

2021

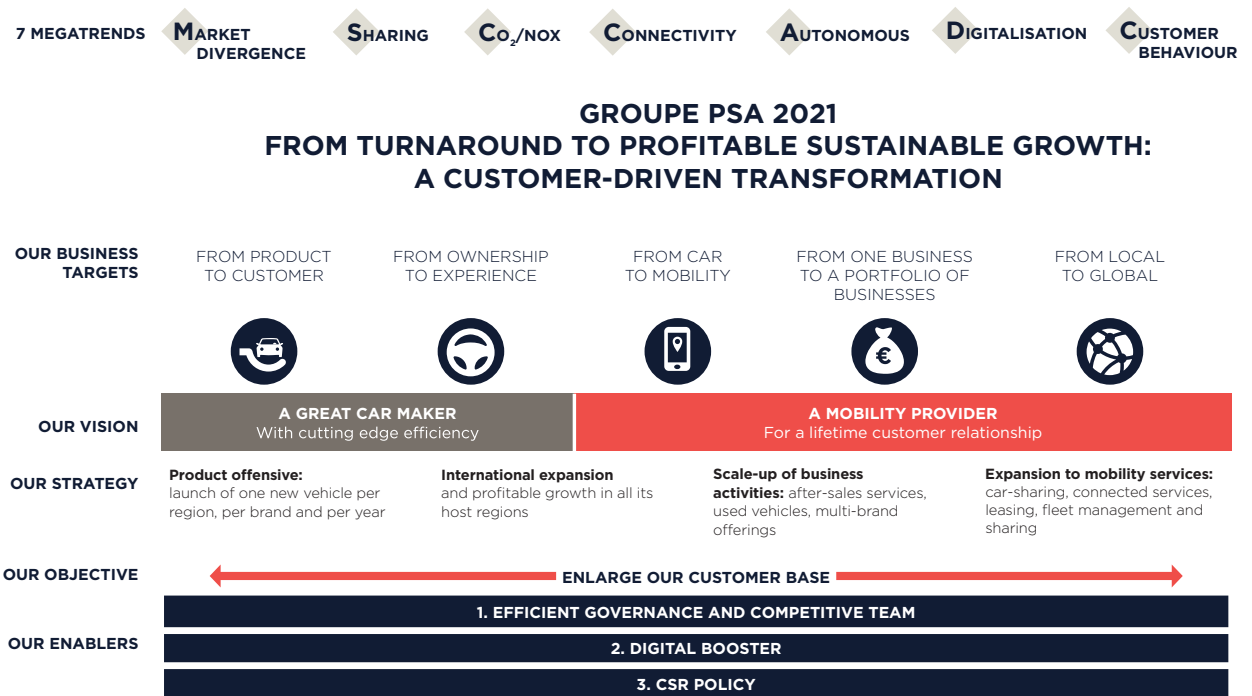
UNIVERSAL REGISTRATION DOCUMENT

Including the annual financial report



2021

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.

1.5.4.2.2. 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
<p>[DPEF.B] [DV.4] Health, safety and well-being in the workplace</p> <p>Following a risk analysis, Groupe PSA selected the following five priorities on which to base its health and safety prevention policy:</p> <ul style="list-style-type: none"> › psychosocial risks; › musculoskeletal disorders (MSD); › chemical risks; › road safety risks; › dangerous behaviour or hazardous situations at workstations. <p>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.</p>	<p>As part of its responsible development ambition, the Group leverages an Occupational Safety and Health Management System (OSHMS).</p> <p>The OSHMS aim:</p> <ul style="list-style-type: none"> › to reduce risk of workplace accidents and occupational illnesses; › to improve safety and well-being at work, particularly through stress detection measures. <p>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)</p>

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 CO₂ 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 CO₂ emissions by around 15% compared to a vehicle powered entirely by an internal combustion engine.

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 CO₂ 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 CO₂ 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.

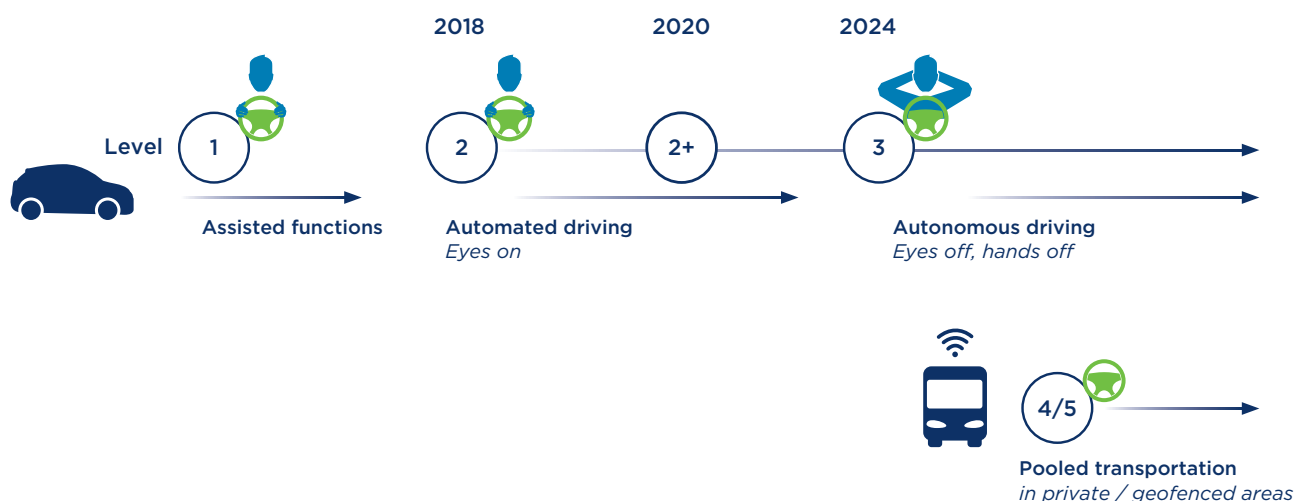
Groupe PSA is a pioneer in the development of V2X technology, where V means vehicle and X refers to infrastructure, vehicles, pedestrians, etc.). Road tests and public demonstrations have been carried out since early 2018 to assess the advanced performances of this technology in order to improve road 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.



CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019



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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

<i>(in million euros)</i>	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
<i>Attributable to Owners of the parent</i>		<i>3,201</i>	<i>2,827</i>	<i>1,924</i>
<i>Attributable to Non controlling interests</i>		<i>383</i>	<i>468</i>	<i>423</i>

<i>(in euros)</i>	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.



5.3. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets <i>(in million euros)</i>	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 <i>(in million euros)</i>	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.



5.4. CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in million euros)</i>	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							Equity - Attributable to Owners of the parent	Non controlling interests	Total equity
	Share capital	Treasury shares	Retained earnings excluding revaluations	Cash flow hedges	Reme- asurement of the fair value of financial assets	Actuarial gains and losses on pension obligations	Effect of changes in exchange rates			
<i>(in million euros)</i>										
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

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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

GRUPE 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.

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

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 <i>(in million euros)</i>	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 <i>(in million euros)</i>	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.

<i>(in million euros)</i>	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:

<i>in € million</i>	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 liabilities	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			
	Peugeot Citroën DS ⁽¹⁾	Opel Vauxhall ⁽¹⁾	Automotive Equipment	Other Businesses	100%	Reconciliation	Eliminations and unallocated	Total
<i>(in million euros)</i>								
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
<i>Attributable to Owners of the parent</i>			272		398	-		3,201
<i>Attributable to Non controlling interests</i>			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 these columns are displayed before elimination of the inter-company operations between PCD and OV segments.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Notes to the Consolidated Financial Statements at 31 December 2019

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			
	Peugeot Citroën DS ⁽¹⁾	Opel Vauxhall ⁽¹⁾	Automotive Equipment	Other Businesses	100%	Reconciliation	Eliminations and unallocated	Total
<i>(in million euros)</i>								
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
<i>Attributable to Owners of the parent</i>			<i>324</i>		<i>336</i>	<i>10</i>		<i>2,827</i>
<i>Attributable to Non controlling interests</i>			<i>469</i>		<i>338</i>	<i>(340)</i>		<i>468</i>
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 these columns are displayed 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			
	Peugeot Citroën DS ⁽¹⁾	Opel Vauxhall ⁽¹⁾	Automotive Equipment	Other Businesses	100%	Reconci- liation	Eliminations and unallocated	Total
<i>(in million euros)</i>								
Revenue								
› third parties	40,281	6,864	14,993	2	1,347	(1,231)		62,256
› intragroup, intersegment	454	374	1,969	88	129	(106)	(2 908)	-
Total	40,735	7,238	16,962	90	1,476	(1,337)	(2,908)	62,256
Adjusted operating income (loss)	2,966	(179)	1,156	23	632	(618)	(2)	3,978
Restructuring costs			(86)		(1)	1	(865)	(951)
Impairment of CGUs					-	-	(96)	(96)
Other operating income (expense)			(10)		(11)	11	153	143
Operating income (loss)			1,060		620	(606)	2,000	3,074
Net financial income (expense)			(131)		4	(1)	(110)	(238)
Income taxes expense			(261)		(204)	194	(428)	(699)
Share in net earnings of equity method investments	(55)	-	35	11	17	209	-	217
Consolidated profit (loss) from continuing operations			703		437	(204)		2,354
Consolidated profit (loss) from discontinued operations			(7)					(7)
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD			696		437	(204)		2,347
<i>Attributable to Owners of the parent</i>			279		226	1		1,924
<i>Attributable to Non controlling interests</i>			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 these columns are displayed 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 <i>(in million euros)</i>	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 <i>(in million euros)</i>	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.



CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Notes to the Consolidated Financial Statements at 31 December 2019

31 december 2018

Assets <i>(in million euros)</i>	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

31 december 2018

Equity and liabilities <i>(in million euros)</i>	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

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Notes to the Consolidated Financial Statements at 31 December 2019

31 december 2017

Assets <i>(in million euros)</i>	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

31 december 2017

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





4.3. CONSOLIDATED STATEMENTS OF CASH FLOWS

	31 December 2019				
<i>(in million euros)</i>	Automotive	Automotive Equipment	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 activities of continuing operations	(3,417)	(2,359)	(63)	(133)	(5,972)
Net cash from(using in) financing activities of continuing operations	(2,767)	729	(97)	1,826	(309)
Effect of changes in exchange rates	(45)	5	1	18	(21)
Increase (Decrease)in net cash from continuing operations and held for sale or to be continued in partnership	314	214	(12)	1,887	2,403
Net cash and cash equivalents at beginning of the period	1,212	2,108	462	11,620	15,402
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,526	2,322	449	13,508	17,805

	31 December 2018				
<i>(in millions euros)</i>	Automotive	Automotive Equipment	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 activities of continuing operations	(3,366)	(1,313)	(18)	(42)	(4,739)
Net cash from(using in) financing activities of continuing operations	(3,248)	160	-	3,081	(7)
Effect of changes in exchange rates	(2)	(20)	-	(22)	(44)
Increase (Decrease)in net cash from continuing operations and held for sale or to be continued in partnership	140	543	148	2,774	3,605
Net cash and cash equivalents at beginning of the period	1,072	1,566	314	8,845	11,797
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,212	2,108	462	11,620	15,402

	31 December 2017				
<i>(in million euros)</i>	Automotive	Automotive Equipment	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 activities of continuing operations	(1,639)	(1,613)	(535)	(1,369)	(5,156)
Net cash from(using in) financing activities 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 programmes covered by specific customer orders. Where development costs are paid in proportion to parts delivered to the customer, with their full recovery being subject to an unguaranteed minimum level of orders placed by the customer, the costs incurred during the period between the customer's acceptance of the commercial offer and the start-of-production date of the parts or modules are recognised in intangible assets. The intangible asset is amortised based on the quantity of parts delivered to the customer, provided that accumulated amortisation at each year-end does not represent less than the amount that would be recognised if the asset were amortised on a straight-line basis over five years. If the contract includes a payment guarantee, the development expenditure is recognized in inventories and work-in-progress.

B. Research and development expenses, net

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

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

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

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

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

5.4. RESTRUCTURING COSTS

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

In 2019, 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.

<i>(in million euros)</i>	31/12/2019			31/12/2018			31/12/2017		
	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.

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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)

(in million euros)	2019					2018					2017				
	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

(in million euros)	2019					2018					2017				
	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						
Outstanding 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)
Outstanding 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)
Outstanding 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)
OUTSTANDING SHARES UNVESTED AT 31 DECEMBER 2019	-	1,014,000	2,452,000	2,524,500	3,081,500	9,072,000

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

Performance share plans – Share-based compensation costs

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

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

(a) 2015 performance share plan

A performance share plan was established in 2015. The vesting period ended on 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 CO₂ emissions.

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

Given these objectives, the shares will be acquired in two equal portions on 23 May 2022 and 23 May 2023, subject to a condition of presence at the date of 31 December that precedes the 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 year 2019, 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:

(number of shares)	Maximum number of performance shares ⁽¹⁾ due if:	
	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.

<i>(in million euros)</i>	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:

<i>(number of options)</i>	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			
	Goodwill	Development expenditure	Brands, software and other intangible assets	Intangible assets
(in million euros)				
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			
	Goodwill	Development expenditure	Brands, software and other intangible assets	Intangible assets
(in million euros)				
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			
	Goodwill	Development expenditure	Brands, software and other intangible assets	Intangible assets
(in million euros)				
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 million 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 Citroën 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).

(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.

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:

(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					Total
	Land and buildings	Plant and equipment	Leased vehicles ⁽¹⁾	Fixtures, fittings and other	Assets under construction	
<i>(in million euros)</i>						
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
<i>Gross value</i>	6,485	34,372	4,095	1,328	1,664	47,944
<i>Accumulated depreciation and impairment</i>	(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					Total
	Land and buildings	Plant and equipment	Leased vehicles ⁽²⁾	Fixtures, fittings and other	Assets under construction	
<i>(in million euros)</i>						
Net						
At beginning of period	2,309	5,654	3,299	340	1,616	13,218
Purchases/additions ⁽¹⁾	100	1,040	-	99	1,278	2,517
Depreciation for the year	(188)	(1,329)	(14)	(96)	-	(1,627)
Impairment losses	(14)	(27)	-	-	3	(38)
Disposals	(118)	(78)	-	(19)	-	(215)
Transfers and reclassifications	22	546	-	39	(607)	-
Change in scope of consolidation and other ⁽²⁾	104	559	266	47	(639)	337
Translation adjustment	(12)	(20)	(4)	(2)	(18)	(56)
AT PERIOD-END	2,203	6,345	3,547	408	1,633	14,136
<i>Gross value</i>	6,570	33,014	3,841	1,165	1,657	46,247
<i>Accumulated depreciation and impairment</i>	(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.

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<i>(in million euros)</i>	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
<i>Gross value</i>	<i>6,766</i>	<i>31,853</i>	<i>3,537</i>	<i>958</i>	<i>1,647</i>	<i>44,761</i>
<i>Accumulated depreciation and impairment</i>	<i>(4,457)</i>	<i>(26,199)</i>	<i>(238)</i>	<i>(700)</i>	<i>(31)</i>	<i>(31,625)</i>

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

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

C. Rights of use

<i>(in million euros)</i>	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
<i>Gross value</i>	<i>1,650</i>	<i>143</i>	<i>183</i>	<i>1,976</i>
<i>Accumulated depreciation and impairment</i>	<i>(255)</i>	<i>(34)</i>	<i>(52)</i>	<i>(341)</i>

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 depreciations 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

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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 consolidation 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 GEFECO.

11.1. CHANGES IN THE CARRYING AMOUNT OF EQUITY METHOD INVESTMENTS

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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.



CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Notes to the Consolidated Financial Statements at 31 December 2019

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
<i>Of which cash and cash equivalents</i>	<i>186</i>	<i>213</i>	<i>1,691</i>	<i>1,453</i>	<i>1,675</i>	<i>13,196</i>
Liabilities						
Non-current liabilities (excluding equity)	157	35	43	1,229	277	338
<i>Of which non-current financial liabilities</i>	<i>157</i>	<i>35</i>	<i>43</i>	<i>1,229</i>	<i>277</i>	<i>338</i>
Current liabilities	2,127	2,213	3,731	16,637	17,429	29,106
<i>Of which current financial liabilities</i>	<i>766</i>	<i>476</i>	<i>511</i>	<i>5,987</i>	<i>3,749</i>	<i>3,685</i>
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 (LOSS) 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 (LOSS) 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%

<i>(in million euros)</i>	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%

<i>(in million euros)</i>	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
<i>of which Non controlling interests</i>	-	-	-
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:

<i>(in million euros)</i>	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 in 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:

<i>(in million euros)</i>	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 payable	(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)

<i>(in million euros)</i>	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.

<i>(in million euros)</i>	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)
<i>Of which Automotive division and Other Businesses</i>	<i>(162)</i>	<i>(249)</i>	<i>(216)</i>
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

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

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

<i>(in million euros)</i>	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

(in million euros)	31 December 2019		31 December 2018		31 December 2017	
	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:

<i>(in million euros)</i>	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
<i>o/w deposits with finance companies</i>	-	(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

<i>(in million euros)</i>	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	
	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		Issuing currency	Due
	Non-current	Current		
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:

(in million euros)	31 December 2019		31 December 2018		31 December 2017	
	Total receivables sold to non-Group financial institutions	Portion sold but not derecognised	Total receivables sold to non-Group financial institutions	Portion sold but not derecognised	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.

31 December 2019 (in million euros)			Undiscounted contractual cash flows					
	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.



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⁾
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(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.

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Notes to the Consolidated Financial Statements at 31 December 2019

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

<i>(in million euros)</i>	31 December 2019				
	Intraday to 1 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

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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).

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Notes to the Consolidated Financial Statements at 31 December 2019

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:

<i>(in million euros)</i>	31 December 2019								
	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)

<i>(in million euros)</i>	31 December 2018								
	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)

<i>(in million euros)</i>	31 December 2017								
	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:

<i>(in million euros)</i>	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:

<i>(in million euros)</i>	31 December 2019				
	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		
	Assets	Liabilities		< 1 year	2 to 5 years	> 5 years
<i>(in million euros)</i>						
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	-
<i>Of which:</i>						
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.

<i>(in million euros)</i>	31 December 2018					
	Carrying amount		Notional amount	Maturity		
	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	-
<i>Of which:</i>						
TOTAL FAIR VALUE HEDGES	69	(33)	4,570	4,410	160	-
TOTAL CASH FLOW HEDGES	53	(48)	5,177	4,490	687	-

<i>(in million euros)</i>	31 December 2017					
	Carrying amount		Notional amount	Maturity		
	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	-
<i>Of which:</i>						
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

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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		
	Carrying amount	Fair value	Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
<i>(in million euros)</i>					
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		
	Carrying amount	Fair value	Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
<i>(in million euros)</i>					
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.

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	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
<i>(in million euros)</i>					
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

	31 December 2019		31 December 2018		31 December 2017	
	At fair value through profit or loss	At fair value through other comprehensive income	At fair value through profit or loss	At fair value through other comprehensive income	At fair value through profit or loss	At fair value through other comprehensive income
<i>(en millions d'euros)</i>						
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	
	At fair value through profit or loss	At fair value through other comprehensive income	At fair value through profit or loss	At fair value through other comprehensive income	At fair value through profit or loss	At fair value through other comprehensive income
<i>(in million euros)</i>						
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		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<i>(in million euros)</i>					
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					
<i>(in million euros)</i>					
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					
<i>(in million euros)</i>					
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		
	Income Statement Impact	Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
<i>(in million euros)</i>				
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)

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	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

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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
<i>Amounts due to Group manufacturing and sales companies</i>	-	(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.

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

<i>(in million euros)</i>	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		
	Carrying amount	Fair value	Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
<i>(in million euros)</i>					
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		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<i>(in million euros)</i>					
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		
	Income Statement Impact	Instruments at fair value through profit or loss	At fair value through other comprehensive income	Instruments at amortised cost
<i>(in million euros)</i>				
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.

<i>(in million euros)</i>	2019	2018	2017
Income (loss) before tax of fully-consolidated companies	4,324	3,954	2,836
<i>French statutory income tax rate for the period</i>	<i>34.4%</i>	<i>34.4%</i>	<i>34.4%</i>
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)
<i>Effective tax rate applicable to the Group</i>	<i>25.9%</i>	<i>31.9%</i>	<i>21.9%</i>
‣ 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)
<i>Effective tax rate applicable to the Group after recognition of deferred taxes losses</i>	<i>16.6%</i>	<i>15.6%</i>	<i>24.6%</i>

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

<i>(in million euros)</i>	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)

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Notes to the Consolidated Financial Statements at 31 December 2019

<i>(in million euros)</i>	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)
Deferred 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 POSITION	368	255	(88)

B. Changes in deferred tax positions by nature

<i>(in million euros)</i>	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



<i>(in millions euros)</i>	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

<i>(in million euros, measured by current actual tax rates)</i>	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.

(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

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:

<i>(number of shares)</i>	2019	2018	2017
	Transactions	Transactions	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

<i>(in million euros)</i>	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:

<i>(in million euros)</i>	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:

<i>(in million euros)</i>	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 (<i>in million euros</i>)	3,201	2,827	1,931
Consolidated basic earnings - attributable to the Owners of the parent (<i>in million euros</i>)	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 (<i>in euros</i>)	3.58	3.16	2.18
Basic earnings per €1 par value share (<i>in euros</i>) - 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

<i>(in million euros)</i>	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 (<i>in euros</i>)	3.40	3.01	2.05



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

<i>(in million euros)</i>	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 <i>(in euros)</i>	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

<i>(in million euros)</i>	Notes	31 December 2019	31 December 2018	31 December 2017
Cash and cash equivalents	<i>12.4.B</i>	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	<i>13.2.C</i>	454	466	320
Other		(3)	(4)	(6)
Net cash and cash equivalents - finance companies		451	462	314
<i>Elimination of intragroup transactions</i>		-	(1)	(8)
TOTAL		17,805	15,402	11,797

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

<i>(in million euros)</i>	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 investments		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:

<i>(in million euros)</i>	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

<i>(in million euros)</i>	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
<i>Net cash flows with Group finance companies</i>	-	-	(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:

<i>(in million euros)</i>	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		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<i>(in million euros)</i>									
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
<i>o/w France</i>	2.1	1.4	1.9	3.5	5.3	2.5	-	4.1	1.1
<i>o/w International</i>	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
<i>o/w France</i>	0.2	0.1	0.1	0.5	0.9	0.8	0.1	0.8	0.9
<i>o/w International</i>	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	Companies	Country	% share
Other Businesses			Clicars Spain SL	Spain	64
Peugeot S.A.	France	100	Conception d'Équipement Peugeot Citroën - CEPC	France	100
Financière Pergolèse	France	100	Automobiles Peugeot	France	100
GIE PSA Trésorerie	France	100	Française de Mécanique	France	100
Grande Armée Participations	France	100	Mister AUTO	France	100
PSA Ventures	France	100	Automobiles Citroën	France	100
Sté Anonyme de Réassurance Luxembourgeoise - SARAL	Luxembourg	100	SNC - Société Mécanique Automobile de l'Est - SMAE	France	100
PSA International S.A.	Switzerland	100	PSA VO France	France	100
Groupe GEFCO	France	25*	SNC Peugeot Poissy	France	100
Automotive Peugeot Citroën DS			PSA Retail France SAS	France	100
PSA Automobiles SA	France	100	SEVELNORD	France	100
Peugeot Citroën South-Africa	South Africa	100	GEIE Sevelind	France	100
Peugeot Algérie S.p.A.	Algeria	100	Citroën Dunkerque	France	100
Peugeot Citroën Production Algérie Spa	Algeria	49	Société Lyonnaise de Pièces et Services Automobile	France	100
Peugeot Deutschland GmbH	Germany	100	Est PR	France	100
Citroën Deutschland AG	Germany	100	Mhiri Innovation	France	100
PSA Services Deutschland GmbH - DFCA	Germany	100	Autobiz	France	71
PSA Retail GmbH	Germany	100	CELOR	France	71
Circulo de Inversiones S.A. - CISA	Argentina	100	ARAMIS SAS	France	71
Peugeot-Citroën Argentina S.A.	Argentina	100	Peugeot Citroën Sochaux	France	100
PCA Asesores de seguros S.A.	Argentina	98	Peugeot Citroën Mulhouse	France	100
Citroën Österreich GmbH	Austria	100	Peugeot Citroën Rennes	France	100
Peugeot Austria GmbH	Austria	100	Mécaniques et Bruts du Nord-Ouest	France	100
PSA Retail Austria GmbH	Austria	100	Mécaniques et Bruts du Grand Est	France	100
Peugeot Belgique Luxembourg	Belgium	100	Peugeot Media Production	France	100
S.A. Peugeot Distribution Service	Belgium	100	SNC PC PR	France	100
Citroën Belux	Belgium	100	SCDPRS (Société Commerciale de Distribution Pièces de Rechange et Services)	France	100
Datosco	Belgium	67	SPSAO (Société de Pièces et Services Automobile de l'Ouest)	France	100
DATOS	Belgium	67	D.J. - 56	France	100
PCI do Brasil Limitada	Brazil	100	Société Lilloise de Services et de Distribution Automobile de Pièces de Rechange	France	100
Peugeot Citroën do Brasil Automoveis	Brazil	100	Pièces et Entretien Automobile Bordelais	France	100
PSA Ventures Serviços de Mobilidade Urbana Ltda	Brazil	100	PSA ID	France	100
PSA Chile S.A.	Chile	100	PCA Motors Private Ltd.	India	100
Automotores Franco Chilena S.A.	Chile	100	PCA Automobiles India Private Limited	India	87
PSA Management Co Ltd (Shanghai)	China	100	PSA AVTEC Powertrain Private Ltd.	India	57
Peugeot Citroën (CHINA) Automotive Trade Co	China	100	Peugeot Citroën Retail Italia S.p.A.	Italy	100
PSA (Wuhan) Management Co., Ltd.	China	100	Peugeot Automobili Italia	Italy	100
Shanghai Jianxin Enterprise Management Co. Ltd.	China	67	Citroën Italia Spa	Italy	100
PSAG Automóviles Comercial España, S.A.	Spain	100	PSA Services SRL - DFCl	Italy	100
Peugeot Citroën Automóviles España	Spain	100	Peugeot Citroën Japan K.K.	Japan	100
Placas de Piezas y Componentes de Recambios (PPCR)	Spain	100	Peugeot Tokyo	Japan	100
Plataforma Comercial de Retail, S.A.U.	Spain	97			

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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-Citroën Automobiles UK	United Kingdom	100
Robins and Day Ltd.	United Kingdom	100
Melvin Motors (Bishopbriggs) Ltd.	United Kingdom	100
WarWick Wright Motors Chiswick Ltd.	United Kingdom	100
Rootes Ltd.	United Kingdom	100
Go Motor Retailing Ltd.	United Kingdom	100
Peugeot Citroën Rus	Russia	100
PSA Automobile International Pte. Ltd.	Singapour	100
PSA Services Centre Europe S r o	Slovakia	100
Peugeot 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 Republic	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	Companies	Country	% share
Faurecia Angell Demmel Ges.m.b.H.	Autria	46.34	Faurecia Emissions Control Technologies (Ningbo) Co Ltd.	China	46.34
Faurecia Automotive Belgium	Belgium	46.34	Faurecia NHK (Xingyang) Automotive Seating Co Ltd.	China	23.63
Faurecia Industrie NV	Belgium	46.34	Foshan Faurecia Xuyang Interior Systems Co Ltd.	China	27.80
Faurecia Automotive do Brasil	Brazil	46.34	CSM Faurecia Automotive Parts Co Ltd.	China	23.17
FMM Pernambuco Componentes Automotivos, Ltda	Brazil	23.63	Faurecia Emissions Control Technologies (Foshan) Co Ltd.	China	23.63
Clarion do Brasil Ltda.	Brazil	46.34	Shanghai Faurecia Automotive Seating Co Ltd.	China	25.48
Faurecia Emissions Control Technologies Canada Ltd.	Canada	46.34	Changsha Faurecia Emissions Control Technologies Co Ltd.	China	46.34
Clarion Canada Inc.	Canada	46.34	Faurecia (Tianjin) Automotive Systems Co., Ltd.	China	23.63
Faurecia Tongda Exhaust System (Wuhan) Co Ltd.	China	23.17	Faurecia Exhaust Systems Qingpu Co., Ltd.	China	46.34
Faurecia Exhaust Systems Changchun Co Ltd.	China	23.63	Faurecia (Jimo) Emissions Control Technologies Co., Ltd.	China	46.34
Faurecia Honghu Exhaust Systems Shanghai Co Ltd.	China	30.58	Faurecia Yinlun Emissions Control Technology (Weifang) Co. Ltd.	China	24.09
Faurecia PowerGreen Emissions Control Technologies Co. Ltd.	China	46.34	Faurecia (Tianjin) Emission Control Technology Co Ltd.	China	23.63
Faurecia Emissions Control Technologies (Ningbo Hangzhou Bay New District) Co. Ltd.	China	30.58	Tianjin Faurecia Xuyang Automotive Seat Co Ltd.	China	27.80
Faurecia (Wuxi) Seatings Components Co Ltd.	China	46.34	Faurecia (Changshu) Automotive Systems Co., Ltd.	China	25.48
Changchun Faurecia Xuyang Automotive Seatings (CFXAS)	China	27.80	Faurecia Liuzhou Automotive Seating Co., Ltd.	China	23.17
Faurecia GSK (Wuhan) Automotive Seating Co Ltd.	China	23.63	Dongfeng Faurecia Emissions Control Technologies Co., Ltd.	China	23.17
Faurecia (Changchun) Automotive Systems Co	China	46.34	Jiangxi Faurecia Coagent Electronics Co., Ltd.	China	46.34
Faurecia Emissions Control Technologies Development (Shanghai) Co Ltd.	China	46.34	Faurecia (Hangzhou) Automotive Systems Co., Ltd.	China	46.34
Faurecia (Quigdao) Exhaust Systems Co Ltd.	China	46.34	Faurecia (Liuzhou) Automotive Interior Systems Co., Ltd.	China	23.17
Faurecia (Shanghai) Automlotive Systems Co Ltd.	China	46.34	Shenzhen Faurecia Automotive Parts Co., Ltd.	China	32.44
Faurecia (China) Holding Co	China	46.34	Guangdong Coagent Global S&T Co., Ltd.	China	46.34
Dongfeng Faurecia Automotive Interior Systems Co. Ltd.	China	23.17	Faurecia Emissions Control Technologies (Chongqing) Co Ltd.	China	33.59
Faurecia (Guangzhou) Automotive Systems Co Ltd.	China	46.34	Faurecia Emissions Control Technologies (Yantai) Co Ltd.	China	46.34
Faurecia Emissions Control Technologies (Chengdu) Co Ltd.	China	23.63	Faurecia Chongqing Zhuotong Automotive Interior System Co., Ltd.	China	23.17
Faurecia (Nanjing) Automotive Systems Co Ltd.	China	46.34	Shanghai Faurecia Automotive Seating component Co., Ltd.	China	25.48
Faurecia (Wuhan) Automotive Components Systems Co Ltd.	China	46.34	Parrot Automotive Shenzhen	China	46.34
Changchung Faurecia Xuyang Interiors Systems Co Ltd.	China	27.80	HUG Engineering Shanghai Co., Ltd.	China	46.34
Faurecia (Shenyang) Automotive Systems Co Ltd.	China	46.34	Dongguan Clarion Orient Electronics Co., Ltd.	China	46.34
Zhesiang Faurecia Limin Interior & Exterior Systems Co Ltd.	China	46.34	Xiamen Clarion Electrical Enterprise Co., Ltd.	China	46.34
Chengdu Faurecia Limin Automotive Systems Co Ltd.	China	41.79	Chengdu Faurecia Xuyang Automotive Seat Co. Ltd.	China	27.80
Faurecia (Yancheng) Automotive Systems Co Ltd.	China	46.34	Faurecia Emissions Control Systems Korea Ltd.	Korean	46.34
Faurecia Emissions Control Technologies (Beijing) Co Ltd.	China	46.34	FCM Yeongcheon	Korean	46.34
Faurecia Emissions Control Technologies (Nanchang) Co Ltd.	China	23.63	FAS Yeongcheon	Korean	46.34
			Amminex Emissions Technology AS	Danemark	42.40

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Companies	Country	% share	Companies	Country	% share
Faurecia Sistemas de Escape España SA	Spain	46.34	Faurecia Automotive Holdings	France	46.34
Faurecia Asientos para Automovil España SA	Spain	46.34	Faurecia Automotive Industrie SNC	France	46.34
Asientos del Norte SA	Spain	46.34	Faurecia Intérieur Industrie SNC	France	46.34
Asientos de Castilla Leon SA	Spain	46.34	Faurecia Intérieurs Mornac - France	France	46.34
Tecnoconfort	Spain	23.17	Faurecia Intérieurs Saint Quentin	France	46.34
Asientos de Galicia SL	Spain	46.34	Faurecia Exhaust International	France	46.34
Faurecia Automotive España SL	Spain	46.34	Faurecia Exhaust International	France	32.44
Faurecia Interior Systems España SA	Spain	46.34	Faurecia Automotives Composites	France	46.34
Faurecia Interior Systems SALC España SL	Spain	46.34	Hanbach Automotive Exteriors	France	46.34
Valencia Modulos de Puertas SL	Spain	46.34	Hennape six	France	46.34
Faurecia Holding España S.L.	Spain	46.34	Parrot Faurecia Automotive	France	46.34
Faurecia Acoustic Spain, S.A.	Spain	46.34	Faurecia Smart Surfaces	France	46.34
Faurecia Emissions Control Technologies Pamplona SL	Spain	46.34	Clarion Europe S.A.S.	France	46.34
Incalplas S. L.	Spain	46.34	Coagent Global Limited	Hong-Kong	46.34
Faurecia Automotive Seating LLC	United States	46.34	Parrot Automotive Asia Pacific Ltd.	Hong-Kong	46.34
Faurecia Madison Automotive Seating Inc.	United States	46.34	Clarion (H.K.) Industries Co., Ltd.	Hong-Kong	46.34
Faurecia USA Holdings Inc.	United States	46.34	Chang Ming Company Limited	Hong-Kong	38.00
Faurecia Emissions Control Systems Inc.	United States	46.34	Faurecia Emissions Control Technologies Hungary KFT	Hungary	46.34
Faurecia Mexico Holdings LLC	United States	46.34	Clarion Hungary Electronics Kft.	Hungary	46.34
Faurecia Interior Systems Inc.	United States	46.34	Faurecia Automotive Seating India Private	India	46.34
Faurecia Interiors Louisville LLC	United States	46.34	Faurecia Interior Systems India Private Ltd.	India	46.34
Faurecia Interior Systems Saline LLC	United States	46.34	Faurecia Emission Control Technologies India Private Ltd	India	34.29
FKN North America Inc.	United States	46.34	Clarion India Pvt, Ltd.	India	46.34
Faurecia North America Holdings LLC	United States	46.34	Faurecia Security Technologies	Israel	46.34
Hug Engineering Inc.	United States	46.34	Hug Engineering Italia S.r.l.	Italy	46.34
Faurecia DMS	United States	46.34	Faurecia Emissions Control Technologies, Italy Srl	Italy	46.34
Faurecia Emissions Control Technologies, USA, LLC	United States	46.34	Faurecia Japan K.K.	Japan	46.34
Clarion Corporation of America	United States	46.34	Faurecia Howa Interiors Co Ltd.	Japan	23.17
ECSA - Études et Construction de Sièges pour l'Automobile	France	46.34	Clarion Co., Ltd.	Japan	46.34
Faurecia Industries	France	46.34	Clarion Sales and Marketing Co., Ltd.	Japan	46.34
Faurecia Systèmes d'Échappements	France	46.34	Clarion Manufacturing and Service Co., Ltd.	Japan	46.34
TRECIA	France	46.34	Faurecia AST Luxembourg SA	Luxembourg	46.34
Faurecia Ventures	France	46.34	Faurecia Acoustic Luxembourg SARL	Luxembourg	46.34
Faurecia Investments	France	46.34	Faurecia Holdings AST Sarl	Luxembourg	46.34
Faurecia Sièges d'Automobile	France	46.34	Crystal Precision (M) Sdn. Bhd.	Malaya	46.34
Faurecia Seating Flers	France	46.34	Faurecia Équipements Automobiles Maroc	Morocco	46.34
SIEMAR	France	46.34	Faurecia Automotive Systems Technologies	Morocco	46.34
SIEDOUBS	France	46.34	Faurecia Automotive Industries Morocco	Morocco	46.34
SIELEST	France	46.34	Faurecia Sistemas Automotrices de Mexico SA de CV	Mexico	46.34
Faurecia Services Groupe	France	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





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Companies	Country	% share	Companies	Country	% share
ET Dutch Holdings BV	The Netherlands	46.34	Faurecia & Summit Interior Systems (Thailand) Co Ltd.	Thailand	23.17
Faurecia Emissions Control Technologies Netherlands BV	The Netherlands	46.34	Faurecia Emission Control Technologies, Thailand Co Ltd.	Thailand	46.34
Faurecia Legnica SA	Poland	46.34	Clarion Asia (Thailand) Co., Ltd.	Thailand	46.34
Faurecia Grojec R&D Center SA	Poland	46.34	Société Tunisienne d'Équipements d'Automobile	Tunisia	46.34
Faurecia Walbrzych SA	Poland	46.34	Faurecia Informatique Tunisie	Tunisia	46.34
Faurecia Automotive Polska SA	Poland	46.34	Faurecia Polifleks Otomotiv Sanayi Ve Ticaret Anonim Sirketi	Turkey	46.34
Faurecia Gorzow SA	Poland	46.34	Faurecia Automotive de Uruguay	Uruguay	46.34
Faurecia Assentos de Automoveis Ltda	Portugal	46.34	Faurecia Vietnam HAIPHONG	Vietnam	46.34
SASAL	Portugal	46.34	SAS Autosystemtechnik GmbH & Co KG	Germany	23.17*
EDA - Estofagem de Assentos Ltda	Portugal	46.34	Dongfeng Faurecia Automotive Parts Sales Company Limited	China	23.17*
Faurecia Sistemas de Escape Portugal Ltda	Portugal	46.34	Chongqing Guangneng Faurecia Interior Systems Co Ltd.	China	23.17*
Faurecia Sistemas de Interior de Portugal, Componentes Para Automoveis SA	Portugal	46.34	Jinan Jidao Automotive Parts Co Ltd.	China	23.17*
Euro Auto Plastic Systems SRL	Roumania	23.17	Changchun Xuyang Acoustics & Soft Trim Co Ltd.	China	18.55*
Faurecia Romania Srl	Roumania	46.34	Changchun Faurecia Xuyang Automotive Components Technologies R&D Co Ltd.	China	20.87*
Faurecia Midlands Ltd.	United Kingdom	46.34	Beijing WKW-FAD Automotive Parts Co., Ltd.	China	23.17*
Faurecia Automotiv Seating UK Ltd.	United Kingdom	46.34	Faurecia Liuzhou Automotive Seating Sales Co., Ltd.	China	23.17*
SAI Automotive Fradley	United Kingdom	46.34	Dongfeng Faurecia (Xiangyang) Emissions Systems Co., Ltd.	China	23.17*
SAI Automotive Washington Ltd.	United Kingdom	46.34	Hongtai Faurecia Composite (Wuhan) Co., Ltd.	China	23.17*
EMCON Technologies UK Ltd.	United Kingdom	46.34	Wuhan Clarion Kotei Software Technology Co., Ltd.	China	11.58*
OOO Faurecia Interior Luga	Russia	46.34	Faurecia (Liuzhou) Emissions Control Technologies Co., Ltd.	China	23.17*
OOO Faurecia Automotive Development	Russia	46.34	Copo Iberica SA	Spain	23.17*
OOO Faurecia Metalloprodukcja Exhaust Systems	Russia	32.44	Componentes de Vehiculos de Galicia SA	Spain	23.17*
OOO Faurecia Automotive Exterior Bumpers	Russia	46.34	INDUSTRIAS COUSIN FRERES, S.L.	Spain	23.17*
Clarion RUS LLC	Russia	46.34	Detroit Manufacturing Systems, LLC	United States	22.70*
Faurecia Automotive Slovakia Sro	Slovakia	46.34	DMS LEVERAGE LENDER (LLC)	United States	22.70*
Faurecia Interior Systems Sweden AB	Sweden	46.34	DMS Toledo, LLC	United States	22.70*
Faurecia CREO	Sweden	33.36	Total Network Manufacturing, LLC	United States	22.70*
Hug Engineering AG	Switzerland	46.34	Automotive Performance Materials (APM)	France	23.17*
Faurecia Switzerland Sàrl	Switzerland	46.34	Symbio	France	23.17*
Clarion (Taiwan) Manufacturing Co., Ltd.	Taiwan	46.34	NHK F. Krishna India Automotive Seating Private Limited	India	8.81*
Covatech Inc.	Taiwan	38.00	Basis Mold India Private Limited	India	17.61*
Faurecia Exhaust Systems S.r.o.	Czech Republic	46.34	LIGNEOS Srl	Italy	23.17*
Faurecia Components Pisek Sro	Czech Republic	46.34	Faurecia NHK Co Ltd.	Japan	23.19*
Faurecia Interiors Pardubice S.R.O	Czech Republic	46.34	Clarion (Malaysia) Sdn. Bhd.	Malaya	20.85*
Faurecia Plzen	Czech Republic	46.34	Steva Mexico SLP, S.A. de C.V.	Mexico	22.70*
Faurecia Interior Systems Bohemia S.R.O	Czech Republic	46.34	Hitachi Automotive Systems San Juan Del Rio, S.A. de C.V.	Mexico	9.27*
Faurecia Automotive Czech Republic S.R.O	Czech Republic	46.34	Vanpro Assentos Ltda	Portugal	23.17*
Faurecia Emissions Control Technologies Mlada Boleslav S.R.O	Czech Republic	46.34	Teknik Malzeme Ticaret ve Sanayi A.S.	Turkey	23.17*
Faurecia Interior Systems (Thailand) Co Ltd.	Thailand	46.34			

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

Notes to the Consolidated Financial Statements at 31 December 2019

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*





5.8. 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
<p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> ▶ 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
<p>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.</p>	<p>Within the framework of our audit of the consolidated financial statements, our work consisted in:</p> <ul style="list-style-type: none"> ▶ 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

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.

Our response

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

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.

Our response

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

Thierry Blanchetier

Charles Desvernois

ERNST & YOUNG et Autres

Laurent Miannay

Ioulia Vermelle

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.

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)	<ul style="list-style-type: none"> ▶ 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)	<ul style="list-style-type: none"> ▶ 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)	<ul style="list-style-type: none"> ▶ 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 <i>inter alia</i> (16th resolution of the 2019 SGM)	<ul style="list-style-type: none"> ▶ 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)	<ul style="list-style-type: none"> ▶ 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)	<ul style="list-style-type: none"> ▶ 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

