities due beyond five years amounted to €1,572 million and related to the bonds.

NOTE 14 ACCRUED INCOME AND EXPENSES

Accrued income and expenses included in other balance sheet items are as follows:

(in million euros)	31/12/2019	31/12/2018
Accrued income		
Advances to subsidiaries and affiliates	-	-
Trade receivables	147.5	139.2
Other receivables and prepayments to suppliers	0.5	8.5
Marketable securities	-	-
Cash equivalents	-	-
TOTAL	**148.0**	**147.7**

(in million euros)	31/12/2019	31/12/2018
Accrued expenses		
Long- and short-term debt	87.9	77.9
Trade payables	27.8	24.3
Accrued taxes and payroll costs	69.6	61.8
Other liabilities	0.9	1.5
Cash equivalents	-	-
TOTAL	**186.2**	**165.5**

NOTE 15 REVENUE

Revenue breaks down as follows

A. BY BUSINESS SEGMENT

(in million euros)	31/12/2019	31/12/2018
Service revenues[(1)]	227.1	180.7
Rental income	3.7	0.0
TOTAL	**230.8**	**180.7**

(1) Services consist primarily of participation in study costs, Group management and operational expenses billed by the parent company to its subsidiaries in the amount of €173.0 million, and of the cost of the free-share allocations reinvoiced to PSA Automobiles SA for €47.4 million.

B. BY GEOGRAPHICAL SEGMENT

Substantially all of the Company's revenue is generated in France.

NOTE 16 BREAKDOWN OF OPERATING INCOME AND EXPENSE

(in million euros)	Notes	31/12/2019	31/12/2018
Revenue	*15*	230.8	180.7
Other income		0.2	9.1
Expense transfers		2.0	13.0
Reversals of provisions for contingencies and charges		20.2	9.7
Operating income		**253.2**	**212.5**
Other purchases and external charges[(1)]		(42.2)	(41.8)
Taxes other than on income		(10.2)	(8.1)
Wages and salaries		(80.7)	(83.4)
Payroll taxes		(30.7)	(34.8)
Other employees expenses		(31.0)	(21.6)
Other expenses		(1.7)	(2.2)
Additions to provisions for contingencies and charges		(57.9)	(40.3)
Operating expenses		**(254.4)**	**(232.2)**
NET OPERATING INCOME		**(1.2)**	**(19.7)**

(1) This heading primarily includes the following items:
- the commissions on borrowings were €6.4 million.

NOTE 17 BREAKDOWN OF FINANCIAL INCOME AND EXPENSE

(in million euros)	Notes	31/12/2019	31/12/2018
Investment income		1,612.2	475.8
Other financial income		3.2	2.5
Reversal of provision on equity investments		306.8	-
Reversal of provision on treasury shares		12.1	19.6
Other financial provision reversals and expense transfers		0.3	0.2
Financial income		**1,934.6**	**498.1**
Charges to provision on equity investments		(52.0)	(29.0)
Charges to provision on treasury shares		(0.4)	(8.2)
Provision for amortisation of redemption premiums and bonds		(0.5)	(1.0)
Other charges to provision		(0.3)	(0.3)
Interest on bonds		(48.2)	(71.2)
Syndicated line of credit commissions		(5.1)	(9.2)
Other financial expenses		(1.7)	(1.4)
Financial expenses		**(108.2)**	**(120.3)**
NET FINANCIAL INCOME		**1,826.4**	**377.8**

NOTE 18 BREAKDOWN OF NON-RECURRING INCOME AND EXPENSE

(in million euros)	Notes	31/12/2019	31/12/2018
Net gains on property disposals		-	-
Net gains on treasury share disposals		1.4	-
Net gains on disposals of shares in subsidiaries and affiliates		-	-
Reversals of provisions for claims and litigation and tax audits		-	9.7
Reversal of revaluation reserve	*11*	-	-
Other non-recurring charges to provisions and expense transfers		23.0	-
Non-recurring income		**24.4**	**9.7**
Fines relating to claims and litigation and tax audits		-	(9.7)
Carrying amount of divested assets		-	-
Carrying amount of divested shares in subsidiaries and affiliates	*4*	(301.7)	-
Carrying amount of divested treasury shares		(0.9)	-
Net income from sale of pre-emptive subscription rights		(18.2)	-
Other non-recurring expenses		(36.1)	(21.7)
Non-recurring charges to provisions		(26.8)	(15.1)
Non-recurring expenses		**(383.7)**	**(46.5)**
NET NON-RECURRING INCOME (EXPENSE)		**(359.3)**	**(36.8)**

NOTE 19 INCOME TAXES

In view of the Group's tax regime (Note 1.I), tax income and expense recognised in profit and loss are as follows:

(in million euros)	31/12/2019	31/12/2018
Tax payable to Peugeot S.A. by profitable members of the tax group[(1)]	292.2	116.8
Return by profitable members of the tax group of tax savings previously transferred by Peugeot S.A. grantees	21.3	25.3
Group relief (Tax credits)	109.6	182.0
French tax group tax expense	(300.7)	(222.0)
Change in provision for tax savings to be transferred to loss-making subsidiaries	-	-
Change in provision for tax risks	-	54.9
NET INCOME TAX BENEFIT	**122.4**	**157.0**

(1) In 2019, the tax due to Peugeot S.A. from consolidated subsidiaries was a negative amount of €292.2 million, in accordance with the rules governing tax consolidation and the allocation of tax credits.

In 2019, the overall income of the Group as consolidated entity for tax purposes was a profit of €873.4 million at the standard tax rate. In 2019, the tax group had unused tax loss carryforwards totalling €10,362.7 million.

NOTE 20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The corresponding commitments are as follows:

	31/12/2019		31/12/2018	
Rate swaps *(in million euros)*	**Nominal**	**Fair value**	**Nominal**	**Fair value**
4.5-year variable rate loan	100.0	(1.0)	-	-
7-year variable rate loan	212.0	(4.2)	-	-
TOTAL	**312.0**	**(5.2)**	**-**	**-**

The swap transactions are recognised under off-balance sheet commitments (Note 21).

NOTE 21 FINANCIAL COMMITMENTS

(in million euros)	31/12/2019	31/12/2018
Commitments received		
› Syndicated line of credit(1)	3,000.0	3,000.0
› Bank guarantee(2)	2,451.7	1,857.7
› Income tax reallocations(3)	386.9	408.3
TOTAL	**5,838.6**	**5,266.0**
Commitments given		
Guarantees for loans obtained by:		
› Peugeot S.A. subsidiaries(4)	880.7	893.5
› Other companies	-	-
Other commitments given on behalf of:		
› Peugeot S.A. subsidiaries(5)	622.9	392.6
› GM US subsidiaries (6)	91.2	128.2
› Other companies(7)	707.4	50.5
› Financial instruments(8)	312.0	-
TOTAL	**2,614.2**	**1,464.8**

Commitments received include:

(1) Peugeot S.A. and GIE PSA Trésorerie have, from April 2014 forward, a confirmed line of credit in the amount of €3 billion with a maturity extended for five years (May 2023) by a amendment on 24 May 2018. It comprises a single tranche with two one-year extensions. It was undrawn at 31 December 2019.
(2) Of which 2,450.0 million corresponding to the collateral extended by GIE PSA Trésorerie to cover the bond issues contracted by Peugeot S.A.
(3) Allocations to certain subsidiaries of income tax previously paid by Peugeot S.A., which these subsidiaries have undertaken to repay to Peugeot S.A. when they return to profit.

Following the acquisition of Opel Vauxhall by Peugeot S.A. on 31 July 2017, the Company benefits from guarantees granted by General Motors. These guarantees cover losses and damages relating to various risks prior to the acquisition date, including tax adjustments, the costs of certain recall campaigns and penalties resulting from possible non-compliance with environmental regulations.

Commitments given include:

(4) €600 million in guarantees made by Peugeot S.A. in 2011 as part of a €600 million bond issue by GIE PSA Trésorerie maturing September 2033.
- €280.7 million the other guarantees mostly concern loans obtained by subsidiaries from the European Investment Bank and the EBRD.
(5) €15.5 million, the equivalent of outstanding loans by Banque PSA Finance to Group subsidiaries at 31 December 2019, that Peugeot S.A. is committed to repaying in the event of default by the subsidiaries concerned.
- €69.4 million, representing the letters of intent signed by Peugeot S.A. to guarantee the rental payments due under the leases signed by France and UK Retail.
- €30.9 million, representing tax guarantees to the Italian authorities.
- €135.0 million, representing bank guarantees of the Investments realised by PCA Maroc.
- €216.2 million, correspond to first-demand guarantees.
- €80.0 million, correspond to guarantees relating to a factoring contract with several Group companies.
- €41.2 million, representing Corporate guarantees to Peugeot and Citroën Italia and Peugeot Motor Company.
(6) €91.2 million correspond to the bank guarantees given by Peugeot S.A., for the benefit of the Opel's subsidiaries.
(7) €40.0 million correspond to the guarantees given by Peugeot S.A. for the Rueil rental.
- €667.4 million corresponds to the commitment, subject to certain conditions, of Peugeot S.A.'s share buyback programme from Dongfeng Motor Group.
(8) €312.0 million represent the nominal amounts of the loans hedged by interest rate swaps.

NOTE 22 PENSION OBLIGATIONS

At 31 December 2019, the projected benefit obligation amounted to €49.0 million.

Benefit compensation for services rendered is funded in the amount of €24.6 million paid into external funds.

NOTE 23 UNRECOGNISED DEFERRED TAXES

Deferred taxes arising from differences between the recognition of income and expenses for financial reporting and tax purposes represented a net deferred tax asset of €258.4 million at 31 December 2019, comprising €179.8 million for losses carried forward and €78.6 million as a temporary difference. There are no deferred tax liabilities.

NOTE 24 MANAGEMENT COMPENSATION

The Group is managed by the Managing Board. The members of the Managing Board, together with the other members of the Management Committee, constitute the Executive Committee. The members of that Committee constitute the Group's managing bodies.

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

(in million euros)	31/12/2019	31/12/2018
Number of Executive Committee members at 31 December	19	18
Fixed & variable compensation and other short-term benefits (excluding pensions)	24.2	21.7

Furthermore, the charge recorded in 2019 in relation to the employer's contribution to the defined-contribution pension plan for members of the Managing Board and the other Executive Committee members amounted to €4.6 million, comprised of €2.3 million paid to a pension fund and €2.3 million paid in cash to grantees (taking into account a scheme based on taxation upon first deposit).

The performance shares allocated in 2015, 2016, 2017, 2018 and 2019 to the members of the Managing Bodies are detailed in the table below.

(number of shares)	31/12/2019	31/12/2018
Performance shares held at 31 December	2,452,100	2,229,000

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

NOTE 25 AVERAGE WORKFORCE

(number of employees)	31/12/2019	31/12/2018
Managers	580	591
Other	88	98
TOTAL	**668**	**689**

NOTE 26 SUBSEQUENT EVENTS

Between 31 December 2019 and 25 February 2020, the date on which the financial statements were approved by the Supervisory Board, no event likely to significantly impact the economic decisions made on the basis of these financial statements occurred.

NOTE 27 SUBSIDIARIES AND EQUITY INVESTMENTS

(In thousands of euros or of national currencies)

COMPANY OR GROUP		Share Capital	Share-holders' equity other than capital	Share of equity held (as a percentage)	Book value of shares held: Gross	Book value of shares held: Net	Loan and advance granted by the Company not yet repaid	Amount of deposits and endor-sements given by the Company	Revenues excluding sales taxes of the past financial year	Profit (loss) for the last reporting period	Dividends received by the Company during the period	Obser-vations
I – Detailed information:												
A – Subsidiaries (at least 50% owned)												
PSA Automobiles SA		300,177	4,198,199	100.00	12,559,342			316,738	65,017,505	1,487,260	1,079,350	
2-10 Boulevard de l'Europe - 78 Poissy												
Automobiles Citroën		159,000	180,140	100.00	625,654			11,761	9,380,493	186,844		
7, rue Henri Sainte-Claire Déville - 92 Rueil-Malmaison												
Automobiles Peugeot		172,712	334,597	100.00	480,545			13,782	14,523,715	308,488	341,232	
7, rue Henri Sainte-Claire Déville - 92 Rueil-Malmaison												
Conception d'Equipements Peugeot Citroën		22,954	14,830	84.54	170,304				84,620	708	453	
2-10 Boulevard de l'Europe - 78 Poissy												
TOTAL OF AUTOMOTIVE DIVISION SUBSIDIARIES PEUGEOT CITROËN DS					**13,835,845**	**13,835,845**						
Grande Armée Participations 7, rue Henri Sainte-Claire Déville - 92 Rueil-Malmaison		60,435	6,056	100.00	408,923	66,504				93		
Banque PSA Finance 7, rue Henri Sainte-Claire Déville - 92 Rueil-Malmaison		199,620	2,247,588	74.93	582,389	582,389			316,360	209,730	72,355	
PSA International S.A. 62 quai Gustave Ador, 1207 Genève (Suisse)	CHF	5,979	249,332						64,545	49,027		1 EUR = 1,085400 CHF
	EUR	5,509	229,714	100.00	6,849	6,849			59,467	45,170	22,900	
Société Anonyme de Réassurance Luxembourgeoise 6 B Route de Trêves L2633 Senningerberg - Luxembourg		10,500	22	100.00	11,267	11,267			47,476			
PSA Ventures 7, rue Henri Sainte-Claire Déville Rueil-Malmaison		200,000	(18,101)	100.00	200,000	133,193			2,665	(3,601)		
OPEL Automobile GmbH Bahnhofsplatz - Rüsselsheim am Main		25	2,103,070	100.00	2,434,205	2,434,205		21,298	17,953,478	128,265		
DS Automobiles 7, rue Henri Sainte-Claire Déville - 92 Rueil-Malmaison		500	(125)	100.00	500	376				(39)		
Kommun Garanti Reinsurance S.A. 23, avenue Monterey L2163 Luxembourg - Luxembourg					48,746	48,746						Data not provided to
B – Affiliates (10 to 50% owned)												
GEFCO 77 à 81, rue des Lilas d'Espagne, 92 Courbevoie		8,000	219,940	24.96	8,094	8,094			594,515	79,891	12,963	
Faurecia 2, rue Hennape, 92 Nanterre		966,251	2,581,629	46.33	1,609,405	1,609,405			30,416	432,225	79,950	
II - Aggregate information:												
A - Subsidiaries not listed in I:												
a) French subsidiaries (total)					15	15		600,000				
b) Foreign subsidiaries (total)											1	
B - Affiliates not listed in I:												
a) French companies (total)												
b) Foreign companies (total)					31	31						
C - Other affiliates:												
Owned below 10%					3,622	3,622					3,000	

Data not audited by the local auditors or data not yet finalised.

6.5 COMPANY FINANCIAL RESULTS FOR THE PAST FIVE YEARS

(in euros)	**2019**	**2018**	**2017**	**2016**	**2015**
I - Year-end financial position					
a) Share capital	904,828,213	904,828,213	904,828,213	859,924,895	808,597,336
b) Shares outstanding	904,828,213	904,828,213	904,828,213	859,924,895	808,597,336
II - Results of operations					
a) Net revenues	1,846,395,531	668,113,310	496,155,843	907,696,000	1,307,530,034
b) Income before tax, employee profit-sharing, depreciation, amortisation and provisions	1,259,731,706	375,953,937	219,923,095	571,740,325	2,920,816,409
c) Employee profit-sharing (charge for the year)	-	-	-	-	-
d) Income tax[(1)]	122,344,061	157,094,520	176,889,185	149,903,370	160,797,535
e) Income after tax, employee profit-sharing, depreciation, amortisation and provisions	1,588,315,385	478,327,566	416,256,396	1,611,204,755	3,315,010,317
f) Dividends distributed[(2)]		**697,218,973**	**473,561,614**	**430,912,296**	**-**
III - Per share data					
a) Income after tax and employee profit-sharing, before depreciation, amortisation and provisions	1.53	0.59	0.44	0.84	3.81
b) Income after tax and employee profit-sharing, depreciation, amortisation and provisions	1.76	0.53	0.46	1.87	4.10
› c) Dividend per share:					
› Net dividend distributed	1.23	0.78	0.53	0.48	-
› Income taxes already paid to Treasury (tax credit)	-	-	-	-	-
› Allowance of 40% as per article 158.3-2' to 4' of French Tax Code (CGI)	0.49	0.31	0.21	0.19	-
IV - Employees					
a) Average number of employees	668	689	396	305	328
b) Total payroll	80,697,880	83,369,419	56,124,153	42,377,993	41,760,374
c) Total benefits (social security, retirement pensions, etc.)	30,767,390	34,804,258	24,935,068	21,093,701	18,067,368
d) Total other employees expenses	30,948,894	21,577,498	14,303,909	15,091,987	7,282,299

(1) Since 1 January 1990, in compliance with article 223-A et. seq.of the French General Tax Code, a consolidated tax return has been filed by the Company and its French subsidiaries that are at least 95% owned. The income tax charge includes current taxes for the yeas and movements in provisions for deferred taxes.

(2) For 2019, the payment of a dividend of €1,23 per share will be submitted for approval at the Shareholder's General meeting of 25 June 2020. Dividend per share calculated based on the total number of company shares issued adjusted for the number of treasury shares as at 25 February 2020. The final dividend per share will depend on the treasury shares on the ex-dividend date and on the shares which may be created or cancelled before that date.

6.6. STATUTORY AUDIT REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2019

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

This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders.

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

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

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Peugeot S.A. for the year ended December 31, 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

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

Basis for Opinion

6

AUDIT FRAMEWORK

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

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

INDEPENDENCE

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2019 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (*Code de déontologie)* for Statutory Auditors.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTER

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

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

VALUATION OF INVESTMENTS IN SUBSIDIARIES

Risk identified	Our response
As at 31 December 2019, investments in subsidiaries are recorded on the balance sheet for a net carrying amount of M€ 18,740, i.e. approximately 75% of total assets. As stated in Note 1.A to the financial statements, investments are recognized at acquisition cost at their entry date. For each investment, in the event of a sustained reduction in its value in use and if its value in use is less than its gross carrying amount, a provision for impairment is recognized for the shortfall. The value in use of investments is determined based on one of the following methods: the market value of the shares, the economic value of the consolidated shareholders' equity of the business that they represent, in turn established based on the future cash flows taken from the latest medium-term plan updated each year, or on the share of adjusted net equity calculated in accordance with the Group's accounting principles. The estimation of the value in use of certain investments is based on complex valuation models, in particular for subsidiaries who themselves own numerous subsidiaries, and Management is required to exercise judgment to determine the cash flow assumptions. Given the significance of the investments in the balance sheet, the complexity of the methods used and their sensitivity to variations in the data and assumptions on which the estimates are based, we considered the valuation of investments as a key audit matter.	We assessed, with our valuation specialists, the methods implemented by Management to determine the value in use of investments in subsidiaries. Our work notably consisted in: › assessing, based on the information provided to us, whether Management's estimation of values in use is based on a justification of the valuation method and the figures used; › analyzing the cash flow projections used, with regard to the latest operating forecasts established by Management and subject to approval of the governance bodies; › comparing the data used to perform impairment tests performed by Management with the source data by entity; › testing, by sampling, the arithmetical accuracy of the Company's calculations of values in use.

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Managing Board's management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in article D. 441-4 of the French Commercial Code (*Code de commerce*).

REPORT ON CORPORATE GOVERNANCE

We attest that the Supervisory Board's Report on Corporate Governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (Code de commerce).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by, or allocated to the members of the Managing Board and of the Supervisory Board and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed these to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

OTHER INFORMATION

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights and the cross-shareholdings has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE STATUTORY AUDITORS

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

As at 31 December 2019, MAZARS and ERNST & YOUNG et Autres were in the fifteenth year in ninth year of total uninterrupted engagement, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The financial statements were approved by the Managing Board.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

OBJECTIVES AND AUDIT APPROACH

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

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

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

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT TO THE FINANCE AND AUDIT COMMITTEE

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

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

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

Courbevoie and Paris-La Défense, March 12, 2020

The Statutory Auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Charles Desvernois	Laurent Miannay	Loulia Vermelle

6.7. STATUTORY AUDITORS' REPORT ON RELATED PARTY AGREEMENTS

This is a translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.

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

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

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-58 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements and commitments prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-58 of the French Commercial Code *(Code de commerce)* of the continuation of the implementation, during the year ended 31 December 2019, of the agreements previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE ANNUAL GENERAL MEETING

In accordance with Article L. 225-88 of the French Commercial Code (Code de commerce), we have been notified of the following related party agreements which received prior authorization from your Supervisory Board.

1. With Bpifrance's group Companies (shareholder with more than 10% of the voting rights)

Persons concerned

- Mrs Anne Guérin, permanent representative of BPIfrance Participations on the Supervisory Board of your Company.
- Mr Daniel Bernard, permanent representative of Lion Participations on the Supervisory Board of your Company.

Nature and purpose

At its meeting of December 17, 2019, the Supervisory Board of your Company authorized, pursuant to Article L. 225-86 of the French Commercial Code, the conclusion of a letter of commitment between Bpifrance Participations, and its subsidiary Lion Participations (hereinafter collectively "BPI") and PSA, which was executed on the same day.

The conclusion of this commitment letter is part of the context of the Combination Agreement entered into on the same day between PSA and Fiat Chrysler Automobiles N.V. ("FCA") to set out the terms and conditions for the completion of the proposed merger (the "Merger") between the PSA and FCA groups announced on October 31, 2019 and on December 19, 2019.

Terms and Conditions

BPI has undertaken to make the following key commitments under the letter of commitment:

- *Commitment of support*: BPI has undertaken to vote in favor of the Merger at the PSA's annual general meeting called to approve this transaction.
- *Standstill commitment*: BPI has undertaken not to acquire, alone or in concert, shares of PSA, FCA or the future combined entity until the seventh anniversary of the completion of the Merger.
- *Conservation commitment*: BPI may not sell its interest in PSA and then in the future combined entity until the third year of the completion of the Merger. As an exception to the foregoing, BPI may sell shares of PSA or of the future combined entity within the limit of 2.5% of the share capital of the future combined entity (or 5% of the share capital of PSA).

No financial consideration is due under the engagement letter with BPI.

Reasons justifying why the Company benefits from the agreement

Your Supervisory Board gave the following reasons: the Supervisory Board considered that the commitment letter with BPIfrance Participations and Lion Participations is justified in light of PSA's corporate interest in contributing to the completion of the Merger between PSA and FCA, a transaction whose benefits for Peugeot S.A. were recognized by the Supervisory Board at its meetings on October 30, 2019 and December 17, 2019.

2. With Etablissements Peugeot Frères (EPF) and FFP (shareholders with more than 10% of the voting rights)

Persons concerned

- Mr Robert Peugeot, permanent representative of FFP on the Supervisory Board of your Company.
- Mrs Marie-Hélène Peugeot-Roncoroni, permanent representative of EPF on the Supervisory Board of your Company.

Nature and purpose

At its meeting on 17 December 2019, the Supervisory Board of your Company ("PSA") authorised, pursuant to Article L. 225-86 of the French Commercial Code, the signature of a letter of commitment between Etablissements Peugeot Frères, FFP (hereafter "EPF/FFP") and PSA, which was executed on the same day.

The conclusion of this letter of commitment comes in the context of the conclusion Agreement entered into on the same day between PSA and Fiat Chrysler Automobiles N.V. ("FCA") to set out the terms and conditions for the completion of the proposed merger (the "Merger") between the PSA and FCA groups announced on October 30, 2019 and on December 17 2019.

Terms and Conditions

EPF/FFP has committed to the following main commitments in the letter of commitment:

- *Commitment of support*: EPF/FFP has undertaken to vote in favor of the Merger at the PSA General Meeting called to approve this operation.
- *Standstill commitment*: EFP/FFP has undertaken not to acquire, alone or in concert, shares of PSA, FCA or the future combined entity until the seventh anniversary of the completion of the Merger. As an exception to the foregoing, EFP/FFP may acquire, if it so wishes, additional shares of PSA (before completion of the Merger) or of the future combined entity (after completion of the Merger) representing up to 2, 5% of the capital of the future combined entity (or 5% of the capital of PSA), exclusively by acquiring shares from BPI and DMHK, or on the market up to 1% of the capital of the future combined entity (or 2% of the capital of PSA) plus the percentage of PSA shares or of the future combined entity sold by BPI to any person other than EPF/FFP (or their affiliates).
- *Conservation commitment*: EPF/FFP will not be able to transfer its interest in PSA and then in the future combined entity until the third year of the completion of the Merger.

No financial consideration is due under the letter of commitment with ETH/FFP.

Reasons justifying why the Company benefits from the agreement

Your Supervisory Board gave the following reasons:: The Supervisory Board considered that the letter of commitment with EPF/FFP is justified in light of your Company's corporate interest in that it contributes to the completion of the Merger between PSA and FCA, an operation whose benefits for Peugeot S.A. were acknowledged by the Supervisory Board at its meetings on October 30, 2019 and December 17, 2019.

3. With the companies of the DongFeng Motor Group (shareholder with more than 10% of the voting rights)

Person concerned

- Mr LI Shaozhu, permanent representative of DongFeng Motor (Hong Kong) International Co. Ltd (DMHK) on the Supervisory Board of your Company

Nature and purpose

At its meeting of December 17, 2019, the Supervisory Board of your Company ("PSA") authorized, pursuant to Article L. 225-86 of the French Commercial Code, the conclusion:

- of letter-agreements between PSA and the companies of the DongFeng Motor Group ("DongFeng") under the terms of which commitments were made by DongFeng and PSA; and
- of the buy-back agreement between PSA and DMHK for the acquisition by PSA of 30,700,000 PSA shares from DMHK.

The conclusion of the letter agreements and the buy-back agreement takes place in the context of the conclusion Agreement concluded on the same day between PSA and Fiat Chrysler Automobiles N.V. ("FCA") to set out the terms and conditions for the completion of the proposed merger (the "Merger") between the PSA and FCA groups announced on October 31, 2019.

Letters of agreement

DongFeng has committed to the following key commitments under the Letters of Agreement:

- *Support commitment*: DongFeng has committed to vote in favor of the Merger at the PSA shareholders' meeting called to approve the transaction.
- *Standstill commitment*: From the signing of the commitment letter and until the seventh anniversary of the completion of the Merger, DongFeng undertook not to acquire, alone or in concert, any shares of PSA, FCA or the future combined entity that may increase its stake in the future combined entity beyond the stake that would be obtained at the date of the execution of the commitment letter.
- *Conservation commitment*: DongFeng will transfer 30,700,000 PSA shares prior to the completion of the Merger with PSA, under the conditions described below, or to third parties. DongFeng will be subject to a lock-up commitment for the remainder of its shareholding in PSA until completion of the Merger.

No financial consideration is due under the letter agreements with DongFeng.

Re-purchase Agreement

The repurchase would be carried out by acquiring a block of shares off-market (under the existing PSA share repurchase program authorized by the Company's Annual General Meeting of April 25, 2019 under the terms of its fourteenth resolution) at the highest closing price of the PSA share on Euronext Paris over a period of five trading days chosen by DMHK beginning between the date of signature of the repurchase agreement and the earliest of the following two dates: (i) 10 trading days prior to the completion of the Merger and (ii) 10 trading days prior to December 31, 2020. The repurchase price would not exceed the maximum price of € 30 per share authorized as part of PSA's existing sharere-purchase programme.

PSA will cancel the shares purchased from DMHK.

Reasons justifying why the Company benefits from the agreement

Your Supervisory Board gave the following reasons

Your counsel's rationale for this agreement was as follows: The Supervisory Board considered that the letter-agreements with DongFeng and the repurchase agreement with DMHK are justified in the light of your Company's corporate interest in that they contribute to the completion of the Merger between PSA and FCA, a transaction whose benefits for Peugeot S.A. were acknowledged by the Supervisory Board at its meeting on October 30, 2019 and December 17, 2019.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE ANNUAL GENERAL MEETING

In accordance with Article R. 225-57 of the French Commercial Code *(Code de commerce)*, we have been notified that the implementation of the following agreements, which were approved by the Annual General Meeting in prior years, continued during the year ended 31 December 2019.

1. With PSA Automobiles S.A., Opel Automobile GmbH and Banque PSA Finance (entities with a corporate officer or director in common with your Company)

Persons concerned

- For PSA Automobiles S.A.((formerly Peugeot Citroën Automobiles SA (PCA)): Mr Tavares (Chairman of the Managing Board of your Company and Chairman of the Board of Directors of PSA Automobiles S.A.) and Mr. Picat (member of the Management Board and Director of PSA Automobiles SA).
- For Banque PSA Finance (BPF): Mr Tavares (Chairman of the Managing Board of your Company and Director of BPF), and Olivier BOURGES (Member of the Management Board and Chairman of the Board of Directors of Banque PSA Finance).
- For Opel Automobile GmbH: Mr Tavares (Chairman of the Managing Board of your Company and Chairman of the Supervisory Board of Opel Automobile GmbH), Mr Michael Lohscheller (Member of the Management Board of your company as of 1 September 2019 and Chief Executive Officer of Opel Automobile GmbH) et Mr Picat (member of the Managing Board of your Company and member of the Supervisory Board of Opel Automobile GmbH until 1 December 2019).

Your Company invoices its principal subsidiaries (PSA Automobiles S.A., Opel Automobile GmbH and Banque PSA Finance), for their contribution to study, management and operating expenses. The amount of the contributions to be paid is calculated on the basis of revenue excluding taxes.

The amount received by your company in respect of the subsidiaries' share of the group's study, management and operating expenses amounted to € 187,074,361 for the financial year 2019, including € 45,523,086 as an adjustment to the fees owed by its subsidiaries for the financial year 2018.

2. With the French State, Etablissements Peugeot Frères (EPF) and FFP and DongFeng Motor Group Ltd (shareholders with more than 10% of the voting rights)

Corporate officers concerned at the time of approval of the agreement

Mrs Marie-Hélène Peugeot Roncoroni, permanent representative of EPF on your Company's Supervisory Board, Mr Thierry Peugeot, Vice-Chairman and Chief Operating Officer of EPF and Chairman of the Supervisory Board of your Company, Mr Jean-Philippe Peugeot, Chief Executive Officer of EPF, Vice-Chairman and Director of FFP and Vice-Chairman of the Supervisory Board of your Company, and Mr Robert Peugeot, permanent representative of FFP on the Supervisory Board of your Company.

Corporate officers concerned at the date of this report

Mrs Marie-Hélène Peugeot Roncoroni and Mr Robert Peugeot.

Acquisitions of minority interests

The Supervisory Board of your Company approved, at its meetings on 18 February 2014 (approval relating to the Memorandum of Understanding) and on 18 March 2014 (approval relating to the Master Agreement, as well as to the other agreements mentioned below), the conclusion of the following agreements:

- a Memorandum of Understanding concluded on 18 February 2014, with DongFeng Motor Group Company Ltd., the French State, EPF and FFP, designed, to formalize the principles applicable to the proposed capital transactions within the context of the acquisition of equity by DongFeng Motor Group Company Ltd. and the French state, as well as to the governance rules to be set up after the performance of these capital transactions and, secondly, to provide a framework for the discussions and work to be done for the implementation of the proposed transactions,
- a Master Agreement entered into on 26 March 2014 with DongFeng Motor Group Company Ltd., the French state, EPF and FFP in accordance with the Memorandum of Understanding, and designed to substitute the latter, the purpose of which is to detail the terms and conditions of the capital transactions and the governance rules applicable upon completion of these transactions.

6

In accordance with the provisions of the Master Agreement, the performance of the following agreement continued during the previous year:

- The Shareholders Agreement, concluded with DongFeng Motor Group Company Ltd., the French State, EPF and FFP, designed to fix the rules and principles applicable between the parties after the entry of DongFeng Motor Group Company Ltd. and the French State into the capital of your Company, in terms of governance and the acquisition or sale of shares.

These agreements did not have any effect during the year ended December 31, 2019.

Courbevoie and Paris-La Défense, 9 April 2020

The Statutory Auditors

French original signed by:

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Charles Desvernois	Laurent Miannay	Loulia Vermelle

INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

7.1. INFORMATION ON PEUGEOT S.A.

7.1.1. Name of the Company

The name of the Company is Peugeot S.A.

The name "Groupe PSA" refers to the entire Group of companies owned by the Peugeot S.A. holding company.

7.1.2. Registered office – Governing law – Legal form

REGISTERED OFFICE AND ADMINISTRATIVE HEADQUARTERS

7, rue Henri Sainte-Claire Deville, 92500 Rueil-Malmaison – France.

The telephone number of the corporate office is +33 (0)1 55 94 81 00.

The Company's website is: www. groupe-psa.com.

The information appearing on the website is not part of the Universal Registration Document unless this information is incorporated by reference

GOVERNING LAW

The Company is governed by the laws of France.

LEGAL FORM

It is incorporated as a *société anonyme* (Joint Stock Corporation) governed by a Managing Board and a Supervisory Board under the terms of the French Commercial Code.

7.1.3. Date of incorporation and length of life

The Company was established in 1896. Its term will end on 31 December 2058, unless it is wound up before this date or its term is extended.

7.1.4. Place of registration and Company registration number

The Company is registered in the Nanterre Trade and Companies Register under number 552 100 554. Its APE business identifier code is 7010Z. Its Legal Entity Identifier (LEI) is: 969500TZ5950IT5FPQ42.

7.1.5. By-Laws

The full text of the Company by-laws is available at www.groupe-psa.com, under Governance.

7.1.5.1. CORPORATE PURPOSE

(Summary of Article 3 of the Company by-laws)

The Company's purpose is to participate, directly or indirectly, in any and all industrial, commercial or financial activities, in France or abroad, related to:

- the manufacture, sale or repair of all forms of motor vehicles;
- the manufacture and sale of all steel products, tools and tooling;
- the manufacture and sale of all manufacturing, mechanical and electrical engineering equipment;
- the grant of short, medium and long-term consumer finance, the purchase and sale of all marketable securities and all financial and banking transactions;
- the provision of all transport and other services;
- the acquisition of all real property and property rights, by any appropriate means.

and generally to conduct any and all commercial, industrial, financial, securities or real estate transactions related directly or indirectly to any of the above purposes or any other purpose that contributes to the development of the Company's business.

7.1.5.2. EQUITY THRESHOLDS THAT MUST BE DISCLOSED TO THE COMPANY PER THE COMPANY BY-LAWS

(Excerpt from Article 7 of the Company by-laws)

Apart from the duty to notify the Company of share ownership, any individual or legal entity who should possess directly or indirectly a number of shares representing a fraction equal to or greater than 2% of the share capital or voting rights of the Company must so inform the Company in writing, within four trading days of crossing this threshold, stating the total number of shares and of voting rights in his, her or its possession at the date of that declaration. Above the aforementioned threshold of 2% the same duty to declare referred to in the preceding paragraph shall apply, with the same time frame and in the same manner, each time another 1% threshold in share capital or voting rights is crossed, and this shall include declaration thresholds provided in law and regulations. For purposes of applying these provisions, the shares or voting rights possessed shall be the shares and voting rights listed in Article L. 233-9-I of the French Commercial Code.

Should a shareholder fail to perform this duty to inform provided in the By-laws, that shareholder will be deprived of voting rights for those shares that exceed the fraction that ought to have been declared, if at the time of a Shareholders' General Meeting, the failure to declare having been noted, one or more shareholders holding among them at least 5% of the share capital so request and place that request in the minutes of that meeting. The loss of voting rights will continue for any Shareholders' Meeting held until a period of two years has expired from the time a proper declaration has been made.

There are no other clauses in the By-laws limiting voting rights.

7.1.5.3. IDENTITY OF SHAREHOLDERS

(Article 7 of the Company by-laws)

The Company is entitled, under the applicable laws and regulations, to request information on the identity of the holders of securities granting immediate or future voting rights at its Shareholders' Meetings and the number of voting rights held.

7.1.5.4. RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHED TO EXISTING SHARES

(Article 8 of the Company by-laws)

In addition to the statutory voting rights attached to the shares, each share entitles its holder to a fractional share of the Company's profits and liquidation surplus equal to the fraction of the issued capital represented by the share.

All shares rank *pari passu* as regards taxation. As a result, they entitle their holders to the same net amount, based on their par value and cum-rights date, for any allocation or return of capital during the Company's life or its liquidation.

7.1.5.5. GOVERNANCE

(Articles 9 and 10 of the Company by-laws)

For any details concerning the management and supervisory bodies, please refer to Chapter 3 above.

7.1.5.6. SHAREHOLDERS' MEETINGS

(Summary of Article 11 of the Company by-laws)

The special guidelines about the participation of shareholders in the Shareholders' Meetings are given in Article 11 of the Company by-laws, concerning Shareholders' General Meetings.

Meetings are held at the registered office or at any other venue indicated in the Notice of meeting.

Fully paid-up shares registered in the name of the same holder for at least two years shall carry double voting rights at Shareholders' Meetings.

Remote voting may be used in accordance with the terms and conditions set down in the applicable laws and regulations.

Shareholders may send their proxy and postal voting forms either in paper form or, by electronic communication, including *via* the Internet.

The formalities for attending the Shareholders' General Meeting to be held on 25 June 2020 are set out in the Notice of meeting published at least 35 days before the meeting in the *Bulletin d'Annonces Légales Obligatoires* and on the Group's website.

Every shareholder may attend the Shareholders' Meetings upon evidence that his/her shares are held in a registered account or in bearer form by an authorised intermediary at midnight (Paris time) of the second business day preceding the meeting.

Note that Internet voting has been arranged for the 2020 Shareholders' General Meeting.

7.1.5.7. FINANCIAL YEAR

(Summary of Article 12 of the Company by-laws)

Each financial year shall cover a 12-month period commencing on 1 January and ending on 31 December.

The distributable profit as defined by law is at the disposal of the Shareholders' General Meeting. Apart from exceptions resulting from the law, the Shareholders' General Meeting makes the final decision as to its appropriation.

7.2. INFORMATION ON THE SHARE CAPITAL

7.2.1. Share capital and voting rights

The issued capital amounted to €904,828,213 at 31 December 2019. It was divided into 904,828,213 shares with a par value of €1, all fully paid-up and of the same class. The shares are held in registered or bearer form, at the shareholder's choosing.

In compliance with Article 223-11 of the AMF General Rules and Regulations, the following chart analyses potential voting rights outstanding, which include rights attached to shares held in treasury. These potential voting rights are the ones used in determining when statutory disclosure thresholds have been exceeded.

7.2.2. History of the share capital

(in euros)	2019	2018	2017
Share capital at beginning of period	904,828,213	904,828,213	859,924,895
Rights issue reserved to the employees			
Shares from the conversion of BSA			44,903,318
SHARE CAPITAL AT END OF PERIOD	**904,828,213**	**904,828,213**	**904,828,213**

BSA: equity warrants.

7.2.3. Shares not representing capital

Not applicable.

7.2.4. Change in share capital

None.

7.2.5. Stock options and performance share grants

No stock options were granted since 2009.

A free share plan was set up on 2 June 2016, in view of the authorisations given at the Extraordinary General Meeting of 27 April 2016 and by the Supervisory Board on 27 April 2016. The arrangements are detailed in Note 7.2 to the 2017 Consolidated Financial Statements and in Section 3.2 above.

A free share plan was set up on 10 April 2017 by the Managing Board, in view of the authorisations given at the Extraordinary General Meeting of 27 April 2016 and by the Supervisory Board on 22 February 2017. The arrangements are detailed in Note 6.2 to the 2018 Consolidated Financial Statements and in Section 3.2 above.

A free share plan was set up on 9 April 2018 by the Managing Board, in view of the authorisations given at the Extraordinary General Meeting of 27 April 2016 and by the Supervisory Board on 28 February 2018. The arrangements are detailed in Note 6.2 to the 2018 Consolidated Financial Statements and in Section 3.2 above.

A performance-based free share plan was set up on 20 May 2019 by the Managing Board, in view of the authorisations given at the Extraordinary General Meeting of 24 April 2018 and by the Supervisory Board on 25 February 2019. The arrangements are detailed in Note 7.2 to the 2019 Consolidated Financial Statements and in Section 3.2 above.

7.2.6. Potential share capital

The potential share capital is comprised of equity warrants (BSA):

EQUITY WARRANTS (BSA)

On 31 July 2017, in accordance with the 31st resolution of the Shareholders' General Meeting of 10 May 2017, 39,727,324 equity warrants (BSAs) were issued in favour of Adam Opel GmbH, a subsidiary of the General Motors Group, at the unit price of €16.3386515.

These equity warrants give entitlement to subscribe a maximum of 39,727,324 shares in the Company of nominal value of €1 each, on the basis of 1 share for 1 equity warrant.

The exercise price of each equity warrant will be €1, and these equity warrants may be exercised only between the fifth and ninth year following the date on which they are issued, *i.e.* from 10 May 2022 to 9 May 2026. Hence, the issue of these equity warrants has no immediate impact on the Group's equity.

The maximum amount of the capital increase liable to arise from this issue is €39,727,324 for 39,727,324 new shares. In addition, General Motors and its affiliated companies do not have any governance or voting rights in respect of these Warrants, and are obliged to sell the Groupe PSA shares received within a period of 35 days from the date of exercise of the Warrants.

Furthermore, please note that through a decision by the Managing Board on 24 April 2014, 342,060,365 equity warrants were allocated free of charge to Peugeot S.A.'s shareholders at the rate of one equity warrant per share held. The capital increase resulting from this issue amounted to €760 million with the issue of 118,239,565 new shares. As the equity warrants allocated as part of this programme could be exercised starting from the second year and up to the third anniversary of their issue date, *i.e.* 29 April 2017, this programme has matured.

7.2.7. Authorisations in effect

The following financial authorisations have been granted by the Shareholders' Meeting to the Managing Board.

In accordance with the Company by-laws, any corporate actions or bond issues must be submitted to the Supervisory Board for prior approval.

SUMMARY STATEMENT OF FINANCIAL AUTHORISATIONS IN EFFECT AT 31 DECEMBER 2019 AND USE MADE OF THEM DURING THE 2019 FINANCIAL YEAR

	Authorisation	Duration	From	Until	Use in 2019
1 – Ordinary Shareholders' Meeting					
Trading in own shares *(14th resolution of the 2019 SGM)*	› Purchase of 79,167,086 shares at most up to 10% of the share capital › Maximum purchase price: €30	18 months	25 April 2019	25 October 2020	None
2 – Extraordinary General Meeting					
Capital reductions by cancellation of shares bought back by the Company, not to exceed 10% of the share capital *(15th resolution of the 2019 SGM)*	› Up to 10% of the Company's share capital in any 24 months	26 months	25 April 2019	25 June 2021	None
Existing or future Company free share grants, subject to performance conditions *(22nd resolution of the 2018 SGM)*	› Up to 0.85% of the Company's share capital in any 24 months	26 months	24 April 2018	24 June 2020	Grant of 3,081,500 shares, or 0.34% of the share capital
Issue, with PSR, of shares and/or marketable securities, directly or indirectly carrying rights to shares of the Company, by incorporating reserves, profits or premiums *inter alia* *(16th resolution of the 2019 SGM)*	› Aggregate nominal total amount of capital increase not to exceed €226,207,053 › Aggregate nominal total amount of debt not to exceed €2,415,500,000 for the issue of debt securities	26 months	25 April 2019	25 June 2021	None
Issue, without PSR, of shares and/or marketable securities, directly or indirectly carrying rights to shares of the Company, by public offering or private placement *(17th and 18th resolutions of the 2019 SGM)*	› Aggregate nominal total amount of capital increase not to exceed €90,482,821 › Aggregate nominal total amount of debt not to exceed €2,415,500,000 for the issue of debt securities	26 months	25 April 2019	25 June 2021	None
Increase in the number of securities offered, with or without PSR, for issues that are oversubscribed *(19th resolution of the 2019 SGM)*	› Authorisation to increase the number of securities offered under any issues decided pursuant to Resolutions 16, 17 and 18 approved at the Shareholders' General Meeting of 25 April 2019, provided that the ceilings specified in the resolutions and 15% of the initial issue are not exceeded	26 months	25 April 2019	25 June 2021	None

	Authorisation	Duration	From	Until	Use in 2019
Issues of shares and/or marketable securities carrying rights to shares of the Company without PSR, in payment for securities, contributed to the Company as part of a stock-for-stock offer initiated by the Company for the securities of another company *(20nd resolution of the 2019 SGM)*	› Aggregate nominal total amount of capital increase not to exceed €90,482,821 › Aggregate nominal total amount of debt not to exceed €2,415,500,000 for the issue of debt securities	26 months	25 April 2019	25 June 2021	None
Issues of shares and/or marketable securities carrying rights to shares of the Company without PSR, in payment for contributions in kind except in the event of a stock-for-stock offer initiated by the Company *(21st resolution of the 2019 SGM)*	› Up to 10% of the share capital	26 months	25 April 2019	25 June 2021	None
Blanket ceiling on capital increases carried out pursuant to the 16th, 17th, 18th, 19th, 20th, 21st and 23rd resolutions *(22nd resolution of the 2019 SGM)*	› Aggregate nominal total amount of capital increase not to exceed €334,786,439				
Share capital increase(s) reserved for employees, without PSR *(23rd resolution of the 2019 SGM)*	› Aggregate nominal total amount of capital increase not to exceed €18,096,564	26 months	25 April 2019	25 June 2021	None
Issues of equity warrants while a takeover bid in relation to the Company's shares is in progress *(24th resolution of the 2019 SGM)*	› Aggregate nominal total amount of capital increase not to exceed €452,414,106.50	18 months	25 April 2019	25 October 2020	None

SGM: Shareholders' General Meeting.
PSR: preferential subscription right.

7.3. OWNERSHIP STRUCTURE

7.3.1. Capital and voting Rights Structure at 31 December 2019

	31 December 2019				31 December 2018				31 December 2017			
Main identified shareholders[1]	**Number of shares**	**% of share capital**	**% of exercisable voting rights**	**% of theoretical voting rights**	**Number of shares**	**% of share capital**	**% of exercisable voting rights**	**% of theoretical voting rights**	**Number of shares**	**% of share capital**	**% of exercisable voting rights**	**% of theoretical voting rights**
The Groupe familial Peugeot (Peugeot family interests) (EPF/FFP)[2]	110,622,220	12.23	17.73	17.59	110,622,220	12.23	19.50	19.30	110,622,220	12.23	17.63	17.45
Dongfeng Motor (Hong Kong) International Co. Limited (DMHK)	110,622,220	12.23	17.73	17.59	110,622,220	12.23	19.50	19.30	110,622,220	12.23	19.94	19.74
BPIfrance *via* Lion Participation SAS	110,622,220	12.23	17.73	17.59	110,622,220	12.23	9.75	9.65	110,622,220	12.23	9.97	9.87
Other individuals[3]	51,567,817	5.70	4.90	4.87	60,828,929	6.71	6.07	6.01	59,945,072	6.63	6.30	6.23
Employees	17,481,186	1.93	2.33	2.31	16,830,900	1.92	2.56	2.54	18,407,518	2.03	2.56	2.53
Other French institutions	65,974,666	7.29	5.29	5.24	71,946,202	7.93	6.33	6.26	75,880,738	8.39	6.84	6.77
Other foreign institutions	427,994,148	47.30	34.31	34.04	412,039,787	45.51	36.30	35.95	407,412,490	45.03	36.76	36.39
Treasury shares	9,943,735	1.10	-	0.79	11,315,735	1.25	-	0.99	11,315,735	1.25	-	1.01
TOTAL	**904,828,213**	**100**	**100**	**100**	**904,828,213**	**100**	**100**	**100**	**904,828,213**	**100**	**100**	**100**

(1) Source: Euroclear TPI 31 December 2019 and Nasdaq.
(2) EPF (Établissements Peugeot Frères) is a family holding company with maximum stake held by individual members of the Peugeot family. FFP is controlled by EPF.
(3) Individual and other accounts (by difference). The Group's executive managers and Company officers do not hold more than 5% of the Group's share capital.

As at 31 December 2019, the shareholders of the Groupe familial Peugeot (FFP/EFP), DMHK and BPIfrance each held a 12.23% stake in the share capital of Peugeot S.A.

To the best of the Company's knowledge, no shareholder other than the ones listed in the table below directly or indirectly own more than 5% of the Company's issued capital or voting rights.

Groupe PSA offers a variety of savings schemes in various countries. Employee share ownership was 1.93% at 31 December 2019, representing 45,957 current and former employees of the Group.

Since 2013, the Supervisory Board includes a representative of employee shareholders (for more information please refer to Section 3.1).

STATUTORY DISCLOSURE THRESHOLDS IN 2019

In a letter received on 20 June 2019, EPIC BPIfrance disclosed that on 19 June 2019 it had indirectly, through Lion Participations, crossed over the statutory thresholds of 10% and 15% of the voting rights.

It crossed these thresholds due to the acquisition of double voting rights following the purchase of Sogepa's shares on 19 June 2017.

Shareholders	Date of threshold crossing	Direction	Threshold crossed	No of shares after crossing	% of capital after crossing	% of voting rights after crossing
BPIfrance *via* Lion Participation SAS	19 June 2019	Upwards	10% and 15% of voting rights	110,622,220	12.22%	17.58%

DISCLOSURE THRESHOLDS PER THE COMPANY BY-LAWS IN 2019

In a letter received on 20 June 2019, EPIC BPIfrance disclosed that on 19 June 2019 it had indirectly, through Lion Participations, crossed over the thresholds per the Company by-laws of 10%, 11%, 12%, 13%, 14% and 15% of the voting rights. It crossed these thresholds due to the acquisition of double voting rights following the purchase of Sogepa's shares on 19 June 2017.

Shareholders	Date of threshold crossing	Direction	Threshold crossed	No of shares after crossing	% of capital after crossing	% of voting rights after crossing
AQR Capital Management, LLC	20 March 2019	Upwards	2% of share capital	18,187,877	2.01%	1.59%
BPIfrance *via* Lion Participation SAS	19 June 2019	Upwards	10%, 11%, 12%, 13%, 14% and 15% of voting rights	110,622,220	12.22%	17.58%
FFP	19 June 2019	Downwards	14% of voting rights	84,323,161	9.32%	13.40%
The Groupe familial Peugeot (Peugeot family interests) (EPF/FFP)	19 June 2019	Downwards	19% and 18% of voting rights	110,622,220	12.23%	17.58%
Blackrock	22 August 2019	Upwards	3% of share capital	29,606,490	3.27%	2.35%

7.3.2. Different voting rights

Fully paid-up shares registered in the name of the same holder for at least two years shall carry double voting rights at Shareholders' Meetings.

In the event of a capital increase through the capitalisation of retained earnings, profits or additional paid-in capital, the resulting bonus shares distributed in respect of registered shares carrying double voting rights will similarly carry double voting rights. In accordance with the law, double voting rights will be lost if the shares are converted into bearer form or transferred to another shareholder, unless the transfer takes place due to an inheritance, the liquidation of a marital estate or a gift to a spouse or heir.

Double voting rights may be cancelled by vote of the Extraordinary General Meeting and after ratification by the special meeting of Beneficiary Shareholders (according to the Company by-laws).

7.3.3. Shareholders' agreement

A shareholders' agreement signed between DFG, DMHK, the French State, SOGEPA, EPF/FFP and the Company, in force since 29 April 2014 for a ten-year period, governs the relationships between the main shareholders of the Company.

As from 19 June 2017, SOGEPA has ceased to be a party to the shareholders' agreement, since it sold the whole of its interest in the Company's capital to Bpifrance *via* its Lion Participations SAS subsidiary. BPIfrance has consequently joined the agreement and legally replaced SOGEPA.

In accordance with the shareholders' agreement:

- DMHK, BPIfrance and EPF/FFP are free to transfer all or part of their shares. Prior to any transfer of shares on the market by these parties, the shareholder(s) concerned are required to inform the management of the Company and discuss it with them in order to limit the impact of such a transfer on the share price. Other than this requirement, DMHK, BPIfrance and EPF/FFP are not subject to further constraints on to the transfer of their shares. There is no pre-emptive clause or tag-along rights;
- DMHK (and DFG), BPIfrance and EPF/FFP shall not act in concert with respect to the Company. This agreement, signed by each of the shareholders to protect its capital expenditure and own interests as a shareholder of the Company, does not aim to establish a common policy with regard to the Company within the meaning of Article L. 233-10 of the French Commercial Code. The Group's strategy will be determined by the Managing Board under the supervision of the Supervisory Board. The signing of the framework agreement between the Company and DFG strengthens the long-standing partnership between the two groups and in no case represents a shift in the strategy of Groupe PSA.

To the best of the Company's knowledge, no other agreement currently exists which if implemented might entail a change in control of the Company or have the effect of delaying, deferring or preventing a change in control.

7.3.4. Measures taken by the Company to ensure that control is not abused

No shareholder holds, directly or indirectly, alone or in concert, control of the Company. Measures have been introduced to ensure that shareholders that have proposed the appointment of members to the Supervisory Board do not abuse their powers when decisions are taken, namely: the presence of independent members on the Board and its committees, the presence of one Senior Independent Member and procedures for handling conflicts of interests (see developments in Section 3.2 of this Registration Document).

7.4. CORPORATE FINANCIAL INSTRUMENT MARKETS

LISTING OF THE PEUGEOT S.A. SHARE

The Peugeot S.A. share is listed on the Euronext Paris stock exchange, compartment A, where it is eligible for the deferred settlement system.

PEUGEOT S.A. SHARE DATA SHEET

ISIN security code	**FR0000121501**
Markets	Euronext continuous trading – Euronext Paris, Compartment A Ticker UGFP (Bloomberg) Other markets: › Europe: SEAQ International – London
Listed in the major indexes Share eligibility	CAC 40, CAC ALL-TRADABLE, CAC LARGE 60, Dow Jones Euro Stoxx Auto, Advanced Sustainable Performance Indices (ASPI), FTSE4Good
Deferred settlement	under the SDR System and inclusion in French PEA stock savings plans
Par value	€1
Number of shares outstanding at 31 December 2019	904,828,213
Price at 31 December 2019	€21.30
Market capitalisation at 31 December 2019	€19.27 billion

Groupe PSA has opted not to institute or sponsor an American Depositary Receipt (ADR) programme. Thus any existing ADR programme is classified as unsponsored and has no connection whatsoever with Groupe PSA. Consequently, Peugeot S.A. cannot be considered bound to ensure that such programmes operate properly or bound to protect the rights of ADR holders. Peugeot S.A. rejects any liability and represents that it does not recognise any courts having jurisdiction, particularly in the United States, with respect to such programmes.

DETAILED STOCK MARKET INFORMATION

(Source: Euronext)

PRICE

	2019			2018			% change on 2019/2018 closing price
(in euros)	**High**	**Low**	**31/12/2019**	**High**	**Low**	**31/12/2018**	
Share	27.060	17.870	21.300	25.400	16.455	18.645	+14%
CAC 40 index	6,065.00	4,606.20	5,978.06	5,640.10	4,598.61	4,730.69	+26%

TRANSACTIONS

	2019		2018	
	Total	**Average per day**	**Total**	**Average per day**
In number of shares	657,518,050	2,576,481	791,183,768	3,177,444
Value *(in million euros)*	14,523.82	56.91	16,167.88	64.93

MARKET FOR THE PEUGEOT S.A. SHARE ON THE PARIS STOCK EXCHANGE (DEFERRED SETTLEMENT SERVICE)

	Share price *(in euros)*			**Trading volumes**		
	Low	**High**	**Closing**	**Number of shares per month**	**Value per month** *(in million euros)*	**Average per day** *(in million euros)*
2018						
January	16.455	19.190	18.090	70,617,912	1,278.58	58.12
February	17.300	18.815	18.615	68,572,671	1,240.50	62.03
March	18.115	20.150	19.550	73,019,793	1,397.53	66.55
April	19.130	20.990	20.420	59,211,145	1,196.00	59.80
May	19.705	21.020	19.945	53,434,509	1,083.62	49.26
June	19.230	21.750	19.560	65,911,142	1,354.78	64.51
July	19.150	24.770	24.610	83,590,484	1,839.07	83.59
August	23.230	25.290	23.700	59,536,498	1,449.94	63.04
September	22.870	25.400	23.230	52,666,782	1,254.11	62.71
October	18.700	23.230	21.030	88,296,481	1,844.67	80.20
November	18.910	21.980	19.400	55,422,389	1,112.65	50.58
December	17.170	20.060	18.645	60,903,962	1,116.43	78.76
2019						
January	17.870	22.230	21.990	54,409,554	1,118.10	50.82
February	20.370	22.870	22.360	51,199,432	1,112.78	55.64
March	20.760	23.250	21.740	52,882,791	1,160.55	55.26
April	22.000	25.020	23.360	47,373,876	1,117,70	55.88
May	19,605	23.100	19.970	55,109,497	1,159,03	52.68
June	19.515	21.870	21.670	41,325,383	870,71	43.54
July	21.160	23,590	21.360	44,751,380	990.50	43.06
August	18.785	21.470	20.330	43,990,610	868,22	39.46
September	19.830	24.220	22.880	56,172,662	1,289.77	61.42
October	20,850	27.060	22.700	83,708,926	1,974.45	85.84
November	21.920	24.640	21.920	68,038,205	1,587.83	75.61
December	20.830	23.110	21.300	58,555,734	1,274.18	63.71
2020						
January	18.540	22.010	18.610	66,494,034	1,322.78	60.13
February	17,155	20,450	17,505	91,916,535	1 727,26	86.36

Source: Euronext Paris – March 2020.

DIVIDEND POLICY

On 26 February 2019, Groupe PSA has announced a new dividend policy for 2019-2021 with a pay out ratio increased to 28% from fiscal year 2019.

DIVIDENDS PAID OVER THE PAST THREE YEARS

Financial year	**Number of shares involved**	**Par value**	**Payment date**	**Barred date**	**Gross dividend**
2015	808,597,336	€1	N/A	N/A	N/A
2016	897,733,950	€1	17 May 2017	17 May 2022	0.48
2017	904,828,213	€1	4 May 2018	4 May 2023	0.53
2018	904,828,213	€1	6 May 2019	6 May 2024	0.78

As part of the merger project with FCA, Groupe PSA announced on December 18, 2019 that it will distribute an ordinary dividend of 1.1 billion euros for the 2019 fiscal year, subject to the approval of the Board and of its shareholders.

ADDITIONAL INFORMATION

8

8.1. PERSONS RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Person responsible for the 2019 Universal Registration Document

Carlos TAVARES

Chairman of the Peugeot S.A. Managing Board

Statement by the person responsible for the 2019 Universal Registration Document

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Universal Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omissions likely to affect its import.

I hereby declare that, to the best of my knowledge, (i) the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and of the companies in the consolidated group, and (ii) the Report of the Managing Board, whose contents are described on pages 309 and 310 of this Universal Registration Document, presents a true and fair view of the business development, results and financial position of the Company and the companies in the consolidated group, together with a description of the main risks and uncertainties they face.

Carlos TAVARES

Chairman of the Peugeot S.A. Managing Board

Person responsible for financial information

Andrea BANDINELLI

Head of Financial Communication and Investor Relations

andrea.bandinelli@mpsa.com

8.2. HISTORICAL FINANCIAL INFORMATION

In compliance with Article 19 of EU Regulation 2019/980 of the European Parliament and of the Council, the following information is incorporated by reference in the Universal Registration Document:

For financial year 2018

Required disclosures in the Report of the Managing Board appear on page 269, the consolidated financial statements are presented on pages 143 to 220 and the corresponding Auditors' Report is presented on pages 222 to 226 of the 2018 Registration Document filed with the *Autorité des Marchés Financiers* on 26 March 2019 under No. D. 19-0201 and is available on the Company's website under the following heading: https://www.groupe-psa.com/en/finance/regulated-information/.

The parts not included in this document are either not applicable to the investor, or are covered elsewhere in this Universal Registration Document.

For financial year 2017

Required disclosures in the Report of the Managing Board appear on page 311, the consolidated financial statements are presented on pages 157 to 239 and the corresponding Auditors' Report is presented on pages 241 to 244 of the 2017 Registration Document filed with the *Autorité des Marchés Financiers* on 28 March 2018 under No. D. 2018-2018. 18-0196 and is available on the Company's website under the following heading: https://www.groupe-psa.com/en/finance/regulated-information/.

The parts not included in this document are either not applicable to the investor, or are covered elsewhere in this Universal Registration Document.

Date of latest financial information

31 December 2019

8.3. DOCUMENTS AVAILABLE TO THE PUBLIC

The following documents are available on the Company's website (www.groupe-psa.com):

- the present 2019 Registration Document filed with the *Autorité des Marchés Financiers*;
- financial press releases;
- the Peugeot S.A. Company by-laws;
- presentation of the full-year results for 2019.

Company documents and information are available for consultation at the Company's registered office: 7, rue Henri Sainte-Claire Deville, 92500 Rueil-Malmaison, France.

8.4. PERSONS RESPONSIBLE FOR AUDITING THE ACCOUNTS

8.4.1. Statutory Auditors

ERNST & YOUNG ET AUTRES

(Member of the Compagnie régionale des Commissaires aux Comptes de Versailles)

Mrs Ioulia VERMELLE and Mr Laurent MIANNAY

1-2, place des Saisons

92400 Courbevoie – Paris-La Défense 1

Date of first appointment: Ordinary General Meeting of 31 May 2011.

End date of current appointment: at the close of the Shareholders' General Meeting called to approve the 2023 financial statements.

MAZARS

(Member of the Compagnie régionale des Commissaires aux Comptes de Versailles)

Mr Charles DESVERNOIS and Mr Thierry BLANCHETIER

61, rue Henri-Regnault

92400 Courbevoie (Hauts-de-Seine)

Date of first appointment: Ordinary General Meeting of 25 May 2005.

End date of current appointment: at the close of the Shareholders' General Meeting called to approve the 2023 financial statements.

8.4.2. Alternate Statutory Auditors

SOCIÉTÉ AUDITEX

1-2, place des Saisons

92400 Courbevoie – Paris-La Défense 1

Date of first appointment: Ordinary General Meeting of 31 May 2011.

End date of current appointment: at the close of the Shareholders' General Meeting called to approve the 2023 financial statements.

JEAN-MARC DESLANDES

61, rue Henri-Regnault

92400 Courbevoie (Hauts-de-Seine)

Date of first appointment: Ordinary General Meeting of 10 May 2017.

End date of current appointment: at the close of the Shareholders' General Meeting called to approve the 2023 financial statements.

8.4.3 Fees paid to the Auditors

The Statutory Auditors' fees and those of their network are shown in Note 19 to the Consolidated Financial Statements for 2018, Section 5.6.

The 2019 fees paid to the auditors Ernst & Young et Autres and Mazars for services other than statutory and contractual audit provided to Peugeot S.A. and its subsidiaries, respectively, amount to €40,500 and €43,000. These services pertain to the issuance of comfort letters in connection with bond issues and the issuance of reports on expenditure statements.

8.5. CROSS-REFERENCE TABLES

8.5.1. Cross-reference table on the Report of the Managing Board

This Universal Registration Document includes all the information in the Group's Management Report and the parent company as provided for in Articles L. 225-100 and L. 225-100-1 of the French Commercial Code.

The following table cross-refers each section of the Group's or the parent company's Management Report to the **corresponding** pages of the Registration Document.

Section	Section in Registration Document	Pages
	Key figures	3
	1.3. Activities and strategy	9 to 20
	4.1. Analysis of the business and consolidated operating results	152 to 154
	4.2. Financial position and liquidity	155 to 156
	4.3. Executive management statement	157 to 158
	5. 2019 consolidated financial statements	169 to 264
Business review/Results/Financial position and performance indicators	6. Peugeot S.A. 2019 financial statements	265 to 294
The Company's use of financial instruments, where material for the assessment of its assets, liabilities, financial position and profit or loss	5. 2019 consolidated financial statements (Notes 12 and 13)	217 to 241
Description of the main risks and uncertainties	1.5. Risk factors	25 to 44
Material acquisitions of equity interests in companies with their head office in France	5. 2019 consolidated financial statements (Note 21 – List of consolidated companies)	252 to 257
	4.6. Recent events and outlook	168
	5. 2018 consolidated financial statements (Note 19 – Subsequent Events)	251
Subsequent events/Future outlook	6.4. Peugeot S.A. 2019 financial statements (Note 26)	284
Dividends paid over the past three years	7.4. Corporate financial instrument markets – Dividends	304
	1.5.3. Financial market risks	36 to 38
Exposure to interest-rate, currency and equity risks Purchases and sales of treasury shares	5. 2019 consolidated financial statements (Note 12.6)	223 to 231
	5. 2019 consolidated financial statements (Note 15.1.C – Treasury shares)	245
Compensation of corporate officers	7.2.5. Description of buyback programme	298
	3.2. Compensation of Company officers	128 to 150
Compensation of Company officers	5. 2018 consolidated financial statements (Note 7.3 – Compensation of executive managers)	203
Trading by executive managers in their securities	3.1.5. Trading in the Company's securities by corporate directors and officers and their close relatives	126
Terms of office and duties of Company officers	3.1. Management and supervisory bodies	96 to 150
	7.2. Information about the Company's share capital	298 to 300
Arrangements which may have a bearing in the event of a takeover bid	7.3. Ownership structure	300 to 302
Ownership structure	7.3. Ownership structure	300 to 302
	5. 2019 consolidated financial statements (Note 7.2 – Share-based payment)	201 to 202
	7.2. Information about the Company's share capital	298 to 300
Ownership structure Adjustments to the rights of holders of share equivalents	7.3. Ownership structure	300 to 302
Social responsibility and environmental information	2. Statement of non-financial performance	51 to 94
	1.6. Vigilance plan	45 to 49
Research and development activities	4.5. Capital expenditure, research & development	162 to 167
Agreements signed between a subsidiary and a shareholder owning over 10% of its voting rights	4.3. Executive management statement	157 to 158

Section	Section in Registration Document	Pages
Information on supplier and customer payment terms	4.3. Executive management statement	158
Appendices		
Table of authorisations to issue new shares and share equivalents	7.2.7. Authorisations in effect	299 to 300
Peugeot S.A. five-year financial summary	6. Peugeot S.A. 2019 financial statements	286
Report of the Supervisory Board on corporate governance	3.1. Corporate governance	96 to 150

8.5.2. Cross-reference table on the Annual Financial Report

Information required in the Annual Financial Report	Pages
Statement by the person responsible for the document	**306**
Management Report	
Analysis of profits and losses, financial position and risks of the parent company and the consolidated group (Article L. 225-100 and L. 225-100-2 of the French Commercial Code)	25 à 44; 152 to 167
Information on the capital structure and elements that may have a bearing on a takeover bid (Article L. 225-100-3 of the French Commercial Code)	298 to 302
Information on buyback of shares (Article L. 225-211 paragraph 2 of the French Commercial Code)	245 to 247
Financial statements and reports	
Parent company financial statements	266 to 285
Statutory Auditors' Report on the financial statements	287 to 290
Consolidated financial statements	170 to 257
Statutory Auditors' Report on the consolidated financial statements	260 to 264

8.5.3. Cross-reference table of the Universal Registration Document - Annexes 1 and 2 of the delegated European Union Regulation (EU) 2019/980 of 4 March 2019 supplementing Regulation (EU) 2017/1129 of 14 June 2017

IMPORTANT NOTICE

By reading the following communication, you agree to be bound by the following limitations and qualifications:

This communication is for informational purposes only and is not intended to and does not constitute an offer or invitation to exchange or sell or solicitation of an offer to subscribe for or buy, or an invitation to exchange, purchase or subscribe for, any securities, any part of the business or assets described herein, or any other interests or the solicitation of any vote or approval in any jurisdiction in connection with the proposed transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. This communication should not be construed in any manner as a recommendation to any reader of this document.

This communication is not a prospectus, product disclosure statement or other offering document for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14th 2017.

An offer of securities in the United States pursuant to a business combination transaction will only be made, as may be required, through a prospectus which is part of an effective registration statement filed with the U.S. Securities and Exchange Commission ("SEC"). Shareholders of Peugeot S.A. ("PSA") and Fiat Chrysler Automobiles N.V. ("FCA") who are U.S. persons or are located in the United States are advised to read the registration statement when and if it is declared effective by the SEC because it will contain important information relating to the proposed transaction. You may obtain copies of all documents filed with the SEC regarding the proposed transaction, documents incorporated by reference, and FCA's SEC filings at the SEC's website at http://www.sec.gov. In addition, the effective registration statement will be made available for free to shareholders in the United States.

FORWARD-LOOKING STATEMENTS

This communication contains forward-looking statements. In particular, these forward-looking statements include statements regarding future financial performance and the expectations of FCA and PSA (the "Parties") as to the achievement of certain targeted metrics at any future date or for any future period are forward-looking statements. These statements may include terms such as "may", "will", "expect", "could", "should", "intend", "estimate", "anticipate", "believe", "remain", "on track", "design", "target", "objective", "goal", "forecast", "projection", "outlook", "prospects", "plan", or similar terms. Forward-looking statements are not guarantees of future performance. Rather, they are based on the Parties' current state of knowledge, future expectations and projections about future events and are by their nature, subject to inherent risks and uncertainties. They relate to events and depend on circumstances that may or may not occur or exist in the future and, as such, undue reliance should not be placed on them.

Actual results may differ materially from those expressed in forward-looking statements as a result of a variety of factors, including: the ability of PSA and FCA and/or the combined group resulting from the proposed transaction (together with the Parties, the "Companies") to launch new products successfully and to maintain vehicle shipment volumes; changes in the global financial markets, general economic environment and changes in demand for automotive products, which is subject to cyclicality; changes in local economic and political conditions, changes in trade policy and the imposition of global and regional tariffs or tariffs targeted to the automotive industry, the enactment of tax reforms or other changes in tax laws and regulations; the Companies' ability to expand certain of their brands globally; the Companies' ability to offer innovative, attractive products; the Companies' ability to develop, manufacture and sell vehicles with advanced features including enhanced electrification, connectivity and autonomous-driving characteristics; various types of claims, lawsuits, governmental investigations and other contingencies, including product liability and warranty claims and environmental claims, investigations and lawsuits; material operating expenditures in relation to compliance with environmental, health and safety regulations; the intense level of competition in the automotive industry, which may increase due to consolidation; exposure to shortfalls in the funding of the Parties' defined benefit pension plans; the ability to provide or arrange for access to adequate financing for dealers and retail customers and associated risks related to the establishment and operations of financial services companies; the ability to access funding to execute the Companies' business plans and improve their businesses, financial condition and results of operations; a significant malfunction, disruption or security breach compromising information technology systems or the electronic control systems contained in the Companies' vehicles; the Companies' ability to realize anticipated benefits from joint venture arrangements; disruptions arising from political, social and economic instability; risks associated with our relationships with employees, dealers and suppliers; increases in costs, disruptions of supply or shortages of raw materials; developments in labor and industrial relations and developments in applicable labor laws; exchange rate fluctuations, interest rate changes, credit risk and other market risks; political and civil unrest; earthquakes or other disasters; uncertainties as to whether the proposed business combination discussed in this document will be consummated or as to the timing thereof; the risk that the announcement of the proposed business combination may make it more difficult for the Parties to establish or maintain relationships with their employees, suppliers and other business partners or governmental entities; the risk that the businesses of the Parties will be adversely impacted during the pendency of the proposed business combination; risks related to the regulatory approvals necessary for the combination; the risk that the operations of PSA and FCA will not be integrated successfully and other risks and uncertainties.

Any forward-looking statements contained in this communication speak only as of the date of this document and the Parties disclaim any obligation to update or revise publicly forward-looking statements. Further information concerning the Parties and their businesses, including other risk factors associated with the business combination, will be more fully discussed in the prospectus that will be included in the registration statement on Form F-4 that will be filed with the SEC.

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