2016

# REGISTRATION DOCUMENT

## Including the annual financial report

# CONTENTS



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

PSA GROUPE

# 2016 REGISTRATION DOCUMENT

**including the annual financial report**

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original French version of this Registration Document, which contains all of the information in the Management Report, was filed with the French securities regulator (*Autorité des Marchés Financiers* – AMF) on 3 April 2017, in accordance with the provisions of Article 212-13 of the AMF General Regulations.

It may be used in connection with a financial transaction in conjunction with an Offering Memorandum approved by the AMF. It was prepared by the issuer and is the responsibility of the person whose Signature appears therein.

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

# MESSAGE OF THE **PRESIDENT OF THE MANAGING BOARD**

After achieving the reconstruction of the Company's economic fundamentals with our "Back in the Race" plan in two years, 2016 will have marked a turning point for the PSA Group.

While keeping up the pace and capitalising on our efficiency and agility, we rolled out "Push to Pass", our strategic plan for profitable growth.

This translated into unprecedented results in terms of sales volumes, operating margin, cash position and breakeven point, with twofold profit growth compared to 2015.

The in-depth transformation of our core processes enabled to improve our competitiveness.

Many agreements, particularly in Iran, India, Ethiopia and Vietnam were completed in order to support our international expansion and secure profitable growth.

A ground-breaking product and technology offensive was initiated and the first concrete results are visible: our autonomous vehicle prototypes have already travelled more than 120,000 km, the new Peugeot 3008 was named 2017 car of the year in Europe and we have already recorded over 80,000 orders for the new Citroën C3. The market shares of the Peugeot Expert and Citroën Jumpy in the light commercial vehicle segment are up. Ultimately, the Company now offers a complete range of mobility solutions through its new "Free2Move" brand, with disruptive approaches to second-hand vehicles, after sales and car-sharing.

Group employees can be proud of these results and the progress made in 2016 which reflect both individual and collective commitment every step of the way. The mature social dialogue based on co-construction is now deeply rooted in our Group's DNA.
Thanks to the excellent results achieved in 2016, employees received bonuses in amounts that have been unparalleled for over ten years. Shareholders will also benefit from this performance with the payment of a dividend submitted to the Shareholders' Meeting for the first time since 2011.

In 2017, all the staff will strive to keep up the efforts and roll out the "Push to Pass" plan, while remaining customer-focused in their everyday concerns, both upstream and downstream of the Company's operations.

The PSA Group is more than ever committed to creating value.
We are the agents of our performance and will seize all strategic opportunities to strengthen our foundations and make 2017 yet another year of success!

**CARLOS TAVARES**

## 2016 KEY FIGURES

**54** billion
2016 revenue

**3.146** million units[(1)]
sold worldwide
+5.8% versus 2015

**6**%
recurring operating margin
of the Automotive Division and the Group

**2.7** billion
(free cash flow generated for the period)
+ Net financial position at end-2016 of €6.8 billion

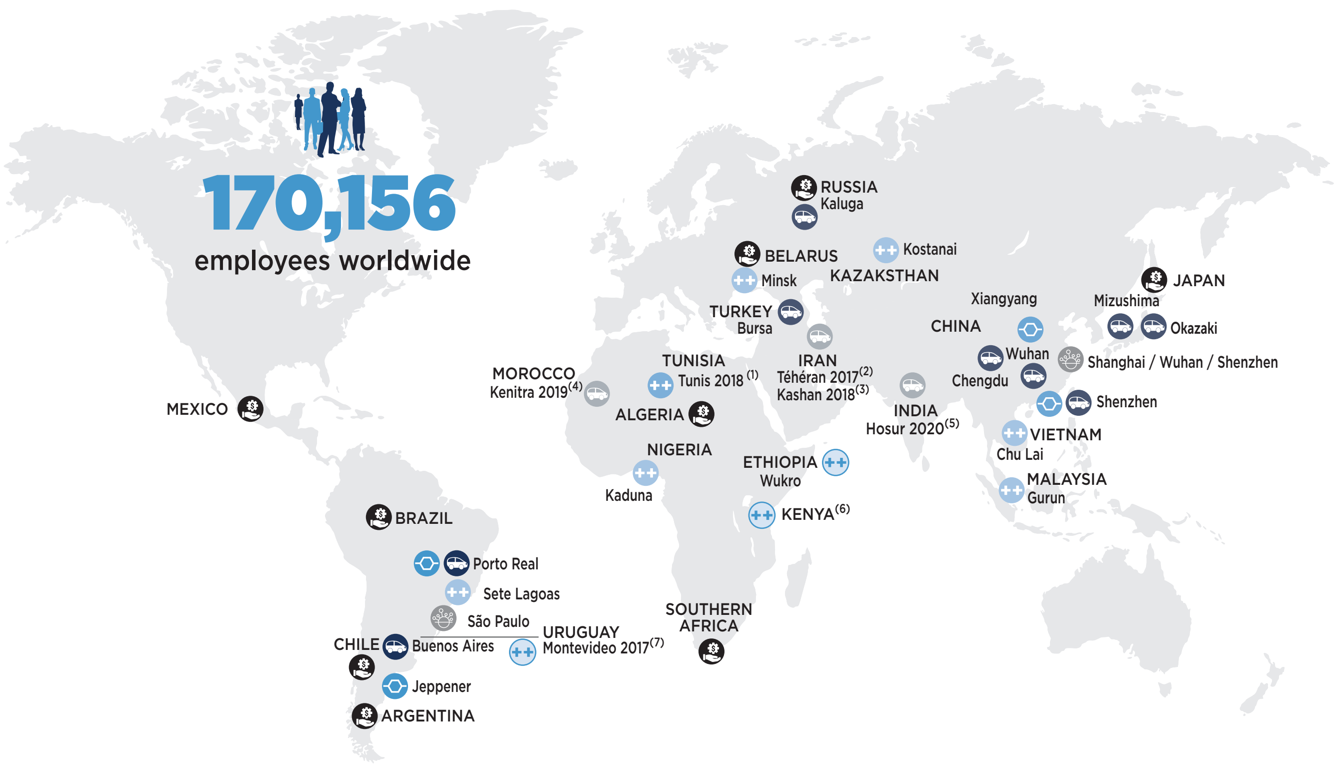
**31** regional launches
by the end of 2017
out of 121 launches planned for 2016-2021

Peugeot **3008**
2017 car of the year

*(1) Of which 233,000 vehicles produced in Iran under Peugeot license in 2016, following the final JV agreement signed with Iran Khodro on 21 June 2016.*

# A GLOBAL PRESENCE...

**170,156**
employees worldwide




# ...A EUROPEAN LEADER

ESTABLISHEMENTS IN FRANCE

- Mulhouse
- Poissy
- Rennes
- Sevelnord
- Sochaux

- Caen
- Charleville-Mézières
- Douvrin (FM)
- Hérimoncourt
- Metz
- Mulhouse
- Saint-Ouen
- Sept-Fons
- Trémery
- Valenciennes
- Vesoul

- Vélizy
- La Ferté-Vidame
- Sochaux
- Belchamp
- La Garenne-Colombes
- Carrières-sous-Poissy


**2nd**
largest car manufacturer in Europe
(10.8% market share PC+LCV)

**18.9%**
market share **in 2016 in Europe for light commercial vehicles**

EUROPEAN LEADER
**102.4** g/KM $CO_2$
**1st leading Group in Europe**
in terms of $CO_2$ emissions

MANUFACTURING LOCATIONS

- Automotive production plant
  - (in joint venture, cooperation or partnership)
  - (in the planning stage)
- Components factory, casting
  - (in joint venture, cooperation or partnership)
- Assembly plant
  - (in the planning stage)

OTHER LOCATIONS

- R&D centre

SALES LOCATIONS

- Countries where the Group operates with a commercial subsidiary

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

**Manufacturing locations in the planning stage**

(1) This Peugeot pick-up assembly project for the Tunisian market is set to start in 2018 - partnership with STAFIM.

(2) The first Peugeot vehicles (208, 2008 and 301) for the region will roll off the production lines of the Tehran plant in 2017 - partnership with Iran Khodro.

(3) The first Citroën models for the Iranian market will roll off the production lines of the Kashan plant in 2018 - partnership with SAIPA.

(4) The first vehicles (segments B and C), meeting the needs of the Moroccan region and customers, will roll off the production lines of the Kenitra plant in 2019.

(5) The first vehicles and powertrains for the Indian market will roll out of the production plants of Tamil Nadu in 2020 - partnership with CK Birla.

(6) This assembly project for the Peugeot 508, followed by the Peugeot 3008 Sport Utility Vehicle, for the Kenyan market, is set to begin in 2017 - partnership with URYSIA.

(7) This assembly project of new Peugeot Expert and Citroën Jumpy vehicles for Argentina and Brazil is scheduled to begin in 2017 - partnership with EASA and Nordex.

# PSA GROUP

# 1.1. HISTORY AND HIGHLIGHTS OF THE COMPANY'S BUSINESS

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

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

In 1978, the Chrysler Corporation sold its European manufacturing and sales operations to Peugeot S.A. In 1980, the newly-acquired companies – which continued to do business under the Talbot brand – were transferred to Automobiles Peugeot.

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

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

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

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

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

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

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

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

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

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

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

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

On 29 July 2016, Faurecia sold its Automotive Exteriors business, comprising bumpers and front end modules, to Compagnie Plastic Omnium. For more details, please refer to Note 2.3.B to the 2016 consolidated financial statements (see Section 5.6 below).

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

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

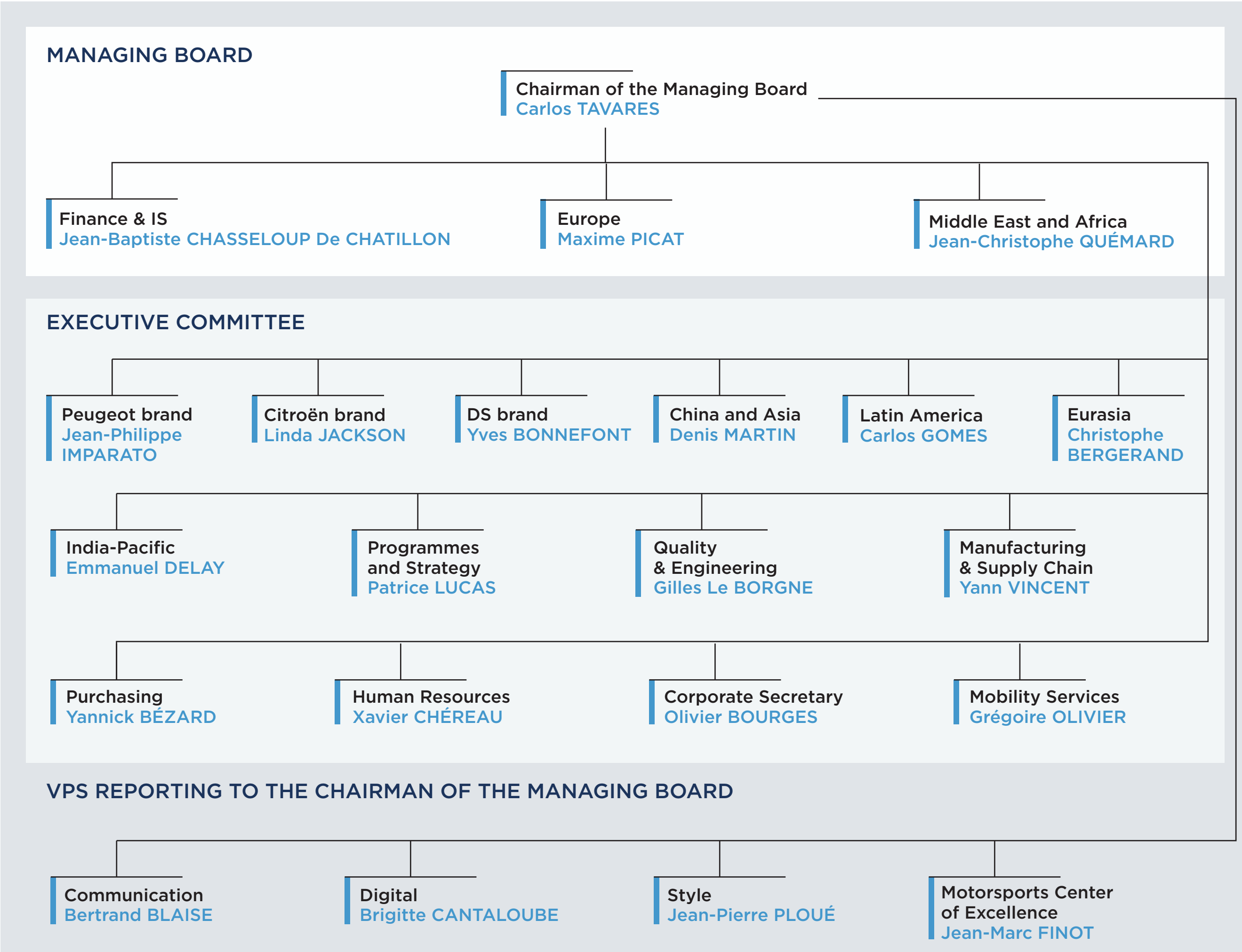
On 25 January 2017, the PSA Group and the CK Birla Group signed joint venture agreements to produce and sell vehicles and components in India by 2020.

On 6 March 2017, General Motors (GM) and the PSA Group announced that they had entered into an agreement under the terms of which the General Motors subsidiary Opel / Vauxhall and the European operations of General Motors Financial would join the PSA Group. For more details, please refer to Section 4.4. Major contracts below.

# 1.2. ORGANISATIONAL STRUCTURE

## 1.2.1. Group organisational structure – functions

The corporate management organisational chart is presented below:




## 1.2.2. Group organisation

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

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

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

Four business line VPs report to the Chairman of the Managing Board.

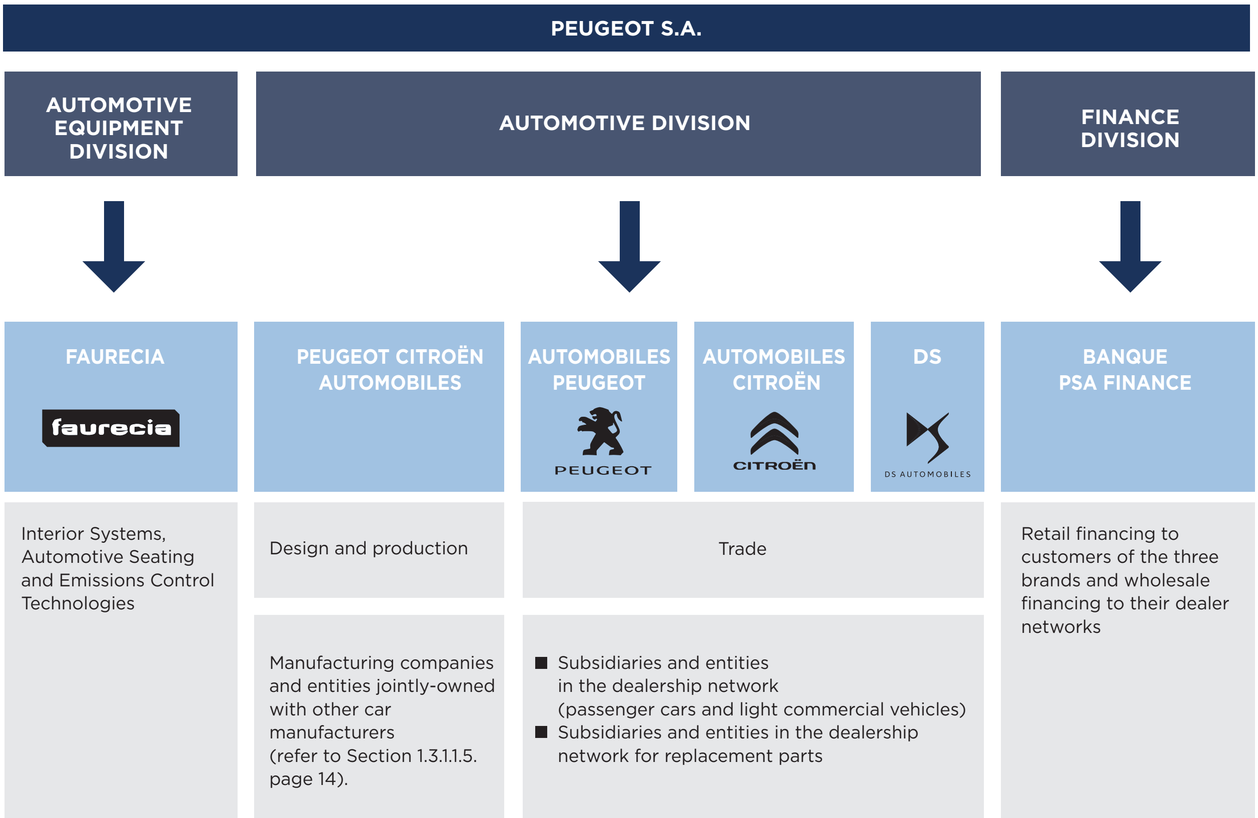
## 1.2.3. Parent-subsidiary relationships

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

Peugeot S.A. has a normal parent company relationship with its subsidiaries. The main events in this relationship are reviewed in the Company's financial statements in Section 6.4. Please refer as well to Note 20 to the 2016 consolidated financial statements for a detailed description of Group related party transactions, in particular with equity-accounted entities.

For further information, please refer to the Statutory Auditors' Special Report on related party agreements and commitments (see Section 6.7 below, page 283).

## 1.2.4. Simplified organisation structure at 31 December 2016




At 31 December 2016, there were 378 entities included in the scope of consolidation. A comprehensive list is found starting on page 252 of the Registration Document.

# 1.3. ACTIVITIES AND STRATEGY

## 1.3.1. Principal tasks of the Group

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

- the Automotive Division, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot, Citroën and DS brands;
- the Automotive Equipment Division, corresponding to the Faurecia Group comprising Interior Systems, Automotive Seating and Emissions Control Technologies;
- the Finance Division, corresponding to the Banque PSA Finance Group (BPF), which provides retail financing to Group customers of the Peugeot, Citroën and DS brands and dealer networks. BPF is classified as a financial institution. Since 2015, the partnerships that have been created since the signature of the framework agreement with Santander Consumer Finance (SCF) in 2014 have been accounted for using the equity method.

The breakdown of revenue and recurring operating income/loss by division is as follows:

| | Revenue | | | Recurring operating income (loss) | | |
|---|---|---|---|---|---|---|
| *(in million euros)* | **2016** | **2015** | **Change** | **2016** | **2015** | **Change** |
| Automobile | 37,066 | 37,514 | (448) | 2,225 | 1,871 | 354 |
| Faurecia | 18,710 | 18,770 | (60) | 970 | 830 | 140 |
| Other businesses and eliminations(1) | (1,746) | (1,608) | (138) | 40 | 32 | 8 |
| **TOTAL** | **54,030** | **54,676** | **(646)** | **3,235** | **2,733** | **502** |
| Group sales *(in thousands of new vehicles)* | 3,146 | 2,973 | 5.8% | | | |

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

Regarding segment information – business segments and principal markets – please refer to Note 3 to the 2016 consolidated financial statements (see Section 5.6 below, page 188).

Information on the revenue and results of the various operating segments is presented in Section 4.1 below, page 138.

### 1.3.1.1. AUTOMOTIVE DIVISION

#### 1.3.1.1.1. Significant events of the sales activities in 2016

**Sales by the PSA Group increased for the third consecutive year**

- In 2016, sales increased by 5.8%, to 3,146,000 units(2).
- The product offensive in the "Push to Pass" plan was launched for the Peugeot and Citroën brands.
- Successful commercial launches for the new Peugeot 3008 SUV, Expert and Traveller, the new Citroën C3, the new Jumpy and SpaceTourer.
- DS Automobiles consolidated its premium brand bases.

In executing its profitable strategic growth "Push to Pass" plan, in 2016 the PSA Group launched the start of a worldwide product offensive that provides for 121 regional launches by 2021.

All the products launched are commercial successes in their market segments:

A perfect illustration of the dynamism of the Peugeot brand, which grew by 12.3% in 2016, **the new Peugeot 3008 SUV** has seen a total of more than 60,000 orders in only three months, exceeding the targets for 2016 orders set before the launch by 70%. Launched in about 30 countries, the roll-out to all regions will continue during the first quarter of 2017. In France, it is already the leader in the C-SUV segment over the final three months of the year. The new Peugeot 3008 SUV confirms the Peugeot brand's move upmarket, with 86% of the orders for the higher trim levels, Allure, GT-Line and GT. Peugeot is continuing its internationalisation, with 43% of its worldwide sales generated outside Europe, an increase of four points compared with 2015.

**The new Peugeot 4008 SUV** launched in November 2016 in China and manufactured in the new Chengdu plant dedicated to SUVs achieved 120% of its objectives. In less than six weeks' marketing, it has already recorded 11,500 orders, of which more than 40% were for high-end trims.

**The new Citroën C3**, with almost 40,000 sales already since its launch in November, enabled a bound of sales of 63% to be recorded in the fourth quarter, with a very high order mix of almost 50% for the highest trim level and 75% for the two-tone versions. These choices reflect the differentiation and well-being values at the core of the Citroën positioning.

With a range that has been renewed over 12 months, the DS brand is gradually taking its place in the premium segment. The **DS 3** stands among the top three best-selling premium city sedans in Europe, the **DS 4 Crossback**, the smart adventurer, represents 34% of sales of the DS 4 & DS 4 Crossback duo, and 81% of sales of the **DS 5** are the high-end versions.

Furthermore, the Group is extending its product offensive to the light commercial vehicle segment, with the launch of **seven new versions of the Peugeot Expert and Citroën Jumpy** in 2016 including the launch of the **Peugeot Traveller and Citroën SpaceTourer** PC versions.

*(2) Including 233,000 vehicles produced in Iran under a Peugeot licence in 2016 following the final joint venture agreement signed with Iran Khodro on 21 June 2016.*

#### 1.3.1.1.2. The Group's markets

**In Europe**, the Group's sales were 1,930,000 vehicles and grew by 3.6% in 2016. The Peugeot brand, with a 4.4% increase in sales, is maintaining this growth, due in particular to the Peugeot 2008 SUV (+16% and sales of 184,200), which stands in second place in its segment, the Peugeot Partner (+8% and sales of 114,200) and the Peugeot 208, the brand's best-seller, driven by the success of its mid-life (+8% and sales of 274,000). The picture is similar for Citroën which, with growth of 4.3%, recorded its best sales volume for five years (762,000 units). In addition to launches during the year (E-Mehari, new Jumpy, SpaceTourer, new C3), the brand's momentum was sustained in particular by the C4 Picasso, the benchmark in people carriers, renewed in September (sales of 109,000) and also by the confirmed success of the Berlingo LCV, the second best-selling small van in Europe. The DS brand continues to develop its dedicated network with 112 DS Stores and DS Salons, as well as the first DS Urban Store, located in the heart of the prestigious Westfield shopping centre in London, inaugurated on 1 December 2016.

**In China and South-East Asia**, in a fiercely competitive context, the Group generated 618,000 sales. In December, Dongfeng Peugeot achieved its historic best monthly performance in China with 43,800 deliveries to customers, mainly due to the success of the Peugeot 4008 SUV.

The Citroën C3-XR SUV confirmed its success with more than 73,000 sales, an increase of 10.5%, which made it the second-best selling Dongfeng Citroën, behind the C-Elysée (87,000 sales).

With 109 DS Stores, China is the second-largest market for the DS brand, which generated one in every five sales, of which 60% of volumes was for the DS 6 SUV.

**In the Middle-East and Africa region**, the PSA Group doubled its sales in 2016 with 383,500 vehicles[1]. In less than a year, the Group's return to Iran took firm shape with the signature of two joint venture agreements: Peugeot with Iran Khodro, the brand's historic partner, and Citroen with SAIPA. Launched at the start of 2016 in partnership with the Iranian group Arian Motor, DS opened its first DS Store in Teheran and markets the DS 5, DS 5LS and DS 6.

**In Latin America**, the Group's sales grew by 17.1%, with 183,900 vehicles sold. The Group's market shares increased in Argentina (+1.6 points) and in Chile (+1.3 points), where sales were up 32%. With an overall increase of 23.6%, Peugeot sales are growing very sharply, in particular in Argentina (+9%), notably with the success, from its launch, of the Peugeot 2008 SUV (almost 10,000 sales), in Chile (+32%) and in Brazil (+7%). Citroën sales grew by 6.3%, particularly due to the C3 Aircross (+78%). DS occupies fourth place in the Argentinian premium vehicle market.

**In Eurasia**, the economic climate is still very weak, particularly in Russia, and the PSA Group's sales fell by 12.6% to 10,500 units in a market that declined by 12.5%. In Ukraine, in a dynamic market (+37.4%), the Group's sales grew by 43%.

**In the India-Pacific region**, following growth of 3.3% in Japan in 2015, the Group saw a rapid increase in its Japanese sales with a rise of 20.6%, making this its best result here since 2007.

#### 1.3.1.1.3. $CO_2$ emission policy

##### The PSA Group is committed to reducing $CO_2$ emissions

The PSA Group is the European leader in 2016 with an average of 102.4 grams of $CO_2$ per km[2] (104.4 grams per kilometre in 2015) – source: AAA DATA – compared with an average of 118.2 grams for the European market. Since 2008, the Group has gradually lowered the $CO_2$ emissions of its vehicles by about 35 grams.

The Group is strongly committed to reducing its $CO_2$ emissions and endeavours to propose concrete solutions to meet tomorrow's challenges today. Each year, more than 50% of its R&D budget is invested in developing technologies aimed at improving the fuel and environmental performance of its vehicles.

Its leadership is based on its recent technological developments, in particular the introduction of the PureTech family of 3-cylinder petrol engines – in 2016 the turbo version was named "Engine of the Year" for the second consecutive year in the 1-litre to 1.4-litre category – but is also attributable to its expertise in BlueHDi diesel technology, its high performance automatic transmissions and its lightweight platforms.

Based on this expertise, the PSA Group is aiming for at least 60% of its new vehicles to emit less than 100 g of $CO_2$/km in 2020.

The range of engines offered by the PSA Group reflects the challenges of the energy transition. In the short term, the performance of its petrol and diesel internal combustion engines will enable us to address the $CO_2$ challenges faced. The implementation of a multi-energy platform strategy will allow for the Group to offer vehicles with electric powertrains, i.e. plug-in petrol hybrid and electric vehicles. These offerings will respond to market developments, stricter regulations – including access to zero emission areas – and new customer expectations.

A strong leader, the PSA Group is the only car manufacturer in the world to have launched a total transparency initiative regarding real-world fuel efficiency and $CO_2$ emissions of its models:

- a measurement protocol was defined with two NGOs and approved by a certification body;
- more than 50 models were measured and 35,000 km covered under this protocol;
- the results of the vehicle measurements may be viewed on the Peugeot, Citroën and DS websites.

*(1) Including 233,000 vehicles produced in Iran under a Peugeot licence in 2016 following the final joint venture agreement signed with Iran Khodro on 21 June 2016.*

*(2) Average homologated NEDC combined-cycle CO2emissions of PSA passenger cars registered in 2016 across 22 EU nations (excluding Greece, Croatia, Romania, Bulgaria, Cyprus and Malta).*

1

### 1.3.1.1.4. A few key figures

CONSOLIDATED WORLDWIDE SALES BY REGION[1]

| PSA region | Brands | 2015 Volume | % | 2016 Volume | % | %Chg |
|---|---|---|---|---|---|---|
| **China and Southeast Asia** | Peugeot | 412,271 | 13.87% | 351,904 | 11.18% | -14.64% |
| | Citroën | 302,198 | 10.16% | 250,297 | 7.96% | -17.17% |
| | DS | 21,479 | 0.72% | 16,151 | 0.51% | -24.81% |
| | **PSA Group** | **735,948** | **24.75%** | **618,352** | **19.65%** | **-15.98%** |
| **Eurasia** | Peugeot | 6,538 | 0.22% | 5,626 | 0.18% | -13.95% |
| | Citroën | 5,374 | 0.18% | 4,758 | 0.15% | -11.46% |
| | DS | 88 | 0.00% | 106 | 0.00% | 20.45% |
| | **PSA Group** | **12,000** | **0.40%** | **10,490** | **0.33%** | **-12.58%** |
| **Europe** | Peugeot | 1,056,103 | 35.52% | 1,102,230 | 35.03% | 4.37% |
| | Citroën | 731,141 | 24.59% | 762,576 | 24.24% | 4.30% |
| | DS | 76,733 | 2.58% | 65,452 | 2.08% | -14.70% |
| | **PSA Group** | **1,863,977** | **62.70%** | **1,930,258** | **61.35%** | **3.56%** |
| **India and Pacific** | Peugeot | 18,457 | 0.62% | 13,977 | 0.44% | -24.27% |
| | Citroën | 4,143 | 0.14% | 4,452 | 0.14% | 7.46% |
| | DS | 1,189 | 0.04% | 1,457 | 0.05% | 22.54% |
| | **PSA Group** | **23,789** | **0.80%** | **19,886** | **0.63%** | **-16.41%** |
| **Latin America** | Peugeot | 99,261 | 3.34% | 122,639 | 3.90% | 23.55% |
| | Citroën | 56,613 | 1.90% | 60,196 | 1.91% | 6.33% |
| | DS | 1,204 | 0.04% | 1,072 | 0.03% | -10.96% |
| | **PSA Group** | **157,078** | **5.28%** | **183,907** | **5.85%** | **17.08%** |
| **Middle East and Africa**[2] | Peugeot | 117,093 | 3.94% | 323,084 | 10.27% | ++ |
| | Citroën | 61,472 | 2.07% | 58,662 | 1.86% | -4.57% |
| | DS | 1,642 | 0.06% | 1,743 | 0.06% | 6.15% |
| | **PSA Group** | **180,207** | **6.06%** | **383,489** | **12.19%** | **++** |
| **TOTAL** | Peugeot | 1,709,723 | 57.51% | 1,919,460 | 61.01% | 12.27% |
| | Citroën | 1,160,941 | 39.05% | 1,140,941 | 36.26% | -1.72% |
| | DS | 102,335 | 3.44% | 85,981 | 2.73% | -15.98% |
| | **PSA Group** | **2,972,999** | **100.00%** | **3,146,382** | **100.00%** | **5.83%** |

*(1) Including CKD kits.*
*(2) Including 233,000 vehicles produced in Iran under a Peugeot licence in 2016 following the final joint venture agreement signed with Iran Khodro on 21 June 2016.*

PSA GROUP – WORLDWIDE CONSOLIDATED SALES PER MODEL

| Brand | Model | 2015 volume | 2016 volume |
|---|---|---|---|
| AP | ION | 1,600 | 2,300 |
| | 107 | 100 | 0 |
| | 108 | 67,500 | 66,900 |
| | 206 | 7,200 | 93,500 |
| | 207 | 1,000 | 0 |
| | 208 | 316,500 | 335,900 |
| | 2008 | 231,900 | 251,500 |
| | 301 | 102,900 | 102,100 |
| | 307 | 300 | 0 |
| | 308 | 345,700 | 308,400 |
| | 408 | 115,700 | 108,900 |
| | 3008 | 141,000 | 134,800 |
| | 4008 | 6,200 | 12,100 |
| | 405 | 0 | 143,800 |
| | 508 | 68,000 | 50,500 |
| | 5008 | 33,600 | 28,200 |
| | RCZ | 4,600 | 200 |
| | BIPPER | 18,700 | 9,400 |
| | PARTNER | 142,900 | 156,200 |
| | EXPERT | 33,300 | 37,700 |
| | BOXER | 60,400 | 64,900 |
| | 308S | 10,600 | 8,300 |
| | P87 | 0 | 0 |
| | TRAVELLER | 100 | 4,000 |
| **TOTAL** | | **1,709,700** | **1,919,500** |

| Brand | | | Model | 2015 volume | 2016 volume |
|---|---|---|---|---|---|
| AC | | | C-ZERO | 1,400 | 1,700 |
| | | | C1 | 62,100 | 66,300 |
| | | | C3 | 162,300 | 186,800 |
| | | | C3 PICASSO | 50,600 | 49,000 |
| | | | ZX | 3,900 | 0 |
| | | | C-ELYSEE | 116,800 | 126,400 |
| | | | C3-XR | 66,500 | 73,500 |
| | | | C4 CACTUS | 87,300 | 80,700 |
| | | | C4 | 313,100 | 262,400 |
| | | | C4 AIRCROSS | 13,900 | 9,700 |
| | | | C5 | 35,500 | 14,700 |
| | | | C6 | 0 | 4,100 |
| | | | NEMO | 19,000 | 8,900 |
| | | | BERLINGO | 145,900 | 160,500 |
| | | | JUMPY | 30,100 | 34,100 |
| | | | JUMPER | 52,400 | 56,800 |
| | | | E-MEHARI | 0 | 700 |
| | | | SPACETOURER | 100 | 4,500 |
| **TOTAL** | | | | **1,160,900** | **1,140,900** |
| DS | | | DS3 | 48,700 | 40,700 |
| | | | DS4 | 18,800 | 19,900 |
| | | | DS5 | 19,600 | 13,900 |
| | | | DS6 | 15,200 | 9,800 |
| | | | DS4 S | 0 | 1,700 |
| **TOTAL** | | | | **102,300** | **86,000** |
| PSA | Passenger cars (PC) | | | 2,577,900 | 2,731,200 |
| | Light Commercial Vehicle (LCV) | | | 395,100 | 415,200 |
| | PC+LCV of which: | Petrol | | 1,543,200 | 1,786,400 |
| | | LPG | | 2,600 | 0 |
| | | Electric | | 3,600 | 6,400 |
| | | Diesel | | 1,417,700 | 1,352,100 |
| | | Hybrid | | 5,800 | 1,500 |
| **TOTAL PSA GROUP** | | | | **2,972,999** | **3,146,382** |

### 1.3.1.1.5. Existing or planned material property, plant and equipment

In 2016, Europe accounted for 68.5% of the Group's production (about 46.4% in France), South America 4.6%, Asia 19.5% and Middle East 7.5%.

## Manufacturing facilities

ASSEMBLY PLANTS

| Manufacturing centres | Models produced as at 31 December 2015 | 2015 Output | 2016 Output |
|---|---|---|---|
| Madrid (Spain) | C4 Cactus | 87,300 | 81,200 |
| Mangualde (Portugal) | Partner, Berlingo | 46,600 | 49,500 |
| Mulhouse (France) | 2008, C4, DS4 | 255,400 | 272,000 |
| Buenos Aires (Argentina) | 207 HatchBack, 308, 408, C4, Partner, Berlingo | 56,900 | 59,700 |
| Poissy (France) | 208, C3, DS3, DS3 Cabrio | 221,900 | 234,600 |
| Porto Real (Brazil) | 208, 2008, Novo C3, C3 Picasso Aircross | 66,700 | 82,700 |
| Rennes (France) | C5, C5 tourer, 508, 508 SW, 508 RXH, 508 RXH HY,508 HY, New 5008 | 65,400 | 55,700 |
| Sevelnord (France) | Expert, Jumpy, Traveller, Space Tourer | 65,000 | 79,100 |
| Sochaux (France) | 308, 308 SW, 3008, New 3008, 5008, DS5, DS5 HY | 364,700 | 347,000 |
| Trnava (Slovakia) | 208, C3 Picasso, New C3 | 303,100 | 315,000 |
| Vigo (Spain) | 301, C-Élysée, C4 Picasso, Grand C4 Picasso, Berlingo, Partner, Berlingo electric, Partner electric | 407,100 | 424,000 |

## MANUFACTURING COMPONENT PLANT AND FOUNDRIES

| | |
|---|---|
| Caen (France) | Chassis systems and transmissions |
| Charleville (France) | Aluminium and iron castings |
| Douvrin Française de Mécanique (France) | Petrol and diesel engines |
| Hérimoncourt (France) | Engines, gearboxes: small-scale assembly and reconditioning |
| Jeppener (Argentina) | Chassis systems |
| Metz (France) | Gearboxes |
| Mulhouse components (France) | Chassis systems |
| Mulhouse foundry (France) | Pressurised aluminium castings, steel forge, tooling |
| Porto Real (Brazil) | Flex-fuel a nd petrol engines |
| Saint-Ouen (France) | Stamping |
| Sept-Fons (France) | Iron castings |
| Trémery (France) | Petrol and diesel engines |
| Valenciennes (France) | Gearboxes |

## SUBSIDIARIES JOINTLY-OWNED WITH OTHER CAR MANUFACTURERS

| *(situation at 31 December)* | Production | 2015 Output | 2016 Output |
|---|---|---|---|
| **Outside France** | | | |
| **Sevelsud, Società Europea Veicoli Leggeri (Italy)** | | | |
| 50% Peugeot Citroën Automobiles | Peugeot Boxer | 50,940 | 64 490 |
| 50% Fiat | Citroën Jumper | 57,320 | 55 760 |
| | **Total** | **108,260** | **120 250** |
| **DPCA, Dongfeng Peugeot Citroën Automobiles (Wuhan, Chengdu, China)** | | | |
| 50% Peugeot Citroën Automobiles | | | |
| 50% Dongfeng Motors | New C-Elysée, 301, New 308, C4 Restyled, New C4, C3-XR, C4 Lounge, 408, New 408, 508, C5, 3008, New C5, 2008, 4008 | 688,300 | 561 560 |
| | **Total** | **688,300** | **561 560** |
| **TPCA, Toyota Peugeot Citroën Automobiles (Kolin, Czech Republic)** | | | |
| 50% Peugeot Citroën Automobiles | Peugeot 108 | 67,200 | 66 550 |
| 50% Toyota Motor Corporation | Citroën C1 | 60,630 | 65 580 |
| | **Total** | **127,830** | **132 130** |
| **PCMA Rus (Kaluga, Russia)** | | | |
| 70% Peugeot Citroën Automobiles | | | |
| 30% Mitsubishi Motors Company (MMC) | Citroën C4 L, Peugeot 408 | 4,910 | 3 780 |
| | **Total** | **4,910** | **3 780** |
| **CAPSA, Changan PSA Auto Company Ltd (Shenzhen, China)** | | | |
| 50% Peugeot Citroën Automobiles | | | |
| 50% Changan | DS4, DS5, DS5 LS, DS6 | 22,360 | 15,000 |
| | **Total** | **22,360** | **15,000** |
| **Iran Khodro, Automobiles Peugeot (Theran, iran)** | | | |
| 25% Automobiles Peugeot | | | |
| 25% Peugeot Citroën Automobiles | | | |
| 50% Iran Khodro | Peugeot 405, 206, 207 | 0 | 233,000 |
| | **Total** | **0** | **233,000** |
| **Other joint ventures** | | | |
| **Okazaki (Japan)** | | | |
| Mitsubishi Motors Company cooperation agreement | Citroën C4 Aircross, Peugeot 4008 | 19,200 | 12,600 |
| **Mizushima (Japan)** | | | |
| Mitsubishi Motors Company cooperation agreement | Citroën C-Zéro, Peugeot iOn | 3,360 | 4,200 |
| **Bursa (Turkey)** | | | |
| Fiat and Tofas cooperation agreement | Citroën Nemo, Peugeot Bipper | 36,900 | 17,600 |
| **Graz (Austria)** | | | |
| Magna Steyr cooperation agreement | Peugeot RCZ | 4,190 | - |

For more information on property, plant and equipment, please refer to Note 7.2 to the 2016 consolidated financial statements (see Section 5.6 below).

### Spare parts

As at 31 December 2016, 24 spare parts warehouses – Vesoul (France), Natolin (Poland), Villaverde (Spain), Pregnana (Italy), Rieste (Germany), Spillern (Austria), Tile Hill (the United Kingdom), Barueri (Brazil), Pacheco (Argentina), Santiago (Chile), Toluca (Mexico), Kaluga (Russia), Kiev (Ukraine), Boufarik (Algeria), Istanbul (Turkey), Johannesburg (South Africa), Shimizu (Japan), Wuhan (China-DPCA), Shanghai (China-DPCA), Beijing (China-DPCA), Chengdu (China-DPCA), Guangzhou (China-DPCA), Shanghai (China-CAPSA) and Shenzhen (China-CAPSA) – manage 275,000 SKUs.

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

## 1.3.1.2. FAURECIA

The automotive equipment maker Faurecia[1] focuses on a targeted number of key automotive businesses. In each of its business lines – automotive seating, interior systems and Clean Mobility – Faurecia is in the top three global leaders.

As at 31 December 2016, Peugeot S.A. held 46.335% of Faurecia's capital and 62.944% of its theoretical voting rights.

With 300 sites in 34 countries, Faurecia does business on every continent.

It employs 98,700 people worldwide.

Faurecia achieves its revenue primarily on the basis of product sales (parts and component deliveries to car manufacturers). The Faurecia Group also generates revenues from two other sources. The Faurecia Group sells monoliths, which are components used in catalytic converters for exhaust streams (classified under Clean Mobility). Monoliths are billed to the car manufacturers at production cost (pass-through basis) and integrated in the exhaust streams by Faurecia as part of global contracts. The Faurecia Group also generates income from the sale of equipment, R&D and prototypes.

For more information on Faurecia's earnings, please refer to Section 4.1.6 and Note 4 to the 2016 consolidated financial statements (see Section 5.6 below).

### 1.3.1.2.1. Three core businesses

In 2016, Faurecia sold its Automotive Exteriors business to focus on its three core activities which are well aligned with the Faurecia Group's strategy: Sustainable Mobility and Smart Life On-board.

#### Automotive Seating

Faurecia designs and assembles seats and makes their main components, including frames, adjustment mechanisms, foams and upholstery, and comfort and safety accessories. As a complete seat architect, Faurecia has created the concept of flexible metal structures, which can be adapted to various vehicle bodies on one or several platforms.

#### Clean Mobility

The world leader in emissions control technologies, Faurecia engineers, manufactures and markets a range of complete exhaust systems corresponding to every market requirement. To meet increasingly exacting international emissions control standards, Faurecia addresses pollution reduction at the design stage, and helps car manufacturers in their search for new engine configurations by pioneering innovative technological solutions like the particulate filter.

#### Interior Systems

A world leader in this business, Faurecia designs and produces instrument panels, central consoles and door panels that meet both the expectations of car buyers and the requirements of car manufacturers. It offers advanced solutions in the areas of passenger safety, interior fittings and weight reduction.

#### Sale of Automotive Exteriors

On 29 July 2016, Faurecia completed the sale of its Automotive Exteriors business to Plastic Omnium, announced in December 2015. For more information on this MoU and its effects, please refer to Section 4.1.6 below.

### 1.3.1.2.2. Industrial footprint

Working with almost all of the world's car manufacturers, Faurecia's production facilities are found across the world. In 2016, Faurecia's product sales by region were as follows: 50.0% in Europe, 28.6% in North America, 16.7% in Asia, 3.3% in Latin America and 1.4% in other countries.

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

### 1.3.1.2.3. Customers

In 2016, Faurecia continued to diversify its customer base, with the Volkswagen Group remaining Faurecia's largest customer, accounting for 19.1% of product sales. Ford accounted for 16.9% of product sales, Renault-Nissan 15.2%, PSA Group 13%, GM 7.6%, Daimler 7.1% and BMW 6%.

## 1.3.1.3. BANQUE PSA FINANCE

Closely associated with the sales policies of the Peugeot, Citroën and DS brands, Banque PSA Finance (BPF)[2] distributes, through partners in most of these countries, financing and services offers to promote vehicle sales by the three brands' dealers in 18 countries.

Through its local operating entities, BPF:

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

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

Through its organisational structure and the governance methods set up with its various partners, BPF's loan approval process is totally independent of the three brands and of the dealer network.

BPF has also ramped up its partnership policy since 2015, essentially with the implementation of the Cooperation with the Santander Group in 11 countries in Europe and Brazil. As at 31 December 2016, 17 out of a total of 18 local BPF sites were structured as partnerships with banks or car manufacturers.

*(1) For more information on Faurecia, please visit the website www.faurecia.fr and consult Faurecia's 2016 Registration Document.*
*(2) For more information on BPF, please visit the website www.banquepsafinance.com and consult BPF's 2016 Annual Report.*

In its main markets, Banque PSA Finance carries out its activities through:

- joint ventures:
  - with Santander Consumer Finance (SCF) in Europe: Germany, Austria, Belgium/Luxembourg, Spain, France, Italy, Netherlands, Poland, United Kingdom, Switzerland and Banco Santander Brasil in Brazil,
  - in China with the car manufacturer Dongfeng and Dongfeng Peugeot Citroën automotive,
  - in Argentina with BBVA;
- partnerships with partner bank groups that handle most of the refinancing efforts and back office management:
  - in Turkey with TEB Cetelem,
  - in Mexico with BNP Paribas;
- commercial partnerships with Santander Consumer Finance: in Portugal;
- directly: in Russia.

### 1.3.1.3.1. Cooperation with the Santander Group

#### In Europe

In February 2014, the PSA Group and BPF announced that they had entered into exclusive negotiations with Santander Consumer Finance (SCF) to form a 50/50 partnership for developing BPF's business in Europe. A framework agreement was signed on 10 July 2014 to create a European partnership involving 11 European countries. Subject to the approval of competition and regulation authorities in the main countries, the transactions started in early 2015 and continued and were completed in 2016. The newly formed operating companies are accounted for by BPF using the equity method.

The partnership is now operational in 11 European countries, representing 96.3% of BPF's total loans outstanding. Since it started operations in 2015, the partnership already significantly strengthened the competitiveness of the commercial offers of the PSA Group brands, improving their penetration of the car financing market. It creates a sustainable and dynamic captive financing activity for the Group with competitive offers dedicated to the brands and their customers.

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

#### In Latin America

In Brazil, a framework agreement was signed on 24 July 2015 between Banque PSA Finance and Banco Santander Brasil to develop a partnership between the two groups. The new entity has been operational since 1 August 2016. In this transaction, Banco Santander Brasil acquired shares of BPF's financial companies in Brazil. The partnership operates as a financial company, 50/50 owned by Banque PSA Finance and Banco Santander Brazil.

### 1.3.1.3.2. Refinancing strategy

Following the establishment of local partnerships with SCF, the financing of these entities is no longer BPF's sole responsibility. BPF only provides financing for continuing operations (countries outside the scope of the framework agreement with SCF and excluding Brazil).

BPF'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 a broad range of liquidity sources, and constant matching of maturities of assets and liabilities.

As at 31 December 2016, following the transfer or termination of securitisation transactions in connection with the creation of joint ventures with SCF and the sale of BPF's bank deposit activity (consumer savings) in Belgium in early December 2016, BPF's sources of funding recorded in its balance sheet only included bonds and a few bank credit facilities outside the eurozone.

Following the redemption of the tranche that matured in April 2016, BPF had no outstanding bonds guaranteed by the French State.

To adjust its liquidity reserves to the changes in the scope of its financing, during the first half of 2016 BPF (i) paid in full and cancelled the bank credit lines drawn down for a total amount of €185 million, (ii) cancelled the revolving bilateral lines of credit totalling €1.03 billion and (iii) cancelled the syndicated credit facility of €700 million signed on 5 February 2015. In parallel, BPF established several new revolving bilateral lines of credit for a total amount outstanding of €360 million. These transactions are part of the partnership agreement between BPF and SCF, leading to a sharp reduction in BPF's financing needs and related liquidity reserves.

Lastly, BPF had no collateral financing from the ECB as at 31 December 2016. It did not use this source of funds as at 31 December 2015. No asset was deposited as collateral with the ECB as at 31 December 2016 or 31 December 2015.

### 1.3.1.3.3. Financial services to end customers

Financial services to end customers represented 68.3% of Banque PSA Finance's total loans outstanding, or €15,589 million as at 31 December 2016 versus €15,119 million as at 31 December 2015, under IFRS 8 (loans outstanding of this type amounted to €286 million, or 83% of total loans outstanding, under IFRS 5). Banque PSA Finance serves both individuals and corporate fleets with:

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

Led by a sustained focus on building customer loyalty for the Peugeot, Citroën and DS brands, BPF offers diversified financing products and services, as well as bundled offers, that together with the three brands provide a comprehensive range of mobility solutions.

BPF's penetration rate among buyers of new Peugeot, Citroën and DS vehicles reached 30.8% in 2016 vs. 29.9% in 2015.

### 1.3.1.3.4. Wholesale financing

Banque PSA Finance, *via* its subsidiaries, provides financing for new and demonstration vehicles and spare parts for the three brands' dealer networks.

As at 31 December 2016, wholesale financing represented 31.7% of BPF's total loans outstanding, or €7,232 million under IFRS 8 (loans outstanding of this type amounted to €60 million, or 17% of total loans outstanding, under IFRS 5).

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

1

#### 1.3.1.3.5. Insurance and services

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

Through all of its subsidiaries, PSA Insurance designs and distributes a full range of insurance products and services in collaboration with its own insurance companies or in partnership with major insurance carriers.

Following the agreement signed between Santander and Banque PSA Finance on 10 July 2014, two insurance joint ventures were formed to purchase insurance products marketed by the new financing structures described in Section 1.3.1.3.1. The 50/50 insurance joint ventures (PSA Insurance Europe and PSA Life Insurance Europe) are accounted for using the equity method. They began operations on 1 May 2015 and distribute insurance products in France, the United Kingdom, Spain, Portugal and Italy on a freedom to provide services basis. The wholly owned insurance companies (PSA Insurance and PSA Life Insurance) created in 2009 by BPF remain in operation until the end of their contractual commitments.

In 2016, BPF sold 1,555,000 insurance policies and/or services, up by +3.6%, or on average a little less than two contracts per customer financed. The contribution of this business to BPF's recurring operating income was €166 million under IFRS 8 (€38 million under IFRS 5).

2016 was the seventh year running of sales growth for this strategic business.

## 1.3.2. The Group's strategic trends

On 5 April 2016, the Group presented its strategic plan for profitable growth, "Push to Pass", covering the period from 2016 to 2021. The "Push to Pass" plan has raised the PSA Group's structural performance level and has set the following operational targets:

- reach an average automotive recurring operating margin of over 4.5% in 2016-2018, and target more than 6% by 2021;
- deliver 10% Group revenue growth by 2018 vs. 2015[1], and target additional 15% by 2021[1].

The "Push to Pass" plan is a first step towards implementing the PSA Group's vision: "A global car manufacturer at the forefront of efficient solutions, a leading mobility services provider" which places the customer at the centre 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 scale-up of the Group's business activities, primarily in the areas of after-sales services and used vehicles, incorporating the development of multi-brand offerings. 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.

*(1) At constant (2015) exchange rates.*

# 1.4. RISK FACTORS

PSA Group conducts its activities in an environment subject to profound changes with respect to technology, consumption patterns and new competitive forces in the automotive industry. It is therefore exposed to risks that, if materialised, could have a significant adverse effect on its business, financial position, earnings or outlook. This section presents the main risks the Group believes it is exposed to at the date of this Registration Document.

The various operating units of the Group identify and assess risks and evaluate the related internal controls on an ongoing basis, in France and abroad (except Faurecia which has its own system), and report thereon to the Executive Committee and the Strategy Commitee of the Supervisory Committee on an annual basis.

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

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

For more information on risk management, please refer to Section 3.2.2, page 117 of this Registration Document.

## 1.4.1. Operational risks

### 1.4.1.1. RISKS RELATED TO THE GROUP'S ECONOMIC AND GEOPOLITICAL ENVIRONMENT

#### Risk factors

In 2016, the Group's earnings were still largely dependent on the European market and to a lesser extent the Chinese market.

Furthermore, the Group's activities particularly in the British (since Brexit), Russian, Brazilian and Argentinian markets naturally exposed it to exogenous risks such as currency risk, adverse changes in tax and/or customs regulations, and geopolitical events.

#### Risk management and control processes

With a view to limit such risks, the strategy is to reduce the Group's dependency on specific countries through internationalisation.

The Group's international expansion, as part of the "Push to Pass" plan, led in 2016 to a strong involvement in the Maghreb countries and the Mediterranean region (particularly the start of operations of a plant in Morocco and the signing of joint venture agreements to produce latest-generation vehicles in Iran), and in early 2017 to the signing of a joint venture to produce vehicles in India.

The Executive Committee steers and controls the Group's activities through the "Push to Pass" plan and the progress of its action plans.

### 1.4.1.2. NEW VEHICLE DEVELOPMENT, LAUNCH AND MARKETING RISKS

#### Risk factors

The decision to develop new vehicle models or subassemblies and to introduce them in the market is backed by marketing and profitability studies carried out several years prior to their actual launch. In the context of an increasingly responsive automotive market, this time gap puts forecast volumes at risk and ultimately generates a financial risk (loss of value of fixed assets, payables to suppliers who would have invested based on estimated volumes).

The development of vehicles and subassemblies is exposed to continuous changes in regulations which impose increasingly stringent requirements, particularly in terms of fuel economy and emissions of $CO_2$ and pollutants.

For more information on the Group's policy on fuel economy and emissions of $CO_2$ and pollutants, please refer to Sections 1.3.1.1.3. and 4.5.2.1. above of this Registration Document.

These changes together with heavy consumerist tendencies may determine structural modifications in the market (for example, the petrol/diesel mix in the French market), to which the manufacturing facilities are not always adapted straight away.

Technical risks related to product quality and safety can lead car manufacturers to recall vehicles.

### Risk management and control processes

The Automotive Programmes Department aims to translate the Group's strategy into product plans and ensure their implementation by steering the development of vehicle and subassembly programmes and being responsible for their economic performance. The Automotive Programmes Department created a "Strategy" unit that anticipates changes in market structure. For example, this structure has enabled the Group to hedge the risk of shortage of petrol engines (in the event the diesel market would deteriorate very quickly).

The Group relies on an operational development plan, regularly updated and optimised, thanks to project experience feedback conducted in cooperation with our partner car manufacturers. For each vehicle and subassembly project, a set of product services, profitability, quality and time-to-market objectives are set. Progress in meeting these objectives is ensured by a system of project milestones approved by the Executive Committee. In addition, the Quality Department authorises (or refuses) the sale of each vehicle that leaves the production line and organises any necessary recalls of faulty vehicles delivered to dealers or customers.

The Group attaches the utmost importance to exchanges with regulatory authorities to anticipate design plans and capital expenditures required to meet scheduled changes in regulations.

Concerning the approval of its vehicles by regulatory authorities, the Group notes that they comply with the various pollutant emissions regulations.

The PSA Group noted the submission in January 2017 to the public prosecutor of the conclusions of the investigation in France by the Anti-fraud Administration (DGCCRF) into polluting emissions from diesel vehicles.

The PSA Group has been identified as a global leader for its actions and strategies in response to climate change and has been awarded a position on the Climate A List by CDP, the international not-for-profit that drives sustainable economies. The "A list" that includes 193 companies from around the world was established at the request of 827 investors with assets of US$100,000 billion. Thousands of companies submit annual climate disclosures to CDP for independent assessment against its scoring methodology. PSA Group is among 9% of companies participating in CDP's programme which were awarded a position on the A List, in recognition of its actions to reduce emissions and mitigate climate change in the past reporting year.

The Group is particularly proud of its achievement given that the past reporting year raised many controversies over the responsibility of the auto industry stakeholders regarding environmental issues. It proves and recognizes its relevant medium- and long-term strategic choices regarding alternative engines, while taking account of the total carbon impact from the carbon sink to the road.

## 1.4.1.3. RISKS RELATED TO THE EMERGENCE OF NEW BUSINESS MODELS FOR NEW MOBILITY

### Risk factors

The market shows a strong trend towards new forms of mobility such as car-sharing, car-pooling, and connected services.

This creates opportunities that are also available to new market entrants, mostly from the Internet industry. These players from outside the automotive industry seek a positioning in the automotive value chain that directly competes with the "natural" place of car manufacturers and helps said players take advantage of the margins offered by the new technologies.

Insufficient control of the advances of these new players or the absence of the Group from these new markets and consequently its lack of exposure to these new business models would represent a risk to the PSA Group.

### Risk management and control processes

The Mobility Services Department addresses the need for the Group to participate in a strong and visible manner to the mobility and future connected services value chain.

In 2016, the PSA Group announced the creation of its Free2Move mobility services brand to bring together all of its connected mobility services offerings, including:

- B2C and C2C car-sharing;
- B2B car-sharing;
- connected fleet management;
- smart services: with all advanced mobile services to customers, by creating an ecosystem with other partners;
- leasing.

Furthermore, the Group develops connected after-sales services and data service activities, primarily for cities.

## 1.4.1.4. CUSTOMER AND DEALER RISK

### Risk factors

The PSA Group is exposed to the risk of customer and dealer default in the normal course of its distribution and lending activities.

For sales with a buyback commitment, the risk concerns the difference between the vehicle's estimated resale price, as determined at the contract's inception, and the actual resale price.

The provisions and charges recorded to cover these risks are presented in Note 12.3 for Banque PSA Finance and Note 5.2 for the manufacturing and sales companies to the 2016 consolidated financial statements, Section 5.6 below, on pages 237 and 196, respectively.

### Risk management and control processes

Faced with the risk of customer default, the Group has placed particular importance on the security of the payments it receives for goods and services delivered to its customers. The Group has developed a secure payment policy to avoid credit risks.

Banque PSA Finance has set up its own system for managing the credit risk associated with financing activities (see paragraph 1.4.3 below).

For Automotive Division sales not financed by Banque PSA Finance, a standard has been issued that specifies: (i) the payment and credit terms to be applied to customers according to the type of product (new vehicle, used vehicle, spare parts, CKD – Complete Knocked Down or subassemblies); and (ii) the level of approval required for granting special dispensation from the rules set out in the standard. Among these rules, protection mechanisms must be set up to fully guarantee the payment of amounts owed by foreign importers. Exemptions granted are subject to formal validation depending on authorised open credit limits. The Group is monitoring outstandings against authorised limits on an ongoing basis.

A system has also been set up for measuring the residual value of vehicles sold with a buyback commitment. An initial valuation is carried out in the contract negotiation phase and subsequent valuations are regularly performed throughout the term of the contract which enables the values to be adjusted for new contracts where required.

## 1.4.1.5. RAW MATERIALS RISK

### Risk factors

The Group's Automotive Division is exposed to raw materials risks through its direct and indirect purchases of commodities. In 2016, purchases of raw materials for Europe amounted to nearly €5 billion (or around 30% of the purchasing budget).

The main raw materials used, in declining order of their impact, are:

- steel (36% of total production raw material purchasing costs), polymers and elastomers (28%);
- aluminium (9%).

The Group has identified two main types of raw materials risk:

1. supply risk related to the availability of materials;
2. economic risk related to price fluctuations that could not be further passed on to the Group's product selling prices.

### Risk management and control processes

To deal with these risks, the Purchasing Department aims to fully leverage a number of measures, in particular: optimising global sourcing, using bulk purchases, searching for substitute materials, using recycled and green materials, recovering and reusing by-products and implementing financial hedges.

The implementation of this raw materials strategy is managed during reviews chaired by the Director of Quality and Engineering and the Director of Group Purchasing. It is deployed within joint technical networks organised by material.

In order to limit the economic risk of traded commodities, the Group set up a management, steering and monitoring process for financial hedging in 2009. Every quarter, positions according to established governance rules are submitted to the Chief Financial Officer and the Director of Group Purchasing for arbitrage and approval. The Audit and Risk Management Department regularly audits this process.

For additional information, please refer to Note 11.7 to the consolidated financial statements as at 31 December 2016, in Section 5.6 below.

## 1.4.1.6. SUPPLIER RISK

### Risk factors

Given that the parts and components purchased from suppliers represent more than 75% of a vehicle's production cost. These companies' technical, quality, logistical and financial performances are essential to the PSA Group's overall performance. Failure by suppliers to fulfil their commitments, even for a seemingly minor component, could lead to a serious risk of production stoppages (component used in the production cycle) and delays in the commercial launch of new vehicles (component used in the developing cycle).

### Risk management and control processes

Suppliers are evaluated, selected and monitored according to various criteria including: competitiveness, quality, logistics performance, the ability to develop new products and manufacture them in large quantities, sustainability, and social and environmental responsibility (CSR).

The Purchasing Department leverages its extensive expertise in production costing and commodity price management and its in-depth understanding of global markets to efficiently manage competitive bidding processes and supplier relationships. World-class automotive suppliers were invited by car manufacturers to support their global expansion. These suppliers have become leading economic players whose responsibility weighs heavily on the subcontracting chain. In view of this risk, the Group implemented operating procedures with these global players that ensure a quality long-term relationship and involve said suppliers in the process of managing any risks (including CSR risks) that may occur across the subcontracting chain.

In addition, dedicated teams are responsible for preventive and curative managing of the risks related to supplies' quality, logistics and sustainability.

The Purchasing Department analyses the financial results of the Group's main suppliers and compiles information about their industrial strategies, assesses the impact on the supplier base of the PSA Group's "make-or-buy policy", analyses the socio-economic impacts of industrial choices and verifies that suppliers comply with the Group's social and environmental specifications.

This analysis is used to avoid allocating new markets to suppliers facing difficulties and to identify any suppliers at a high risk of default (financial health, shareholders' ethics, etc.). The situation of the suppliers at a high risk of default is reported to the Purchasing Management Committee on a monthly basis, which validates any action plans and may suggest measures to support supplier liquidity (temporary reduction of payment terms) or risk mitigation (doubling production, search for potential rescuers or investors, stockpiling, etc.). The PSA Group has set up a flexible organisation and scalable processes to ensure that contractual payment terms agreed upon with its suppliers are strongly respected. It has also put in place a dedicated process to address late payments. This allows to identify the root causes of any recurring delays and provide the necessary structural corrective action plans.

In 2016, the curative or preventive monitoring of high risk suppliers based on financial criteria covered 67 companies representing 8.6% of the purchasing turnover. Thanks to this strategy the Group had no production stoppage due to supplier failure in 2016.

## 1.4.1.7. INDUSTRIAL RISKS

### Risk factors

The occurrence of a major incident (such as fire, explosion or natural disaster) at a manufacturing site of the Group or of its supply chain could compromise the production and sale of several hundred thousand vehicles.

### Risk management and control processes

The Group has implemented steps to lower the probability of occurrence of undesirable events and mitigate potential impacts on human, environmental and economic resources.

Actions to manage risks and promote business continuity are conducted at each organisation by the operating entities assisted by risk management experts and the various business lines involved.

The low number of claims and the continued reduction in the number of incidents have proved the effectiveness of the measures in place. Forty-nine of the Group's manufacturing plants (subject to risk) (representing 95.88% of the insured values) are partially or fully certified as "Highly Protected Risk" property.

The risk management processes and associated best practices are also implemented for the new technical centres or manufacturing sites.

In the specific area of manufacturing processes, the regional risk management system is built on three pillars: the dynamics of convergence to plant excellence, the global risk management system and the manufacturing management control system. These three systems cover, monitor and manage all major risks identified within the Industrial Division throughout the year.

Lastly, concerning the quality of manufacturing processes, the assembly plants have been ISO 9001 certified by UTAC (except for Section 7.3 "Design and Development"), to comply with the requirements of European Directive 2007/46/EC, Annex X, "Conformity of production procedures".

## 1.4.1.8. ENVIRONMENTAL RISKS

### Risk factors

The PSA Group may be exposed to environmental risks arising from its manufacturing and sales activities. It should be noted that no Group establishment falls within the scope of the regulation on industrial hazards (the Seveso Directive).

### Risk management and control processes

The Industrial Environment Department coordinates the deployment of the Group's environmental policy for manufacturing and research sites which aims to reduce the environmental impact of the Group's facilities. This unit manages a centralised reporting system monitoring each facility's environmental performance and promotes continuous improvement initiatives.

At each major site, an "environment" team is dedicated to the operational management of all environmental risks – a specific annual investment plan accompanies the rollout of the certification programme and appropriate methodologies are deployed (ISO 14001, REACH European regulations, Classification, Labelling, Packaging regulation).

For more information on the environmental risk provision and the Group's ISO 14001 certification process, please refer to Section 2.2.2 below (page 43).

## 1.4.1.9. WORKPLACE HEALTH AND SAFETY RISKS

### Risk factors

The PSA Group is faced with a wide 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 commitment. 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.

### Risk management and control processes

In line with its ambition to promote Responsible Development, the Group relies on a Workplace Health and Safety Management System consisting of 22 requirements applicable to all entities and subsidiaries (see Section 2.4.4.1).

The system requirements aim:

- to reduce the risk of workplace accidents and occupational illnesses (for example, the implementation of a road risk prevention charter to prevent travel risk, ergonomic workstation design);
- to improve safety and well-being at work, particularly through stress detection measures (prevention of psychosocial risks).

This system is based primarily on the firm, regularly renewed commitment from the executive management, a structured approach and ownership tools that allow all employees to take control of their health and safety during daily activities.

Our total lost-time incident frequency rate is one of the best in the automotive industry (demonstrating the effectiveness of our management system).

## 1.4.1.10. RISKS ASSOCIATED WITH THE COOPERATION AGREEMENTS

### Risk factors

To speed up its development and bring down engineering and production costs, the PSA Group has implemented a policy of entering into cooperation agreements with other car manufacturers for both vehicle platforms and subassemblies. In addition, the Group regularly grants manufacturing licences to certain industrial partners. For more information on partnerships, please refer to Section 1.3.1.1.5 above.

In the pre-signature negotiation phase for cooperation agreements, there is a risk that the partner concerned could use the information provided to it by the Group. In the negotiation phase, there is a risk that the Group could misjudge contractual risks.

Once a cooperation agreement has been signed, the risks faced by the Group are mainly financial, i.e. penalties may be imposed in the event of a breach of take-or-pay clauses for vehicles or subassemblies, or to offset the negative impact on component purchase prices caused by reductions in volumes, or overruns or overestimates in respect of R&D expenditure or investments when the partner is acting as project manager.

Whenever a project's profitability is jeopardised, a provision for onerous contracts and/or an asset impairment loss is recorded in the consolidated financial statements to reflect the future costs that will be incurred.

Other risks to which the Group is exposed in relation to its cooperation agreements include the risk of a partner granting licences to a third party without any consideration for the Group or the risk of a partner manufacturing faulty products, which would require PSA Group to undertake remedial action products.

Regarding the partnership with Dongfeng, the Group believes that strengthened cooperation should generate synergies for the Company.

However, these synergies are based on a number of assumptions that may not materialize, including the successful conduct of the next steps in the manufacturing and sales plan defined by the Group and Dongfeng Motor Group Company Limited in the partnership agreement.

### Risk management and control processes

To reduce its risk in negotiating contracts, the Group uses control procedures applied to strategic projects *via* strict rules in terms of contract management. These procedures lay down the terms of accountability, sequencing (mandate and framing, monitoring of negotiations, validation before signature, overseeing contract execution) and approval (Executive Committee, Managing Board).

At operational level, the Finance Department and the Programmes and Strategy Department use a process for verifying that the partners involved in cooperation ventures comply with their contractual commitments.

Part of this process entails setting up governance bodies for each venture, with a referral procedure for settling any disputes that may arise. The governance bodies allow regular reviews and shared decision-making, notably concerning action plans aimed at rectifying any potential situations of contractual non-compliance and as such mitigating the related risks.

For more details, please refer to Note 7.3 to the 2016 consolidated financial statements, Section 5.6 below, page 209.

Regarding the partnership with Dongfeng, in July 2014 the Group set up an Office of Strategic Partnership which consists of a joint PSA Group/Dongfeng team including managers from both companies. This Office of Strategic Partnership, which reports to the Director of the China-Southeast Asia region, is tasked with managing the operations of the partnership and is therefore close to day-to-day activities so as to anticipate risk situations and implement corrective actions.

## 1.4.1.11. INFORMATION SYSTEM RISKS

### Risk factors

Risks related to the PSA Group's information systems, including those embedded in vehicles, stem from targeted attacks or malicious activities, anomalies in the behaviour of participants, failures or disasters. Their consequences would be economic, legal or damaging to the Group's image.

### Risk management and control processes

A Group Information Systems Security Policy is in force, covering the Automotive and Finance Company Divisions.

It is deployed in the operational divisions through governance implemented by the Group Security Department in connection with the IT Department.

In order to manage these risks, the Group implements a range of measures that concern both the design features of its information systems and their use and maintenance. These measures are focused on the following areas:

- reinforcing the control of access to sensitive information and applications by deploying rights matrices governing the use of employees and external parties of the Group's sites;
- strengthening research on security vulnerabilities in computer applications and implementing corrective actions;
- deployment of Disaster Recovery Plans that guarantee that the Group would be able to continue its essential operations if a malfunction or major incident occurred at one of its IT centres;
- compliance with regulatory and legal developments, specifically related to personal data;
- introduction of safety measures for people and property in the embedded systems of networked vehicles similar to those already used in stand-alone systems.

# 1.4.2. Financial market risks

The PSA Group is exposed to liquidity risk, as well as interest rate risks, counterparty risks, exchange rate risk and other market risks related in particular to fluctuations in commodity prices. Note 11.7 to the 2016 consolidated financial statements, on page 225, provides information on risk management, which is primarily carried out by the Finance Department, as well as identified risks and the Group policies designed to manage them.

## 1.4.2.1. EXPOSURE TO CHANGES IN EXCHANGE RATES

Please refer to Note 7.3 and Note 11.7.A (4) to the 2016 consolidated financial statements, Section 5.6 below, pages 209 and 227, respectively.

## 1.4.2.2. EXPOSURE TO CHANGES IN INTEREST RATES

Please refer to Note 11.7.A (2) to the 2016 consolidated financial statements, Section 5.6 below, page 226.

## 1.4.2.3. COUNTERPARTY AND CREDIT RISKS

Please refer to Note 11.7.A (3) to the 2016 consolidated financial statements, Section 5.6 below, page 227.

## 1.4.2.4. LIQUIDITY RISK

Please refer to Note 7.3 and Note 11.7.A (1) to the 2016 consolidated financial statements, Section 5.6 below, pages 209 and 225, respectively.

### 1.4.2.5. CREDIT RATING

| 03/04/2017 | Rating | Revision date | Previous rating |
|---|---|---|---|
| **Peugeot S.A.** | | | |
| Moody's | Ba2/Stable/NP | 05/04/2016 | Ba3/Positive/NP |
| Fitch | BB+/Stable | 29/11/2016 | BB/Positive |
| *S&P(1)* | *BB/Positive* | | |
| **Banque PSA Finance** | | | |
| Moody's(2) | A3/Stable/P-2 | 08/03/2017 | Baa2/Positive/P-3 |
| *S&P(3)* | *BB+/Stable/B* | *28/04/2015* | *BB/Positive/B* |

*(1) Rating stopped on 4 March 2016.*
*(2) Rating not requested since 11 February 2016.*
*(3) Rating stopped on 26 January 2016.*

Peugeot S.A.'s credit rating is based on criteria that assess the Group's competitiveness, geographic diversification, profitability and liquidity, and involve financial ratios, particularly the net debt-to-equity and operating cash flow-to-net debt ratios.

In 2016, the Group changed rating agencies and now uses Moody's and Fitch to rate Peugeot S.A. In addition, Peugeot S.A.'s and Banque PSA Finance's ratings improved following the disclosure of 2015 earnings in February 2016.

- Before stopping their rating on 4 March 2016, Standard & Poor's had upgraded Peugeot S.A.'s rating to BB, accompanied however with a positive outlook.
- Fitch also raised Peugeot S.A.'s rating to BB+/stable on 29 November 2016.
- Moody's Investors Service upgraded Peugeot S.A.'s rating to Ba2/stable on 5 April 2016 and, consequently, that of Banque PSA Finance to Baa2/stable on 15 April 2016 (short-term non-prime rating at P-2).

In addition, following the signing of the European strategic partnership between Banque PSA Finance and Santander Consumer Finance in 2014, BPF's operations have largely been transferred to the joint ventures whose refinancing facilities are ensured by SCF. As Banque PSA Finance is no longer involved in financial markets, the Group has stopped using agencies for Banque PSA Finance's rating since the beginning of 2016. However, Moody's upgraded Banque PSA Finance's rating to A3/stable on 8 March 2017 (short-term non-prime rating at P-2).

Any revision of these ratings may affect the companies' ability to obtain financing in the short, medium and long term.

## 1.4.3. Risks related to Banque PSA Finance

The Risk Management Department, formerly the Risks Department which was renamed by Legal Order of 3 November 2014, is responsible for identifying, measuring, controlling and monitoring BPF's risks. Its head is a member of the Executive Committee. He also reports on its work to the Audit and Risk Committee, the Risk Management Committee and, where necessary, to the bank's *ad hoc* Transactions Committees.

Risk governance specifically covers risk oversight, the validation of risk measurement methods or models, and the setting of the desirable level of risk, as well as first and foremost the identification of risks and assessment of their potential criticality based on established management policies and the economic environment. These various elements are discussed, analysed and decided upon by the following committees: the Risk Management Committee, the ALCO (ALM Committee), the Basel II and Model Committee and the Audit and Risk Committee. The members of the executive body and the decision-making body participate in the meetings of these committees or are informed about their discussions.

BPF has identified 14 risk factors to which it is exposed, including 6 major factors that are presented below.

For more information on the risks specific to BPF, please refer to BPF's 2016 Annual Report at www.banquepsafinance.com.

### 1.4.3.1. BUSINESS RISK

#### Risk factors

Six main risk factors influence BPF's activity levels and are regularly assessed:

- external factors contributing to vehicle purchases;
- public authority's incentive policy on acquiring new vehicles;
- changes in regulations and taxation that might alter the business or its profitability;
- the sales volumes and marketing activities of the PSA Group brands;
- BPF's competitive positioning in terms of products and prices;
- country risk, with management seeking to secure financing locally as far as possible.

### 1.4.3.2. CREDIT RISK

#### Risk factors

Credit risk arises from the failure of a customer to meet the payment of its obligations, including situations where BPF recovers the financed asset. BPF does not incur residual value risk. Credit risk levels are mainly related to the economic climate.

#### Risk measurement, management and control

Risks are assessed on approval of the loan and monthly for all loans in the portfolio.

On approval of the loan, internal rating models are used to evaluate risk: grading models (Corporate) or credit scoring systems (Retail). In the context of the partnership with Santander Consumer Finance (SCF) in Europe, the internal models have been reviewed by SCF's risk management teams to ensure they are compatible with their internal procedures, in accordance with the signed agreements. Corporate and local analysts review the relevance of the risk measurement tools.

Concerning the measurement of credit risk for accounting purposes under IAS 39, an overall provision for impairment losses is recognised on Retail loans outstanding, using rates that are calculated twice a year *via* dedicated models which estimate discounted losses and recoverable future amounts. A model for estimating a provision for impairment losses on performing Corporate loans has also been developed. Impairment losses on doubtful loans in Corporate portfolios are recognised on a case-by-case basis (Flash Report) taking into account the valuation of any potential collateral held. An impairment loss is recognised on these portfolios when the loan is reclassified as non-performing or the estimated loss calculated during individual analysis is not zero.

### 1.4.3.3. LIQUIDITY RISK

#### Risk factors

Liquidity risk depends on the situation in the financial markets (Market Risk) and principally the BPF's rating (funding Risk). Liquidity risk is the main financial risk to which BPF is confronted.

#### Risk measurement, management and control

There are two mechanisms in place for managing liquidity risk: a general policy and established thresholds and indicators.

Risk control is based on these risk indicators. The monthly meeting of the ALCO monitors the application of the general policy, risk levels, compliance with the limits set and measures that need to be taken to anticipate liquidity risk.

Following the establishment of local joint arrangements with Santander Consumer Finance, financing are no longer Banque PSA Finance's sole responsibility.

Please refer to Note 12.5 (1) to the 2016 consolidated financial statements, Section 5.6 below, page 239.

### 1.4.3.4. COUNTERPARTY RISK

#### Risk factors

BPF is exposed to counterparty risk from three sources: interest rate risk hedges, investment of its liquidity reserves, the delegated management of the Securitisation Fund reserve investments.

#### Risk measurement, management and control

It invests only in leading banks ranked based on an internal model. Derivative contracts are entered into solely with Investment Grade banks. Utilisation of the limits is checked daily. A summary report of any exceeding limits is submitted to the ALCO, Risk Management Committee and Audit Committee meetings.

### 1.4.3.5. CONCENTRATION RISK

#### Risk factors

Concentration risk is related to a high concentration of assets and liabilities in certain categories or certain industries. BPF is exposed to several types of concentration risk: the concentration risk of each loan transaction, the sector concentration risk of loan transactions, the concentration risk of its bank loans.

#### Risk measurement, management and control

Concentration indices are used to measure this risk. Compliance with the indices is assessed during the Risk Management Committee or ALCO meetings. BPF factors in PSA's rating when determining the level of its commitments to the latter.

### 1.4.3.6. OPERATIONAL RISKS

#### Definition of risk and risk factors

Operational risk is defined as the risk of loss arising from inadequacy or failure attributable to procedures, BPF employees, internal systems or external events, including events that, although very unlikely to happen, would carry a high risk of loss. It is distinct from non-compliance risk and reputational risk.

#### Risk measurement, management and control

BPF is primarily exposed to operational risks linked to credit risk, external fraud and, to a much lesser extent, the risks inherent in outsourcing activities to contractors or partners.

Risk management mechanisms are incorporated into instructions and second-tier checks are carried out by the permanent control functions. Risk is also managed *via* decision-making and authorisation rules or special solutions incorporated into the IT systems (such as the Disaster Recovery Plan).

# 1.4.4. Legal and contractual risks

The PSA Group 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.

## 1.4.4.1. LEGAL AND ARBITRATION PROCEEDINGS

As at 31 December 2016, 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.

Établissements Peugeot Frères initiated arbitration proceedings against a Group subsidiary, Automobiles Peugeot, concerning the ownership and use of the "Peugeot" brand, excluding vehicles, in 2015. These proceedings are still ongoing and the Group is confident about their outcome.

Concerning provisions for claims and litigation, please refer to Note 9 to the 2016 consolidated financial statements, Section 5.6 below, page 212.

## 1.4.4.2. LEGAL RISKS ASSOCIATED WITH ANTI-TRUST LITIGATION

### Risk factors

Like all economic operators, the PSA Group 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.

### Risk management and control processes

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 2016, these actions continued and expanded across the Group, which strengthened its competition compliance programme through several initiatives (11 commitments made to the French Competition Authority in 2014), including:

- the implementation of a whistleblowing system in France;
- 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.

## 1.4.4.3. REGULATORY RISKS

The nature of the Group's activities and its international presence make it subject to a set of wide-ranging regulations. In particular, the development of new vehicles and subassemblies also exposes the Group to risks arising from constant changes in European and global regulations, particularly in the areas of safety and the environment. The overall trend is towards increasingly strict regulations. The Group's activities may be impacted by public authority policy incentives to purchase new vehicles, as well as by unfavourable changes in tax and/or customs regulations in the countries with which the Group trades.

These requirements are taken into account as soon as possible in the development of vehicles and subassemblies at the project level and in the marketing of these vehicles. For this purpose, the Group has implemented policies and procedures at the appropriate levels to ensure compliance with these regulations. The Group also participates in permanent dialogue with the national and regional authorities in charge of specific regulations for automotive industry products so as to prevent risks related to regulatory changes.

## 1.4.4.4. FINANCIAL COVENANTS

The purpose of financial covenants is to protect lenders, and their non-compliance generally opens up early repayment or acceleration clauses. Peugeot S.A. and GIE PSA Trésorerie's €3 billion syndicated revolving credit facility demands a level of the net debt of manufacturing and sales companies of less than €6 billion and a ratio of the net debt of manufacturing and sales companies to Group equity of less than one. As at 31 December 2016, these covenants were complied with.

For more information, please refer to Note 11.7.A (1) to the 2016 consolidated financial statements, Section 5.6 below, page 225.

## 1.4.4.5. RISKS RELATED TO PENSION AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

The Group's employees in certain countries are entitled to supplementary pension benefits under either defined-contribution or defined-benefit plans, as well as lump-sum payments at the time of retirement. The Group's only obligation under defined contribution plans is to pay fixed contributions into the fund concerned. For its defined benefit plans – which primarily concern France and the United Kingdom – the Group is required to record a provision corresponding to the long-term pension benefit obligation, which generates employee-benefit related commitments in the consolidated accounts. This directly impacts the Group's consolidated statement of income.

In order to effectively control the Group's overall pension liabilities, independent actuaries perform valuations every year in each country concerned, and the calculation inputs, including the discount rate applied to future cash flows, inflation rates and demographic assumptions (e.g. the rate of future salary increases, mortality tables and staff turnover, etc.), are regularly reviewed. The Group's pension funds (allocation of financial assets, underlying strength of the models used, returns, etc.) are monitored by the Finance Department. For more details, please refer to Note 11.7. to the 2016 consolidated financial statements, Section 5.6. below, page 225.

### 1.4.4.6. RISKS RELATED TO INTELLECTUAL PROPERTY RIGHTS

In the course of its business, the Group patents its innovations and grants or receives rights to use patents or other industrial or intellectual property rights, undertaking all of the usual measures to protect them.

The Group pays careful attention to protecting its intellectual property rights and legal action is taken against producers of counterfeit spare parts and any other parties that breach the Group's rights.

In 2016, PSA Group filed 930 patents with the French patent and trademark office (Institut National de la Propriété Industrielle – INPI). For more information on the Group's patent policy, please refer to Section 4.5.3.2 below of this Registration Document, page 169.

### 1.4.4.7. OFF-BALANCE SHEET COMMITMENTS

Please refer to Note 16 to the 2016 consolidated financial statements, Section 5.6 below, page 250.

## 1.4.5. Risk coverage – insurance

The Group's Insurance unit has set up worldwide insurance programmes that are placed with companies that have a high insurer financial strength rating, notably for:

- the property and casualty programme, under three policies providing aggregate cover of €1,500 million, with deductible excess amounts of up to €10 million per claim;
- the civil liability insurance programme, under three policies providing aggregate cover of €250 million, with a maximum excess of €500,000 per claim;
- the vehicle transportation and storage insurance programme, under two insurance policies of €72 million, with a maximum excess of €300,000 per claim;
- the fraud programme, under three policies providing cover of €63 million, with a maximum excess of €500,000 per claim.

Some of the lead policies under these programmes are reinsured by SARAL (SA de Réassurance Luxembourgeoise), a wholly owned subsidiary of Peugeot S.A.

SARAL is involved exclusively in insuring the Group's risks, and in particular, risks regarding property and casualty and losses attributable to business interruption (€16 million per claim and per year), automobile liability (€750,000 per claim), risks associated with the transportation of vehicles and their storage on parking lots (€18 million per claim and €36 million per year) and fraud risks (€1.5 million per claim and €3 million per year).

Allied to its pro-active approach to risk prevention, which was approved by its partner insurers, the Group's insurance policy consists of transferring certain high-level risks to the insurance market and retaining low-and average-level risks through deductibles and the captive reinsurance company.

## 1.4.6. Risks relating to the proposed acquisition of Opel/Vauxhall announced on 6 March 2017

**Completion of the acquisition of General Motors' Opel/Vauxhall subsidiary is subject to a range of conditions being satisfied**

The terms and conditions of the proposed acquisition by the Company of Opel/Vauxhall (the "**Transaction**") have been agreed in a Master Agreement concluded on 5 March 2017 between the Company and General Motors Holdings LLC (a wholly-owned subsidiary of General Motors Company).

This agreement provides that completion of the Acquisition is subject to certain conditions precedent, relating in particular to the implementation of certain preliminary reorganisations of the Opel/Vauxhall group and the obtaining of antitrust and financial regulatory authorisations, and in particular:

- authorisation by the European Commission (under the merger regulation);
- authorisation by the European Central Bank (in respect of the acquisition of the Opel/Vauxhall finance companies in France and Germany);
- authorisations by the Belgian, Dutch, Italian and British financial authorities in respect of the acquisition of certain target entities (in particular the Opel/Vauxhall finance companies) operating in those countries.

Furthermore, the Master Agreement could, in particular, be terminated (i) by the Company in the event that the inaccuracy of a major representation and warranty in the agreement caused material financial losses to the Company; and (ii) by one of the parties if the conditions precedent are not all satisfied before 5 June 2018.

Thus, failure to obtain certain regulatory authorisations, or the discovery of inaccurate representations, could result in the termination of the Master Agreement and thus the non-completion of the Transaction. The result of that would be that the targets announced by the Group, particularly in terms of market share in Europe and the development of synergies, would be called into question, which would have a material adverse impact on the Group's prospects and image.

**There are risks associated with the separation of Opel/Vauxhall from the General Motors group, and the synergies or targets anticipated as a result of this acquisition might not be achieved**

As in the case of any external growth transaction, the Company might not be able to retain certain Opel/Vauxhall employees, customers or suppliers.

In particular, while the Master Agreement provides that the majority of contracts concluded by Opel/Vauxhall will continue uninterrupted, some contracts, and in particular those concluded with concessionaires, distributors or importers, will nevertheless require the prior consent of Opel/Vauxhall's contracting partner to the completion of the Transaction. General Motors has undertaken to use reasonable efforts to request and obtain the consents required, but it is not, however, possible to guarantee that all the contracts concluded by Opel/Vauxhall will continue after completion of the Transaction.

Moreover, during the period of integration of Opel/Vauxhall, a number of contracts (such as for the provision of IT services) will be required to govern various aspects of the relationship between Opel/Vauxhall and General Motors, particularly in order to prepare Opel/Vauxhall for convergence with the PSA platforms. The existence of risks associated with the historic organisational methods and practices of Opel/Vauxhall and/or of General Motors could have the effect of making the implementation of such transitional agreements more costly and/or more time-consuming than anticipated.

The Group believes that the Transaction should allow the achievement of substantial economies of scale and synergies in the area of purchasing, production and R&D: thus, synergies of €1.7 billion per year are expected between now and 2026, a significant proportion of which should materialise before 2020.

However, the amount and the date of the synergies announced are based on a certain number of assumptions (in particular concerning market prices, cost savings, earnings, the assessment of commercial demand and projected profitability) which might not be realised. More generally, unfavourable changes in macroeconomic conditions would call into question the assumptions underlying the Company's business plan.

Failure to achieve the amount of synergies announced, or to achieve it within the anticipated timescale, could have a material impact on the Group's business, results, financial situation, prospects or image.

# CORPORATE RESPONSIBILITY: SUSTAINABLE DEVELOPMENT INITIATIVES

The environmental, corporate and social information contained in this section meets the requirements of the "Grenelle 2" law across all Group activities. It is consistent with the recommendations of the Global Reporting Initiative (GRI). For the automotive business, the information is contained in a detailed annual report (CSR Report)

The information below is consolidated and is based on the parent company Peugeot S.A. as well as on all of its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies controlled within the meaning of Article L. 233-3 of the French Commercial Code.

The detailed reporting scope and cross-reference table with the 43 themes of the "Grenelle 2" law are presented in Section 2.6.

Quantitative information on Banque PSA Finance (BPF) and Faurecia is published separately in this section and accompanied by specific explanations, if necessary. For further information, especially about CSR initiatives implemented by these two companies over the period, please refer to ESG reports from PSA Banque France (formerly SOFIB – the joint venture between Banque PSA Finance and Santander Consumer Finance in France) and Faurecia: website, Registration Document etc.

The Group's sustainable development policies and results are assessed by rating agencies. The PSA Group's ESG performance is recognised by ratings and by its listing on specialist stock market indices, as shown in the Group's CSR Report.

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

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

## 2.1.1. The Group's CSR policy G.20

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

### SUSTAINABLE MOBILITY

- As a pioneer in many technologies, the PSA Group is demonstrating its social responsibility by developing a range of mobility solutions in response to changes in stakeholder expectations: not just for consumers but also for regions. Its strategy is **to have** a **presence across all mobility market segments**.
- With this objective, it is mobilising its **innovation** resources to reduce the environmental impacts of mobility. Its strategy is based on rolling out the most effective technologies **across the greatest number of vehicles**, so as to constitute massive leverage in the fight against pollution and climate change.
- From design through to manufacture, the PSA Group is committed to **optimising the use of resources** by incorporating green or recycled materials into its vehicles, by guaranteeing their recyclability and by **limiting the environmental footprint of its production sites and dealership networks** in terms of energy, water and waste.
- Vehicle use is the main cause of emissions. The Group also:
  - widely fits its ranges with clean, **low carbon**, fuel efficient technologies that **preserve air quality**, and sells best in class combustion, hybrid and electric vehicles;
  - is developing a range of **connected mobility services** in response to changes in **customer** behaviours and expectations;
  - lastly, as a result of listening to the views of the general public, invents tomorrow's mobility solutions by making digital technology part of its ranges' DNA, by rolling out driver assistance systems offering increasing levels of safety and improved traffic flows, with the ultimate aim of producing **autonomous cars** at an affordable cost for the largest number of motorists.

### ECONOMIC DEVELOPMENT OF ITS HOST COUNTRIES

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

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

### DRAWING ON ALL ITS TALENT AND CREATING THE RIGHT ENVIRONMENT FOR SUCCESS

PSA Group's economic performance is bound up with its workforce-related performance. The aim is to pool energies to end up as the winning team. The Group relies on the quality of its relations with its employee representatives to design innovative solutions and **build trust and commitment**. Since 2016, in order to support its global expansion and the efficient implementation of its social commitment, it has used the Global Framework Agreement on Social Responsibility as its reference framework.

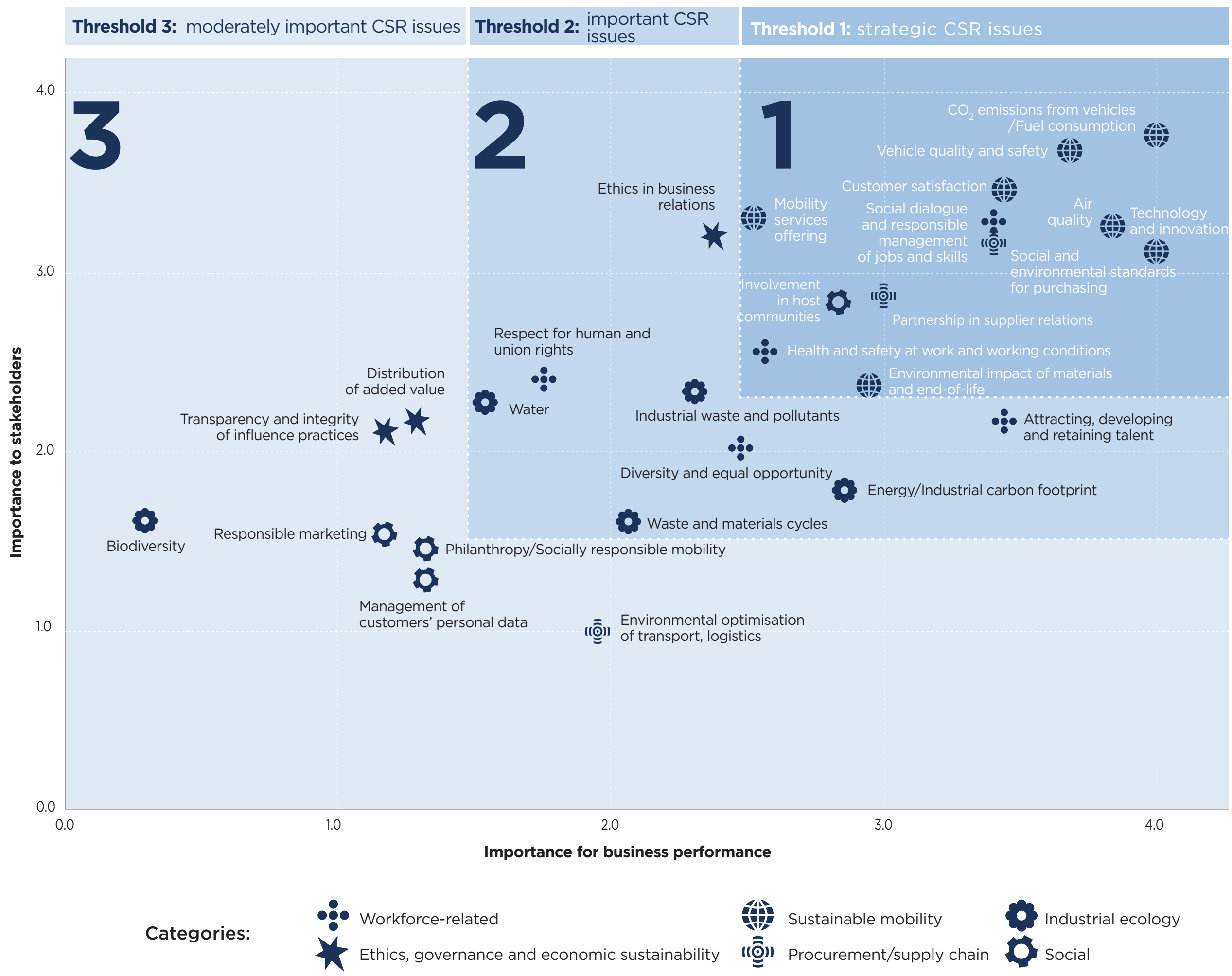
Across all its sites, the PSA Group is rolling out the principles of this reference framework, in response to its employment issues. The Group:

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

The PSA Group's CSR (corporate social responsibility) policy is both a collective and individual commitment and the Group ensures that its principles are taken into consideration in all operational decisions.

## 2.1.2. Dialogue with the Group's stakeholders G.37

The Group – a player committed to the local economies where it operates – has maintained solid relations with all of its stakeholders for many years: employees, employee representatives, customers and consumer or road user associations, distribution networks, shareholders and investors, suppliers, partners in cooperation projects and joint ventures, government and industry bodies, NGOs, local administrations, residents living near sites, the media, financial and ESG rating agencies, CSR experts as well as teachers and researchers etc. These regular discussions with stakeholders enable social, environmental or economic challenges and risks to be better identified and influence the Group's response to sociological and technological changes in society. Stakeholders' dialogue was used to inform the materiality matrix of the CSR issues below.




Section 8.4.2. of the 2016 PSA Group CSR Report explains how the materiality matrix of CSR issues was compiled.

## STAKEHOLDERS' DIALOGUE FOR 2016

The 2016 CSR Report introduces the Group's stakeholders (see Section 1.2.1.3.) and describes instances of dialogue (see Chapter 8.). These regular discussions with stakeholders constitute a benchmark for PSA's CSR ambitions. They provide the content for the action plans launched by the Group. The different sections of the CSR Report include examples of these discussions.

In 2016, the PSA Group Stakeholders Dialogue was based on three major themes:

### Tomorrow's mobility solutions: Smart, Shared, Safe and Sustainable

PSA Group has embarked on several joint initiatives for sustainable mobility, the third element of its stakeholder dialogue.

- **The partnership with the NGO, T&E:** In line with its transparency policy, on 26 October 2015, the Group announced its initiative to publish real-world fuel economy figures for its main vehicles, with the process overseen by an independent body. The Group embarked on this initiative with Transport et Environnement, an environmental NGO that took measurements using a different method from the one used in current accreditation tests. The results were published from Spring 2016 onwards and can be consulted on the Citroën, DS and Peugeot websites.
- **Continuation of the initial French automotive industry stakeholder dialogue:** A panel of representatives from the French automotive industry and 15 representatives from civil society, NGOs, elected representatives and experts, was formed on 9 July 2015. This panel met again in 2016, for more targeted discussions focusing on two lines of inquiry: on the one hand "What role do cars have to play in the mobility ecosystem? What synergies and complementarity exist between players? and, on the other, "What will tomorrow's vehicles and related services look like? In response to what changes in user practices and trends?"
- **Ongoing dialogue with the PSA Group stakeholder panel:** the panel of representatives from civil society, set up in 2014, met in 2016 to reflect on the impacts of mobility on the environment. These discussions were held between civil society players such as representatives of NGOs, doctors, researchers, economists, chemists etc. and a group of PSA Group employees involved in the development and marketing of products or services relating to sustainable mobility. Tackling topics such as fine particulates, sustainable mobility and the circular economy, etc. gives the Group food for thought.
- **Involvement in the work of the *Laboratoire de la Mobilité Inclusive:*** Through its Foundation, the Group is involved in discussions with public authorities, transport operators and NGOs. This dialogue enables PSA Group to improve its understanding of the mobility needs of the most vulnerable members of society so as to develop its offering accordingly.

#### RESULTS OF THIS DIALOGUE

- **New PSA Group mobility solutions:**

The Group has launched a brand dedicated to mobility solutions, Free to Move, which brings together all these types of solutions (described in Section 2.5 of the CSR Report).

- **Support for DIY self service garages:**

The work of the *Laboratoire de la Mobilité Inclusive* has enabled the Group's Foundation to consolidate its decision to support DIY self service garages.

### Social (employment) policy

In the light of the crises that have been affecting the European automotive market, requiring the Group to make the necessary adjustments to its production capacity, and so as to make the required changes as responsibly as possible, the Group has focused on ongoing dialogue with those stakeholders most affected by the changes (employee representatives, unions, local authorities, government, automotive industry).

#### RESULTS OF THIS DIALOGUE

- **Innovative and safe solutions:**

Since 2015, the discussions entered into by PSA Group have made it possible to put mechanisms in place to support employees affected by these changes. Together with employee representatives, suppliers and partner companies, government departments and local administrations, innovative solutions have been introduced: territorial career mobility and transition platforms with career transition passports which give all employees the opportunity to benefit from long-term retraining and "permanent contracts for temporary workers" which should secure the employment prospects of 300 operators between now and 2017.

- **A "New Momentum for Growth":**

On the strength of all these workforce-related innovations, the implementation of which demonstrated the Group's efficiency, on 8 July 2016, the Group and the employee representatives (5 unions representing over 80% of its employees) signed the "New Momentum for Growth" performance agreement. This new agreement aims to support the rollout of the "Push to Pass" strategic plan, thereby supporting the Group's growth and boosting its performance so that the Company can pass on its success to its employees. With this agreement, the PSA Group wished to take standard negotiating practices a step further, by making the quality of the dialogue and trust-based relationships with the unions, a competitive advantage for the Company. This involves moving from a culture of negotiation to a culture of co-construction, sharing upstream corporate strategy to support transformations.

### Responsible purchasing: focus on conflict minerals and Human Rights

In 2016, the PSA Group once again took an active role in work aiming to ensure the implementation of principles of due diligence in the supply chain, whether this is through independent bodies active in CSR in France (MEDEF, AFEP, EpE, C3D, UDA, CCFA, etc.) or within the French Automotive Industry (*via* the Automotive platform) on the issue of responsible purchasing and support for suppliers.

#### RESULTS OF THIS DIALOGUE

- Discussions with suppliers clarified concepts of responsibility within supply chains and determined the initial measures to be implemented according to the significance of the risks identified.

# 2.2. EMBRACING ENVIRONMENTAL ISSUES

## 2.2.1. Incorporating environmental issues into product and service design



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

The Group focuses much of its research efforts on clean technologies to address the following four issues:

- combating global warming and adapting to climate change by reducing vehicle $CO_2$ emissions and fuel consumption;
- preservation of air quality;
- limitation of the impact of materials on the environment, from the extraction of raw materials to the recycling of end-of-life vehicles;
- the development of mobility services adapted to new patterns of vehicle use.

### INCORPORATING ENVIRONMENTAL ISSUES INTO THE GROUP'S ORGANISATION IN THE PRODUCT AND SERVICE DESIGN PHASE G.20

#### Automotive Division (including PCA)

Within the Automotive Division, the Quality and Engineering Department (QED) has a seat on the Executive Committee. It leads the Group's work on technological innovation with 9,550 employees in Europe, plus R&D teams in China and Latin America which have respectively almost 2,700 employees (800 at the Shanghai R&D centre and 1,900 in the CAPSA JV) and 600 employees (at the São Paulo R&D centre) giving a total of nearly 13,000 employees worldwide at the end of 2016. The QED is active in three key areas:

- low-carbon vehicles: to meet environmental challenges, the depletion of fossil fuels and changing lifestyles;
- design, concept and styling for flawless perceived quality;
- services, working with Peugeot, Citroën and DS Marketing Departments, as well as the Connected Services and Vehicles Business Unit, to envision the future of connectivity and mobility (multi-modal transport and onboard intelligence).

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

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

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

### RESOURCES COMMITTED TO PREVENT ENVIRONMENTAL RISKS AND POLLUTION G.22

#### Automotive Division

Data for the Automotive Division (including PCA) are presented in Section 4.5 of the Registration Document.

### 2.2.1.1. COMBATING GLOBAL WARNING AND ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE G.22 G.33

#### 2.2.1.1.1. Technological innovation to combat climate risk G.22 G.30 G.33

As an environmental pioneer and European leader in $CO_2$ emissions from passenger cars, in 2016, the Group is continuing to develop a range of increasingly fuel-efficient, low-carbon cars to constantly meet the growing mobility needs of the individual as well as regulatory standards, identifying the most cost-effective technical solutions for its customers. The technological solutions under consideration for all Group markets (including China) are structured around the following main objectives:

- deploying hybrid technologies with different-size engines and battery capacity to meet a wide range of types of use and budgets;
- developing electric vehicles for both fleets and individual customers;
- optimising IC powertrains;
- improving the overall fuel efficiency of its vehicles, in particular by optimising vehicle architecture and equipment (tyres, aerodynamics, mass, power management, etc.).

In November 2015, the PSA Group decided to take a unique approach to customer transparency by publishing its vehicles' real-world fuel consumption. This initiative is a world first in the automotive industry. (see also Section 2.2.1.2.3. on air quality). Measurements are taken on the road, in accordance with a publicly available test protocol, designed with the NGOs Transport & Environment (T&E) and France Nature Environnement (FNE), audited by Bureau Veritas. In 2016, the results of the measurements obtained for 40 core range models were published on Group brand websites, enabling customers to make a more informed choice.

Hence, the Group has a prominent role to play in publishing and sharing a protocol that could be used as a benchmark.

## Electrification: an ambitious plan to roll out hybrid and electric technologies

### Electric vehicles

Since 2010, the Group has sold 25,000 electric vehicles worldwide, with a range that covers both the PC and LCV segments: Peugeot iOn and Partner, Citroën C-Zéro and Berlingo.

PSA Group is continuing its strategic cooperation with Bolloré, reflecting their common interest in sustainable mobility. Since spring 2016, the Rennes industrial site has produced the Citroën E-MEHARI, a four-seater electric cabriolet equipped with lithium metal polymer technology batteries enabling it to run for 200 kilometres on one charge in urban use.

For the longer term, the Group has decided on an electric vehicle programme developed with Donfeng Motor. Based on an electric version of the CMP platform (e-CMP), it will spawn a new generation of versatile and spacious electric vehicles with ion-lithium battery technology, enabling them to run for up to 450 km on one charge and offering ultra-rapid charging solutions providing an off-vehicle charge range (OVC) of up 12 km per minute. Four electric versions will be marketed by 2021, the first of which in 2019.

### Plug-in hybrid vehicles

The Group is developing a plug-in hybrid powertrain coupled with a petrol engine to support its global growth. It will emit less than 50 g/km of $CO_2$ (or 2 l/100 km) in all areas combined, with a range of 50 km in urban and suburban areas in full electric mode.

Seven plug-in hybrid vehicles will be launched on a gradual basis between 2019 and 2021. To make them easier to use, hybrid plug-in vehicles will be supplied with a four-hour charging device with the option to quick charge in under two hours.

### Micro-hybrid vehicles: Stop & Start and e-HDi technologies

Stop & Start technology allows the engine to shut down automatically when the vehicle is standing still or in neutral and to start up again instantly and noiselessly when reactivated by the driver. As a result, it helps to reduce carbon emissions by up to 15% in city driving. Introduced by the Group in 2004, this technology is now deployed across almost the entire fleet of Peugeot, Citroën and DS vehicles in Europe and across over 30% of vehicles in China.

## Ongoing optimisation of internal combustion engines

The Group is rolling out innovative high-tech solutions to optimise internal combustion engine performance:

- downsizing (reducing engine size and number of cylinders);
- increasing torque while reducing maximum power, thereby lengthening the power and torque bands and increasing fuel efficiency;
- reducing mechanical friction (oil, piston rings, oil pump, actuators, accessories, permeability, etc.);
- optimising combustion technology.

### Reducing petrol engine fuel consumption and exhaust emissions

In less than ten years, PSA Group will have upgraded all of its petrol engine ranges, in line with its goal of reducing $CO_2$ emissions not only in Europe but also in other major markets, including China and Brazil.

In 2015 and 2016, the EB Turbo PureTech three-cylinder, 1.2 litre petrol engine, launched in 2013, won the International Engine of the Year Award. It emits 18% less $CO_2$ than the previous generation of four-cylinder atmospheric engines. To meet the growing demand from customers for petrol engines, the Group will double production between now and 2019.

This engine completes the modular family of 3-cylinder PureTech petrol engines (1-litre and 1.2-litre) with many high-tech features unveiled by the Group in 2012, offering petrol vehicles emitting less than 100g/km of $CO_2$ in the non-turbo version and less than 110 g/km with the turbo engine.

Since 2006, the PSA Group has marketed the EP 1.4 and 1.6 litre range of four-cylinder petrol engines.

### Reducing diesel engine fuel consumption and exhaust emissions

The PSA Group is continuing to develop its HDi technology. At the same time, it is rolling out its e-HDi technology (Stop & Start). In late 2013, the Group unveiled BlueHDi, a new exhaust line which due to its Selective Catalytic Reduction (SCR) after-treatment system, drastically reduces nitrogen oxide emissions ($NO_x$) and further improves the level of $CO_2$ emissions (by as much as 4% compared with the previous generation of diesel engines).

## Gearbox trends

The Group is continually seeking to optimise its powertrains by focusing on two main areas:

- gearbox performance: a mid-range six-speed manual gearbox (MB6) will be launched in the second half of 2017, and an automatic eight-speed gearbox, which will take over from the AT6 III/AM6 III generation of gearboxes which has already helped to reduce total powertrain consumption by around 15% since the end of 2013, will be launched in 2018-2020;
- powertrain adaptation (*i.e.* gear ratios, gear ratio change strategies and compatibility with Stop & Start).

## Use of alternative fuels

The Group is developing biofuel-compatible engines:

- **compressed natural gas (CNG):** is used to power Group vehicles in markets where local conditions are conducive to its development, such as Argentina, China and the Middle East. Using CNG also cuts $CO_2$ emissions by 20% compared with conventional petrol engines, with a tank-to-wheel approach;
- **ethanol and flex-fuel vehicles:** PSA Group has developed flex-fuel vehicles that can run on ethanol/petrol blends in variable proportions: for example between 20 and 100% of ethanol in Brazil, the largest market in the world for fuel and flex-fuel vehicles. In 2016, the new EB2F MA flex-fuel engine, fitted in the Peugeot 208 and the Citroën C3 on the Brazilian market, became a benchmark for fuel consumption;

- **biodiesel:** All of the Group's diesel vehicles are already compatible with B10 and B30, assuming that fuel quality is adequate and that suitable vehicle maintenance is carried out. In 2016, the PSA Group signed the bioethanol industry's E10 charter: the Group's new vehicles will now have labels inside their fuel filler flaps, telling users about compatibility with various biofuels;
- **advanced biofuels:** they are derived from the conversion of biomass, or the use of microalgae. The PSA Group is contributing to this process by participating in research projects and real-world trials. For example, PSA Group is a partner of the Federal University of Parana in Curitiba for the production of lipid biofuels from micro-algae, and has a long-standing collaboration with the French project Shamash.

### Trends in vehicle architecture and equipment

#### Platforms

In late 2013, the Group launched a new-generation platform, the Efficient Modular Platform 2 (EMP2), intended to cover all segment C and D body styles worldwide. The new vehicles based on this EMP2 platform have proven their leadership in Europe on these segments in terms of $CO_2$ emissions.

From 2019, the EMP2 platform's ingenious design will make it possible to roll out the first plug-in petrol hybrid models with the best hybrid performances.

In 2015, the PSA Group announced the development, together with Dongfeng Motor, of a global platform, the Common Modular Platform (CMP), for Peugeot, Citroën and DS segment B and C vehicles. It will provide effective solutions in terms of modularity and versatility, equipment and reduced $CO_2$ emissions.

In May 2016, the PSA Group and Dongfeng Motor signed a new agreement to develop an electric version of the CMP platform (e-CMP), which will make it possible, from 2019, to offer a range of 100% electric, segment B and C vehicles worldwide, with the highest performance.

#### Mass

Already a market leader in terms of average vehicle weight, the Group is continuing to develop more lightweight vehicles, making this a major lever in reducing its environmental footprint. This involves optimising vehicle architecture, using lower density materials and innovative techniques that help to lighten the car body, whilst improving shock resistance.

The new Peugeot 3008, launched in 2016, benefits from the new EMP2 platform architecture, combined with genuine optimisation of the weight/size/performance ratio at every level, making it possible to gain an average of 100 kg on the previous generation of vehicles.

#### Equipment, aerodynamics and driver assistance

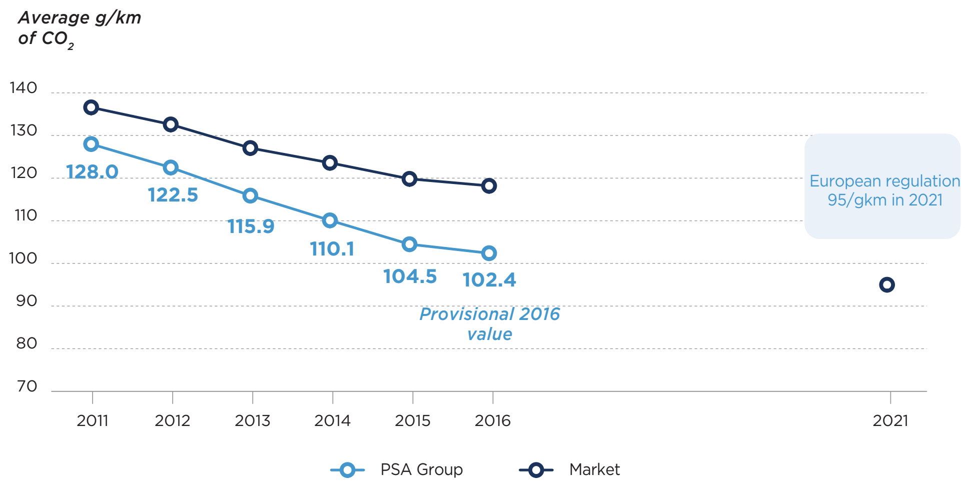
Overall vehicle efficiency also means optimising aerodynamics, as well as components and sub-assemblies: tyre rolling resistance, losses through mechanical friction (brakes, bearings, bushings, etc.), power consumption (sensors, actuators, motors), air-conditioning system. The Group also offers on-board eco-driving assistance to help drivers to optimise the use of their vehicles.

### 2.2.1.1.2. $CO_2$ performance of vehicles sold by the Group G.32

In Europe, after having sold over 42% of vehicles with emissions of less than 100 g/km of $CO_2$ in 2016, the Group is continuing its efforts to reach a target of a 30% reduction in emissions from the vehicles that it sells worldwide between 2012 and 2025, and a strategy aiming at systematically offering:

- for the highest-selling models in the main segments, one of the top three cars for $CO_2$ emissions;
- vehicles with very low fuel consumption, but which still deliver superior features and equipment.

**The Group's $CO_2$ trend (passenger cars in 22-country Europe)**



## 2.2.1.2. PRESERVING AIR QUALITY

G.22 G.24 G.42

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

- particulate emissions: inventor of the diesel particulate filter (DPF), which it has marketed since 2000, more than nine years before Euro 5 standards which made it compulsory from September 2009;
- nitrogen oxide emissions: the PSA Group is the first car manufacturer to have opted to roll out the SCR (Selective Catalytic Reduction) solution, reducing nitrogen oxide emissions by up to 90% and marketed since 2013 on Euro 6 vehicles.

The groundbreaking technologies used to reduce the atmospheric pollutants produced by PSA Group vehicles are just as well suited to combustion vehicles as to plug-in hybrid vehicles (PHEV).

The range of existing solutions to improve air quality also include the electric vehicles already listed in the Group's catalogue and those currently being developed such as the plug-in hybrids.

The Group's massive R&D investment policy aims to maintain air quality and reduce greenhouse gas emissions (€635 million to develop powertrains in 2016). This approach is in synergy with the prevention of climate risks described in Section 2.2.1.1.1.

### 2.2.1.2.1. The PSA Group's additive particulate filter: the only effective technology under all driving conditions

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

The Group opted for the DPF with additive solution, the most effective solution in terms of regeneration efficiency. The PSA Group solution comprises an additive tank, a ceramic filter and sensors. Iron-based and captured, in full, by the filter, the additive is automatically added to the fuel (without driver intervention): this reduces the soot combustion temperature and speeds up regeneration in all driving conditions (around town, open road, etc.) unlike catalysed diesel particulate filters.

The additive DPF technology developed by the PSA Group reduces the percentage of $NO_2$ in $NO_x$, unlike the catalysed diesel particulate filters developed by competitors.

#### The question of fine and ultrafine particulates

The DPF screens out all fine and ultrafine particulates extremely effectively (99.7% by number > 95% by mass; source: Agency for the Environment and Energy Management (ADEME): Particulate and $NO_x$ emissions from road vehicles – January 2014). By the end of the 1990s, with the introduction of the additive DPF, the number of particulate emissions fell from over 3,500,000 particulates per $cm^3$ on unfiltered diesel engines to 3,500 particulates per $cm^3$ on diesel engines with DPF. The DPF removes particulates in all driving conditions. The DPF is a mechanical system which is fully operational and effective throughout all phases of engine operation – load/warm engine/cold engine, on the motorway/around town – even when the filter is full.

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

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

The Group is continuing to roll out this technology, underpinned by the introduction of the Euro 6 standard.

In all its global markets, the vehicles marketed by the Group comply with the regulations in force in the country of sale, and benefit from the advanced technologies developed for Europe.

A pioneer in this field, the Group had sold a total of 11,4 million DPF-equipped diesel vehicles by the end of 2016.

In 2016, vehicles equipped with particulate filters accounted for 97% of the Group's total diesel vehicle sales worldwide, compared to 91% in 2015 and 37% in 2009.

The second stage of Euro 6 (Euro 6d-TEMP) will impose a tougher limit in terms of number of particulates from direct-injection petrol vehicles (which will have the same limit as diesel engines), and a new constraint consisting of a reduction in Real Driving Emissions (RDE).

To comply with second stage of Euro 6 regulation, in addition to optimising injection systems, the Group is looking at a particulate filter system (GPF Gasoline Particulate Filter) with passive regeneration to reduce the number of particulate emissions in direct-injection petrol engines. This solution screens out all fine and ultrafine particulates, regardless of the driving conditions. The new technology is due to be launched on petrol vehicles in 2017.

### 2.2.1.2.2. SCR (Selective Catalytic Reduction): most effective solution to reduce nitrogen oxide

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

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

In preparation for second stage of Euro 6 regulation, the Group decided, right from first stage of Euro 6 (Euro 6b) to deploy Selective Catalytic Reduction (SCR) technology across its entire diesel portfolio, identified by the "BlueHDi" label which combines both particulate filter and SCR technology to further reduce $NO_x$ emissions.

The BlueHDi exhaust line is fitted with three emissions control subassemblies:

- an oxidation catalyst;
- an additive particulate filter that can eliminate 99.7% of particulates (by number) whatever their size and regardless of the driving conditions;
- an after-treatment system, the SCR, positioned upstream of the additive DPF, that can eliminate up to 90% of the engine's nitrogen oxide ($NO_x$) emissions.

This shows the Group's desire to reduce its vehicles' pollutant emissions in real-world driving conditions whilst keeping fuel consumption and $CO_2$ emissions at optimum levels.

Launched in November 2013 on the Peugeot 508 and Citroën C4 Picasso (DW 2.0-litre engine), BlueHDi technology was extended to the DV 1.6-litre engine in 2014, before being rolled out across the Peugeot, Citroën and DS fleet. It represents 81% of DPF-equipped diesel vehicles sold worldwide in 2016 equivalent to 1.8 million vehicles in total at the end of 2016.

The BlueHDi line is currently used by all diesel passenger vehicles manufactured by the Group, so as to reduce $NO_x$ emissions to levels close to those of petrol vehicles, whilst retaining the advantage of diesel (15% lower $CO_2$ emissions).

One hundred or so patents have been filed by the PSA Group for BlueHDi technology. The Group is working on refining its technologies, not only to bring costs down without compromising on performance, but to give them new features – such as the SCR catalyst-impregnated filter – thereby reducing $NO_x$ and eliminating particulate matter in a single emissions control system. This consists of integrating the SCR with the particulate filter (SCRF system or Selective Catalytic Reduction on Filter) and the launch of this new technology is planned for 2017 for the Euro 6d-TEMP stage.

Previously, AdBlue® was scheduled to be replenished in PSA Group vehicles during maintenance work at the frequency stated in the service manual.

From now on, to improve the performance of the Group's new vehicles, it will be easier to refill the AdBlue® tank *via* an opening in the fuel filler cap. This method of filling will be rolled out for Euro 6d-TEMP across vehicles already in mass production.

This involves the construction of a French and European distribution network for urea (AdBlue®) the reducing agent used to transform $NO_x$ into nitrogen.

#### 2.2.1.2.3. A groundbreaking stance: the decision to take a responsible and transparent stance when it comes to providing customers and regions with information

With groundbreaking technology solutions, the PSA Group is also unique in terms of its customer information.

The PSA Group continues to be a major player in air quality improvement: from the invention of the particulate filter to SCR, its technological choices are recognised as being the most relevant in terms of combating the environmental impacts of internal combustion engines.

It takes part in public debates and fiercely defends industrialists' freedom to devise the most effective solutions, challenged only by the caps set by regulators.

Convinced by the relevance of its technological choices in the light of the challenges posed by climate change and air quality, in November 2015, it announced its partnership with two environmental NGOs, Transport & Environment (T&E) and France Nature Environnement (FNE), and, together, they published fuel consumption figures for the Group's vehicles under real-world driving conditions. This information is already available on Group brand websites.

The partnership with T&E and FNE is ongoing and aims to define a protocol for measuring $NO_x$ emissions under real-world driving conditions. The first results are due to be published in 2017, accompanying the launch of Euro 6d-TEMP vehicles.

The PSA Group is, to date, the only car manufacturer to commit to this transparency in respect of its customers.

Being aware of the difficulty of informing its customers of the differences between measurements taken in the laboratory and measurements taken under real-world driving conditions, the Group is taking an educational approach, supplying its customers with all the information they need to make an informed choice and to measure the impact of their mode of driving on their vehicle's emissions.

In addition, the PSA Group points out that the results of monitoring the real driving emissions (RDE) of its recently-approved vehicles can be accessed on the following website http://www.acea.be/publications/article/access-to-euro-6-rde-monitoring-data.

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

### 2.2.1.3.1. Responsible use of materials G.29

#### Reduction of materials consumption

In 2016, with sales up by 5.83% compared with 2015, the Group consumed (excluding Latin America):

- 2,160,000 tonnes of steel (up from 2,090,000 tonnes in 2015, *i.e.* +3.3%) including 680,000 tonnes direct (down from 715,000 tonnes in 2015, *i.e.* -0.5%);
- 290,000 tonnes of non-ferrous metals (unchanged from 2015), including 61,000 tonnes of aluminium direct (up from 57,000 tonnes in 2015, *i.e.* +7%);
- 450,000 tonnes of synthetic material, polymers and elastomers (unchanged from 2015).

This is, in particular, due to initiatives to make vehicles lighter and can be seen, in particular, on the Peugeot 3008.

#### Proactive use of green materials

PSA Group has undertaken to incorporate, on average, 30% natural and recycled materials in the Group's vehicles. Recycled materials are integrated throughout the vehicle. Although metals are some of the most extensively recycled materials, the aim is to promote the recycling of metals in automotive products.

In addition, the Group is continuing its research efforts on recycled polymers (non-metal and non-mineral elements), polymers representing on average 20% of the total mass of a vehicle. Most other materials (metals, fluids, etc.) are already recyclable, and indeed are widely recycled.

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

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

PSA Group is involved in a number of scientific partnerships aimed at growing the biomaterials sector and developing biomaterials' automotive applications, such as the BIOMass for the Future/Miscanthus project alongside the INRA (National Institute for Agronomic Research) or the FINATHER project, aimed at developing innovative thermosetting composite materials with low environmental impact for the automotive and rail transport sectors. In particular, this project was responsible for developing a false cellular floor made from 100% green materials, comprising a natural fibre sheet, coated with linseed oil-based epoxy resins, and using honeycombed paper as a spacer.

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

The latest vehicles to be marketed show the results obtained:

- the new Citroën C3 contains 31% natural and recycled materials on average throughout the vehicle. Approximately 50 polymer parts incorporate recycled materials, including a storage compartment and an intake manifold. Likewise, natural fibres such as wood are used in boot liners;
- the new Peugeot 3008 and 5008 contain 30% natural and recycled materials on average throughout the vehicle. Approximately 100 polymer parts incorporate recycled materials and materials of natural origin; Noteworthy features:
  - seats using textile fibres made from pulp extracted from eucalyptus wood;
  - use of recycled plastic in instrument panels, central consoles and rear bumpers.

On average, the percentage incorporation of green materials on vehicles sold worldwide in 2016 was over 30% (weighted average on 2016 volumes of vehicle sales in Europe).

### Reducing hazardous substances G.24 G.42

Regulatory requirements, combined with the use of hazardous substances, are factored into all phases of vehicle life, from design and manufacture to use and end-of-life recycling, in close collaboration with suppliers. The integration of these requirements focus on two major issues:

- **the elimination of four heavy metals (lead, mercury, cadmium and hexavalent chromium)**: information collected from suppliers using the Material Composition System Information tool. For example, circuit board solder has been lead-free in new vehicles since January 2016;
- **compliance with the REACH regulation:** the Group has set up an organisation and a communication system to monitor its partners and suppliers and ensure that they comply with the REACH regulation. The Group has set itself the goal of minimising the use of substances on the REACH candidate list and anticipating the restrictions in Annexes XIV and XVII by working on new materials right from the research and innovation phase. For example, DEHP (Diethyl Hexyl Phthalate), used as a plasticiser in PVC sheaths for wiring harnesses, has been replaced.

Other chemicals regulations (e.g. regulation on persistent organic pollutants, biocides, etc.) with an impact on the design and/or manufacture of parts are also taken into account. Likewise, the use of nanomaterials is traced right from the innovation phase through to use on vehicles.

In addition to monitoring regulatory requirements, the Group has voluntarily introduced technical solutions to ensure the highest levels of customer health and safety. These include filters for air coming into the passenger compartment and limits on volatile organic compounds in materials used.

### Vigilant scrutiny of materials' criticality

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

## 2.2.1.3.2. Eco-design for better recycling G.26 G.29

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

To fulfil these obligations, the PSA Group has set up a dedicated network. This highly cross-functional structure pools the expertise necessary for the upstream and downstream treatment processes. Management of the operation is divided into two areas: upstream, which covers the issue of eco-design, and downstream, which involves monitoring the collection and treatment of end-of-life vehicles. These are handled in close collaboration with our partners, such as suppliers, recycling operators and car manufacturers associations.

### Preventive measures: commitment to recyclability

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

- **using easily recyclable materials;**
- **reducing the variety of plastics in a car**, to facilitate sorting after shredding, optimise the related recovery processes and ensure their profitability;
- **using a single family of plastics per major function**, so that an entire sub-assembly can be recycled without prior dismantling;
- **marking plastic parts** with standardised codes, to ensure identification, sorting and traceability;
- **introducing green materials**, especially recycled materials, into vehicle design to support the emergence or development of new markets for certain materials;
- **integrating recycling considerations very far upstream**, starting with the innovation phases, with particular attention to new materials or vehicle parts.
- **designing in vehicle depollution or pre-treatment requirements**, the first mandatory phase of end-of-life vehicle disposal which consists of draining all fluids from the vehicle, neutralising pyrotechnical components and dismounting parts considered harmful to the environment so as to prevent any transfer of pollution during end-of-life vehicle disposal. As a participant in the International Dismantling Information System (IDIS) project, the Group provides scrapyard facilities with disassembly instructions for Peugeot and Citroën vehicles.

On 9 December 2014, the Group successfully renewed its three-year UTAC certification confirming its ability to put in place the processes necessary to meet the 95% recyclability/recovery requirement (in terms of vehicle mass), including 85% materials recycling or reuse: all Peugeot, Citroën and DS vehicles are now certified as fulfilling this requirement.

### 2.2.1.3.3. Management of end-of-life products: re-use, recycling and recovery G.22

#### Re-use and refurbishment of parts

The Group participates in the circular economy by offering a standard exchange programme (refurbished high-value parts and subassemblies) as well as second-hand spare parts (parts recovered from end-of-life vehicles). These programmes are described in greater detail in the CSR Report which is available on the Group's website.

#### Recycling of end-of-life vehicles (ELV)

Downstream, the Group has been involved in collecting and processing ELVs from its dealership networks for more than 20 years, through partnerships with vehicle demolition and shredding companies. Demolition companies are in charge of depolluting and partially or entirely dismantling end-of-life vehicles, while shredding companies extract then process scrap aluminium, copper and other important materials for sale in the international marketplace.

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

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

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

The Group's partners work with networks of certified demolition companies (331 ELV Centres at year-end 2016) that collect end-of-life vehicles, deregister and decontaminate them, and then dismantle them to resell certain parts for reuse.

- Between 2009 and 2016, this strategy led to the collection and processing of more than 816,995 ELVs, sold through the Peugeot and Citroën networks, 51% of which were Group brand ELVs.

  The Group's performance in France in overall recovery of ELVs collected through its network is compliant with European regulations and better than the national average:

  Group performance in 2014 = 94.9%, of which 88.6% reused or recycled[1].

As previously reported, the most recent ADEME data (2014) at the national level reports overall performance in reuse, recycling and recovery to be 91.3% (of which 85.9% recycling and reuse).

In September 2016, the PSA Group made a significant contribution to preparing the multi-carmaker action plan to reduce historic stocks of an estimated 60,000 ELVs in Overseas Departments and Territories where the Environmental Code applies (Guadeloupe, St Martin, Martinique, Guyane, La Réunion, Mayotte) thus rising to the environmental and health challenges posed by the abandonment of vehicles by their previous owner. This plan will be formalised by a letter of engagement from the Brands involved and the launch of the operation by a pilot department in early 2017.

**On the European markets**, the Group takes part in ACEA (European Automobile Manufacturers' Association)-defined action plans. By way of example, in 2016, a demolition company certification process was designed in Italy in partnership with UNRAE (National Union of Foreign Carmakers in Italy) and the Italian Ministry of the Environment; in Poland a financial solution was implemented to plug the gap left by the discontinuation of subsidies previously given to demolition companies. In addition, PSA Group monitors all ELV processing contracts signed by its subsidiaries and local operators, on the basis of various criteria including achievement of recycling and recovery targets.

**In China**, the Group is contributing to public debate by raising the awareness of legislators within the context of future end-of-life vehicle regulations. A draft directive on the operational requirements for the disposal of ELVs is in the process of being drafted.

**In Russia**, since 2012, the Group has met the regulatory obligations introduced by the administration which requires an eco-contribution to fund the national ELV disposal network.

#### Battery and tyre recycling

In accordance with Directive 2006/66/EC, the Group has introduced procedures for the collection and treatment of batteries from its hybrid and electric vehicles sold in Europe. PSA Group has a contract for the entire European market with a single, efficient partner, whose recycling rates in 2015 reached 70% for electric vehicle Li-ion batteries and 84% for hybrid vehicle Ni-MH batteries. These rates are much higher than the regulatory thresholds of 50% materials recycling. This agreement concerns all of the Group's dealership networks and manufacturing plants, for all powertrain battery technologies across all European marketing areas.

PSA Group is also committed to R&D solutions for second-life use, outside the automotive industry, of electric vehicle batteries whose performance is such that they no longer permit optimum vehicle use. The objective of this initiative is to offer robust technical and economic solutions for a new use of batteries at the end of the automotive cycles where volumes are sufficient.

In France, based on the principle of greater manufacturer responsibility, the Group's brands introduced collection and treatment procedures for tyres stored at approved ELV centres. The Group is also supporting one of its partners in a new method of tyre material recovery: vapothermolysis.

### 2.2.1.3.4. Vehicle life cycle and carbon footprint analyses G.24 G.25 G.26 G.33

#### Life cycle analysis to improve vehicles' environmental footprint

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

The Group has set itself the goal of performing a life cycle analysis for each new family of vehicles. In addition, for each major technological change or strategic innovation, a study is carried out, in conjunction with suppliers, to assess changes in the environmental impacts of these modifications. As a result, in 2016, life cycle analyses covered 44.6% of the total fleet sold. The LCA methodology used was certified during a critical review by Bio By Deloitte, a firm specialising in life cycle analysis.

*(1) At the end of 2016, ADEME (the French Environment and Energy Management Agency) was yet to release official figures for ELV operators in France, therefore the Group cannot confirm its performance for 2015.*

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

- the Euro 6 diesel version of the new Peugeot 3008 and 5008 compared with the previous versions of the Peugeot 3008 and 5008;
- the Euro 6 diesel version of the new commercial vehicles, the Peugeot Expert and the Citroën Jumpy compared with their predecessors.

In 2017, the Group conducted a life cycle analysis of the new Citroën C3 and will continue to analyse major innovations and the introduction of green or composite materials.

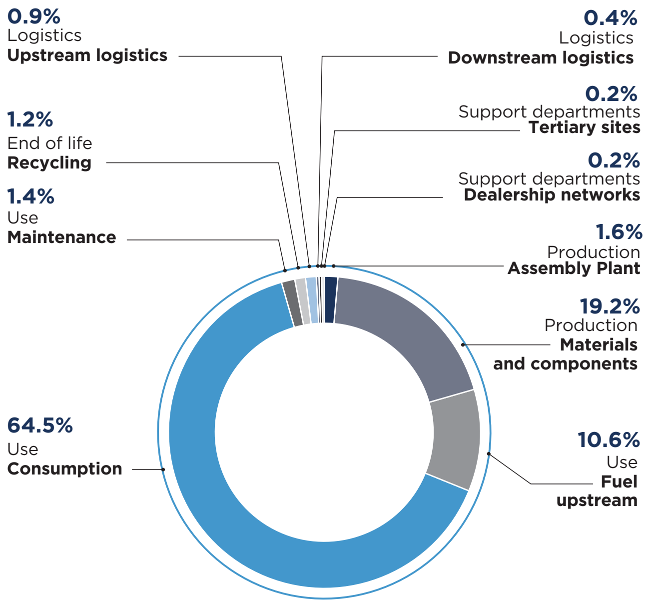
### Monitoring the carbon footprint of a vehicle

PSA Group has begun a process to determine the total $CO_2$ equivalent of its operations in Europe.

This footprint considers, over a year of activity, emissions from the production of materials and components for the vehicles manufactured, emissions from the Group's production plants, service activities, fuel extraction and production necessary to use the vehicles manufactured, the use phase of the vehicles manufactured and ELVs.

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

**Distribution of the overall carbon footprint of vehicles manufactured in one year by the Group**




The total $CO_2$ equivalent emissions of vehicles produced by the Group in 2015 amounted to 34.8 million tonnes.

The usage phase of the vehicle represents almost 80% of the vehicle's overall carbon footprint in terms of $CO_2$ equivalent emissions. Hence PSA Group is focusing its R&D efforts on the issues of fuel consumption and vehicle weight (see Section 2.2.1.1.1).

## 2.2.1.4. THE DEVELOPMENT OF MOBILITY AND ONBOARD INTELLIGENCE SERVICES G.33 G.42

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

In order to rise to new mobility challenges, the PSA Group is continuing to roll out its "Push to Pass" plan with the construction of an ecosystem of fifteen or so partners and developers who attended Mobility Days, held in Paris on 28 and 29 September 2016.

The Group's strategy, the aim of which is to offer sustainable, smart, safe and shared mobility solutions, guaranteeing freedom of movement for all, is currently being demonstrated by:

- the launch of its new Free2Move mobility services brand which will bring together all of its connected and mobility service offerings;
- the creation of a Mobility Services Department which will coordinate the cross-functional oversight of all activities described in the "Push to Pass" plan;
- new car-sharing agreements with:
  - investment in Communauto, the North American car-sharing pioneer,
  - collaboration with Bolloré which is to add Citroën C-Zéro electric vehicles to its existing range in Lyon (Bluely) and Bordeaux (Bluecub);
- a connected fleet management services partnership with Masternaut, the second-largest supplier of telematic solutions in Europe.

This series of announcements follows on from:

- the acquisition of equity stakes in two startups specialising in peer-to-peer car-sharing: Koolicar and TravelCar. The PSA Group earmarked €100 million to invest in these new business and prepare for the future;
- a partnership with IBM as part of the Smarter cities project currently being rolled out in the Metropolis Nice Côte d'Azur and in Wallonia (Belgium);
- a partnership with TomTom Telematics for connected fleet management services.

## 2.2.2. Industrial ecology of Group sites

### THE GROUP'S ENVIRONMENTAL PROTECTION POLICY AT THE INDUSTRIAL LEVEL

The environmental policy of the Industrial Department applies to all industrial entities of the regional divisions. It aims to be among the best in terms of operational efficiency by 2025. This vision requires all Group plants to embrace the "Excellent Plant" concept, on a par with the world's leading car manufacturers.

The Industrial Department's environmental policy contributes to five issues:

- **Energy performance and carbon footprint:**

Reducing the carbon footprint of industrial activities based on two key priorities: reducing plant energy consumption and optimising logistics operations.

Advocating the use of renewable energy wherever feasible.

- **Industrial waste and pollutants:**

Managing the environmental impacts associated with industrial activities, particularly the use of chemicals (such as emissions from paint shops, and the risks associated with the use of these products), and reducing the impact on local residents.

- **Waste and materials cycles:**

Developing the circular economy through research and implementation of waste treatment schemes with the assistance of the Group's partners in this area.

- **Water:**

Managing water consumption, usage and treatment in industrial processes.

- **Biodiversity:**

Protecting the species identified, with a view to reducing the Group's impacts.

### A solid and proven organisational structure that gives thought to environmental issues in processes G.20

#### Automotive business (PCA)

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

The Group's industrial strategy combines environmental stewardship with a commitment to continuous improvement based on a disciplined organisation, a methodology structured around environmental management (ISO 14001) and the allocation of significant financial resources. Environmental data reporting draws on 2015 data, using a new tool which supplements and harmonises Group applications used in this area. The history acquired since 1989 is saved, thus enabling the Group to prioritise and effectively tackle the major environmental issues associated with its activities.

In all, some 350 people are directly involved in managing the Group's manufacturing environment.

#### Dealership networks

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

The three brands' vehicles are distributed both by points of sale owned by the Group and headed by PSA Retail, as well as by independent dealerships.

After-sales representatives from PSA Retail France points of sale are encouraged to hone their environmental skills within the framework of programmes deployed by the brands: Osmose for Citroën and Odas for Peugeot (see Section 2.2.2.2.2. and Section 2.2.2.3.2.).

The Group also engages its independent dealership networks in its sustainable development initiative by providing leadership from a network of representatives for each brand subsidiary.

Since 2008, the Group has used an information system to collect, monitor and consolidate environmental data from across its proprietary network. Since 2012, it has been possible to access the PSA Retail site database to assess various types of point-of-sale infrastructure and their state of repair.

### An active certification policy G.20

#### Automotive Division

In place for more than 15 years (1999), the certification process is now fully implemented in the production plants, which are all ISO 14001 certified. From now on, the Group will recognise the new version of the standard, published in September 2015. The Sept-Fons site was certified using this new set of standards in May 2016, and the other sites will gradually switch to this new version in 2017 and 2018. Automotive industry cooperation agreements with Toyota, Dongfeng Motor Corp, Mitsubishi in Russia and Fiat in Italy are also certified.

#### Faurecia

With regard to Faurecia, 79.5 of its facilities are ISO 14001 certified, an increase of 4% over 2015.

### Actions taken to train and inform employees about protection of the environment G.21

#### The Automotive Division

The Group has identified an environment business within the business lines developed for all its core operations. Certified by PSA University, it allows the training path for every major environmental player to be defined, thus aiding in the full completion of his or her activity. In addition, the Industrial Environment Department assists these players by providing permanent monitoring (regulations and best practice).

Over and above the training of major environmental contributors in the industry, every employee shall receive information on the environmental situation of his or her site at regular intervals and at least once a year. Finally, as part of the development of a Site Prevention Plan, every contributor outside the Group shall be made aware of the environmental policy of the site on which it is active. These various environmental training programmes totalled 4,897 hours in 2016. This total does not take into account the training provided directly at the work station by the unit manager within the PES (PSA Excellence System) management control, which integrates information on the control of environmental impacts directly related to the work station.

### Measures for the prevention of environmental risk, pollution or effluents at sites G.24

With a tried-and-tested organisational structure in which each Group facility has an environmental manager coordinated centrally by a team of experts, and with every employee committed to managing impacts at each stage of the process, the Group's environmental strategy is guaranteed to be effective.

On that basis, the environmental component of the Excellent Plant has led to ambitious targets being set for the five issues listed in the introduction to section 2.2.2 and to the implementation of appropriate resources.

### Resources implemented G.22

#### Production sites

The Industrial Department's environmental vision is developed starting with the design of new means of production, so that its environmental impact can be considered. It can thus be estimated that 1.3% of the amount of investment in manufacturing tools corresponds to taking their environmental impact into consideration. In addition, the Industrial Environment Department manages an annual investment plan that provides for plant compliance operations relating to regulatory changes and the reduction of pollution and environmental risks. A €1.3 million investment plan was launched in 2016 in Europe.

### Provisions for environmental risk G.23

#### The Automotive Division

In accordance with Decree No. 2012-633 of 3 May 2012, since July 2014 the Group has established financial guarantees of €1 million as security for certain installations of its French facilities classified as environmentally sensitive. By 2019, the Group will have financial guarantees of approximately €5 million.

#### Faurecia

Pursuant to the aforementioned decree, Faurecia identified two French sites obliged to establish financial guarantees. In 2016 the amount of guarantees established was €221.826 for the two sites in question.

Faurecia also set aside provisions for environmental risks amounting to €4,825 thousand. These provisions are mainly related to processing costs for site restoration.

### Compensation paid pursuant to a legal decision for environmental damage

**PCA** and **Faurecia** did not have to pay any such compensation in 2016.

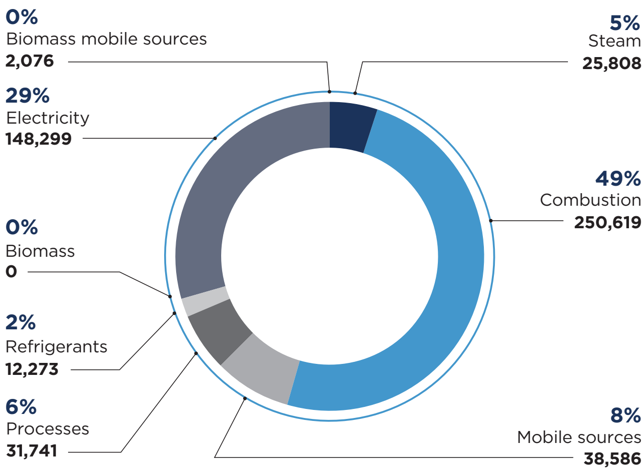
## 2.2.2.1. ENERGY PERFORMANCE AND REDUCTION IN CARBON FOOTPRINT IN THE FACE OF CLIMATE CHANGE

Like the product strategy, where the emphasis is on the development of low-carbon vehicles, the Industrial Department has, through its environmental policy, promised to participate in the Group's efforts to reduce its carbon footprint in relation to energy consumption. Within the Automotive Division, vehicle production uses energy for a wide range of industrial processes, such as casting, machining, paint curing, heat treatment, etc. The Group has developed an energy management plan for all its plants based on best available techniques that has helped since 1995 to reduce per-vehicle energy consumption by 33% and greenhouse gas (GHG) emissions by 50%.

### Surveys of greenhouse gas (GHG) emissions of French facilities

Pursuant to Article L. 225-25 of the French Environmental Code, derived from the Grenelle environment laws, the companies concerned in the Automotive Division (companies with more than 500 employees) have implemented greenhouse gas (GHG) emission checks (six GHGs from the Kyoto protocol) for their French operations, on the basis of 2014 emissions. These checks were conducted within regulatory scopes 1 and 2. Every company in question has established its report by applying the methodology established at the Group level, and passed it on to the competent regional Prefect in December 2015.

An extremely summarised result of the PCA checks and its affiliates in France is given below:




An action plan covering the period from 2015 to 2017 was attached to each assessment, the total expected gain being estimated at over 41,000 tonnes of $CO_2$ equivalent. The actions adopted came from either the energy management plan (e.g. reduction of electricity or gas consumption), or specific actions to reduce GHG emissions (e.g. use of refrigerants with a low Global Warming Potential).

This second iteration of the GHG assessment, using the same methodology, provides points of comparison between the two reporting periods. A decline of 80,000 tonnes of $CO_2$ emissions was observed, showing that the action plans were brought off successfully, since they called for a 60,000 tonne reduction. This represents an 8.5% decline in $CO_2$ emissions produced per car in France.

### 2.2.2.1.1. Managing energy consumption G.30

In 2015, updates of GHG emissions reports performed in France have bolstered the action plans adopted by the Industrial Department to reduce the carbon footprint of plants. These results confirmed that 83% of greenhouse gas emissions emitted by the Group come from primary and secondary energy consumption. Analysis of GHG emission profiles of the Group's other industrial sites outside France shows a similar breakdown, exacerbated by the fact that local electricity production generates higher emissions than French electricity production. It makes sense therefore to tackle energy efficiency in order to reduce the carbon footprint of the Group's industrial activities. On that basis, and in line with COP21 objectives aiming to limit global warming to 2°C, the PSA Group has compiled projections of its industrial $CO_2$ emissions to 2025. The areas that need to be worked on were identified, with a view to reducing emissions in accordance with COP 21 commitments based on 2010 figures.

This management plan is essentially based on:

- mapping the energy performance of all industrial sites to optimise their energy use. Today, the Group's commitment to managing energy consumption has come to maturity. The Group currently has four ISO 50001 certified sites: three industrial sites and a data centre. This demonstrates its commitment to reducing its carbon footprint;
- reducing surface areas and optimising means of production within the framework of plans to make plants more compact;
- increasing the proportion of renewable energy in industrial processes, when an economically viable opportunity occurs;
- reducing logistics-related $CO_2$ emissions with an action plan extending until 2022, even though this item is not included in the GHG Report.

Reported energy consumption is expressed in MWh NCV (the most common unit of measurement). In terms of method, the use of calorific values is recommended by the French Decree of 31 October 2012, transposing Commission Regulation (EU) No. 601/2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council. The coefficients proposed by these two regulations are derived from the work of the IPCC (Intergovernmental Panel on Climate Change), as are those of the greenhouse gas (GHG) Protocol, used as a reference by the Global Reporting Initiative (GRI). As a result, values expressed in MWh can be converted to TJ simply by applying a multiplying factor of 3.6 (1 Wh = 3.6 kJ).

#### Overall energy consumption

DETAILED ENERGY CONSUMPTION

| | | Combustible energy | | | | | Non-combustible energy | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Non-renewable | | | | Renewable | | | |
| *(unit: MWh NCV)* | Year | Heavy fuels | HHO | NG + LPG | Coke | Biomass (wood) | Electricity | Steam | Total energy consumption |
| **Automotive** | **2016** | | **2,587** | **1,758,271** | **80,430** | **16,881** | **2,175,096** | **154,815** | **4,188,082** |
| | 2015 | 0 | 1,383 | 1,673,163 | 75,848 | 15,893 | 2,209,836 | 132,146 | 4,108,269 |
| | 2014 | - | 3,818 | 1,540,952 | 76,713 | 14,376 | 2,218,139 | 143,707 | 3,997,705 |
| ***o/w PCA France*** | ***2016*** | | ***1,045*** | ***1,191,827*** | ***80,430*** | ***16,881*** | ***1,591,835*** | ***154,815*** | ***3,036,834*** |
| | *2015* | *0* | *1,019* | *1,126,917* | *75,848* | *15,893* | *1,623,546* | *132,146* | *2,975,368* |
| | *2014* | *-* | *3,606* | *994,651* | *76,713* | *14,376* | *1,615,187* | *142,530* | *2,847,063* |
| **Automotive trade** | **2016** | **432** | **7,290** | **103,540** | | | **100,090** | **2,542** | **213,893** |
| | 2015 | 436 | 8,886 | 111,783 | 0 | 0 | 115,095 | 3,954 | 240,154 |
| | 2014 | 565 | 12,128 | 120,576 | - | - | 123,274 | 3,751 | 260,293 |
| **Faurecia** | **2016** | | **9,201** | **512,978** | **5,499** | | **1,311,402** | **22,127** | **1,861,207** |
| | 2015 | 1,423 | 9,970 | 736,919 | 5,373 | 0 | 1,572,758 | 23,067 | 2,349,510 |
| | 2014 | 571 | 7,645 | 766,274 | 5,017 | - | 1,586,594 | 17,497 | 2,383,598 |
| **TOTAL** | **2016** | **432** | **19,078** | **2,374,789** | **85,929** | **16,881** | **3,586,588** | **179,484** | **6,263,081** |
| | 2015 | 1,859 | 20,239 | 2,521,865 | 81,221 | 15,893 | 3,897,689 | 159,167 | 6,697,933 |
| | 2014 | 1,136 | 23,591 | 2,441,380 | 81,730 | 14,376 | 3,935,285 | 164,955 | 6,662,452 |

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

**Automotive business (PCA)**

Energy consumption by the automotive business (PCA) continued to decline in 2016 on a per car produced basis, down to below 2.06 MWh per vehicle produced. Changes by type of energy confirm the trends of previous years. Electricity consumption is under control, thus reflecting the actions carried out to reduce consumption (lighting, use of resources, more energy-efficient engines). Conversely, gas and wood consumption are much more sensitive to climatic conditions. Consumption of Coke is exclusively dedicated to the production of cast iron on the Sept-Fons site.

**Brand dealership networks**

In 2016, within the context of bulk energy purchases, PSA Retail benefited from the introduction by suppliers of a new smart metering system capable of closely monitoring real-time overall energy consumption (electricity & gas). Consumption is read automatically every hour direct from point-of-sale meters.

On that basis, the Group oversees the network to guide it towards best practice and to ensure that all sites within the reporting scope reduce their overall energy consumption to the bare minimum. The objective is to reduce the overall energy consumption of its own French network by 15% by 2018 compared with 2015.

Smart metering has been rolled out at all PSA Retail France points of sale. This tool will be rolled out across Europe in 2017/2018.

On the other hand, within the context of European Directive 2012/27/EU on energy efficiency, the Group coordinated an energy audit in 2016 on 15 or so retail dealerships in France. An action plan was compiled to optimise energy consumption by 2020.

Data from the Peugeot and Citroën brands related on average to 98% of plants in 2016 (97% in 2015 and 90% in 2014) for direct energy consumption and 98% of plants in 2016 (94% in 2013 and 97% in 2014) for indirect energy consumption.

**Faurecia**

In 2016, 1,846 million MWh of energy was consumed (-2% compared with 2015). Electricity accounted for 70% of the total energy used by Faurecia sites. The implementation of an energy management system commits sites to gaining increased skills in finding sources of potential savings on their site, whether it affects performance of machines and equipment, or day-to-day operating procedures on the site. Ten sites are ISO 50001-certified or undergoing certification. During the past year, 118 sites (including 86 production sites), or 50% of the sites included in the scope of reporting, have implemented initiatives to improve the efficiency of their buildings and production tools. Total investments represent more than €4 million.

The actions most frequently cited by sites include installation of intelligent, energy-efficient lighting and heating systems, standby mode for machinery and equipment on weekends, Installation of movement detectors, conversion to LED lighting and elimination of compressed air leaks, etc.

The data covers 98% of Faurecia sites.

### 2.2.2.1.2. Reducing industrial greenhouse gas emissions G.32 G.33

#### Automotive business (PCA)

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

#### Direct air emissions from combustion plants

*Note: Direct emissions are calculated based on the direct energy consumption by applying emission factors acknowledged by the greenhouse gas Emissions Trading System (EU ETS) in compliance with the Decree of 31 October 2012 or European Decision 2012/601 in the case of $CO_2$ and the circular of 15 April 2002 for all other gases. Changes in emission levels are thus directly related to changes in energy consumption. To make reading easier, the Group used the same emissions factors in 2014 as for the five previous years. These components will next be updated in 2019.*

SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS (GHG)

| *(unit: tonnes)* | Year | $CO_2$ | $N_2O$ | $CH_4$ | Indirect GHG emissions in $CO_2$ eq. (Scope 1) | GHG emissions from renewable sources ($CO_2$ eq.)* | Indirect GHG emissions in $CO_2$ eq. (Scope 2) | Total GHG emissions in $CO_2$ eq. (Scope 1 + Scope 2) |
|---|---|---|---|---|---|---|---|---|
| **Automotive** | **2016** | **394,434** | **16.08** | **27.21** | **399,991** | **5,591** | **161,513** | **561,504** |
| | 2015 | 374,740 | 15.3 | 25.87 | 380,025 | 5,263 | 185,312 | 565,338 |
| | 2014 | 343,212 | 13.9 | 22.1 | 347,813 | 4,859 | 181,884 | 529,696 |
| ***o/w PCA France*** | ***2016*** | ***277,471*** | ***10.98*** | ***19.09*** | ***281,274*** | ***5,591*** | ***68,050*** | ***349,325*** |
| | *2015* | *262,265* | *10.38* | *18.05* | *265,862* | *5,263* | *73,131* | *338,994* |
| | *2014* | *230,778* | *9.0* | *14.3* | *233,755* | *4,859* | *64,307* | *298,061* |
| **Automotive trade** | **2016** | **23,375** | **0.97** | **1.53** | **23,697** | | **25,456** | **49,154** |
| | 2015 | 25,516 | 1.06 | 1.65 | 25,867 | | 29,970 | 55,836 |
| | 2014 | 28,240 | 1.2 | 1.8 | 28,620 | - | 32,186 | 60,807 |
| **Faurecia** | **2016** | **108,604** | **4.66** | **7.03** | **110,139** | | **551,124** | **661,263** |
| | 2015 | 155,223 | 6.68 | 10.13 | 157,427 | - | 632,905 | 790,332 |
| | 2014 | 161,114 | 6.9 | 10.6 | 163,406 | - | 637,463 | 800,869 |
| **TOTAL** | **2016** | **526,413** | **21.71** | **35.77** | **533,827** | **5,591** | **738,183** | **1,272,010** |
| | 2015 | 555,479 | 23.04 | 37.65 | 563,319 | 5,263 | 848,187 | 1,411,506 |
| | 2014 | 535,357 | 22.1 | 34.7 | 542,670 | 4,859 | 851,691 | 1,394,361 |

* *Greenhouse gas emissions from the combustion of biomass (wood at the Vesoul site) are not included in direct emissions in accordance with the GHG Protocol guidelines. GHG emissions expressed in tonnes of $CO_2$ eq. are calculated by applying coefficients (global warming powers) of, respectively, 298 for N2O and 21 for CH4 (source: IPCC reports, 2006 and 1995 respectively). Indirect emissions are calculated based on the purchase of electricity and steam in compliance with emissions factors obtained from steam suppliers and by using the same factors as the year before for electricity.*

**For PCA**, using the same emission factors since 2014 makes it easier to compare information. It highlights the greenhouse gas emission ratio per car produced settling down at a very low level. This good performance is partly due to the Group's strong industrial presence in France, which enables it to have access to low carbon electricity, and also to the plant's efforts towards better controlling their consumptions. These ongoing management efforts are performed, day after day, and prove to be effective. Greenhouse gas emissions have been cut in half over the past 20 years and in 2016 were 276 kg in $CO_2$ eq. per vehicle. This year, however, Trnava and Porto Real were the biggest reducers of emissions, as those two sites are powered by 100% renewable electricity.

The use to renewable energies, whose share is now 18.3% of the electricity consumed by the Group throughout the world, is part of the process of contributing to the objectives of the Paris Agreement. As a result, with this proactive approach, in 2016, the Group followed a trajectory of reduction of its $CO_2$ emissions by 2.1% per year, despite a one-time increase of consumption of gas due to the effects of climatic conditions.

**The brand data** given in the previous table was reported from the same percentage of sites as for energy consumption (see 2.2.2.1.1.).

### Participation in the $CO_2$ emission allowance scheme

The Group qualifies for the $CO_2$ emission allowance scheme set up in application of European Union Directive No. 2003/87/EC, amended, on greenhouse gas emissions trading, due to its combustion activities within its main units (heating and processes) on the one hand and, on the other hand, to its casting activities. As regards the third phase of the $CO_2$ emission allowance scheme scheduled from 2013 to 2020, ten plants are involved (Sochaux, Mulhouse, Rennes, Poissy, Vesoul, Vélizy, Sevel Nord and Sept Fons in France, Madrid and Vigo in Spain).

During the first years of Phase 3, the scorecard showing quotas for and emissions from the above-mentioned ten sites was as follows:

| Year | Allowances (quotas) | Emissions* (tonnes of $CO_2$) |
|---|---|---|
| 2013 | 324,741 | 308,395 |
| 2014 | 292,449 | 250,174 |
| 2015 | 359,802 | 257,558 |
| **2016** | **353,181** | **265,816** |

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

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

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

### 2.2.2.2.1. Controlling atmospheric emissions G.24

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

### Volatile organic compounds

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

Within the Automotive Division, even though overall emissions of VOCs from the Group's paintshop facilities are marginal compared with the total VOCs discharged into the atmosphere in France (less than 1% of France; source CITEPA: Emissions inventory of atmospheric pollutants and GHG in France 2014, or 689 kt), they nonetheless constitute the major environmental challenge with regard to emissions on a site-by-site basis.

The strategy for reducing these emissions is being deployed in four areas, using Best Available Technologies:

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

This action plan has helped the Automotive Division both to reduce VOC emissions by vehicles in the Group's auto body painting facilities by 66% since 1995 and, for each plant, to comply with the limits set by chapter on VOCs in Directive No. 2010/75/EU on industrial emissions, which was repeated from the VOC Directive that entered into force in 1999.

Continued systematic implementation of the best technologies at cost-effective prices is enabling the Group to steadily improve its performance. VOC emissions per vehicle produced have been below 3 kg since 2013 with 2.70 kg of VOC emissions per vehicle produced for PCA in 2016.

## VOC emissions from paintshop facilities

*Note: VOC emissions from paintwork and presses (emissions attributable mainly to separating agents) are determined by a material balance method compliant with the principles of the 1999/13/EC Directive.*

| *(in tonnes)* | Year | VOCs | Ratio (in kg vehicle produced) |
|---|---|---|---|
| **Automotive** | **2016** | **5,506** | **2.70** |
| | 2015 | 5,354 | 2.69 |
| | 2014 | 5,393 | 2.82 |
| ***o/w PCA France*** | ***2016*** | ***1,617*** | ***1.78*** |
| | *2015* | *1,610* | *1.77* |
| | *2014* | *1,707* | *1.93* |
| **Faurecia** | **2016** | **1,638** | |
| | 2015 | 2,655 | |
| | 2014 | nc | |
| **TOTAL** | **2016** | **7,144** | |
| | 2015 | 8,009 | |
| | 2014 | 5,399 | |

**For the automotive business (PCA)**, in 2016, VOC emissions as a ratio remained stable at the same level as in 2015. However, this apparent stability is the result of two divergent effects. Customer demand for two-tone vehicles (two different colours on the same vehicle) led to an increase of emissions. The launch of the new Citroën C3 in Trnava expanded the product line with that option. New vehicles (the Peugeot Traveller and Citroën Spacetourer in Sevel-Nord and the Peugeot 3008 in Sochaux) also caused an increase in the painted surface, and thus in the paint quantities used. In return, continued actions to optimise application processes and procedures, as well as the management of VOC-emitting operations (cleaning, purges), has made significant progress possible, especially in Vigo.

## Other regulated atmospheric pollutants

In addition to limiting $CO_2$ emissions as described above, the gradual replacement of conventional high-sulphur fuel oil with low-sulphur fuels and natural gas has helped to substantially reduce worldwide sulphur dioxide ($SO_2$) emissions from the Group's power plants. Since 2012 and the permanent elimination of fuel oil usage, $SO_2$ emissions are marginal at around 5 tonnes per year. At the same time, nitrogen oxide ($NO_x$) emissions have also declined sharply thanks to improvements in thermal power stations, and the choice of fuels (natural gas as a substitute for fuel oil). They move towards an asymptote at around 400 tonnes, now the boiler modernisation programmes are completed. Slight fluctuations observed in 2016 are due to an increase in consumption of home heating oil in Argentina and the Coke used in the process of making cast iron in Sept-Fons.

### Other direct emissions

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

| *(in tonnes)* | Year | $SO_2$ | $NO_2$ |
|---|---|---|---|
| **Automotive** | **2016** | **5.05** | **392.87** |
| | 2015 | 4.42 | 373.3 |
| | 2014 | 4.9 | 344.7 |
| ***o/w PCA France*** | ***2016*** | ***3.36*** | ***269.97*** |
| | *2015* | *3.18* | *255.2* |
| | *2014* | *3.7* | *226.6* |
| **Automotive trade** | **2016** | **3.49** | **25.25** |
| | 2015 | 4.06 | 27.6 |
| | 2014 | 5.4 | 30.8 |
| **Faurecia** | **2016** | **5.93** | **114.04** |
| | 2015 | 8.37 | 163.03 |
| | 2014 | 10.0 | 169.1 |
| **TOTAL** | **2016** | **14.47** | **469.16** |
| | 2015 | 16.85 | 563.9 |
| | 2014 | 20.4 | 547.5 |

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

#### 2.2.2.2.2. Protecting the soil G.24 G.31

### Automotive business (PCA) and Faurecia

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

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

Either at the instigation of public authorities or at the Group's initiative, soil contamination has been assessed at a large number of sites. After extensive investigations, some sites studied are being monitored. Depending on the site, these surveys were supported by a small number of one-time remediation or prevention programmes.

### Dealership networks

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

In France, as part of the Odas and Osmose programmes, dealers are made aware of the need to encourage their customers to give greater consideration to their impact on the environment, particularly when washing their vehicles at home.

In addition, the "Technature" range of maintenance products is offered to customers across the Group's dealership so that they can opt for more ecological solutions (all products in the range contain at least 80% natural ingredients, they are biodegradable and non-hazardous for aquatic organisms).

#### 2.2.2.2.3. Reducing other forms of pollution in local communities G.25

The measures to be taken to ensure the local population's tranquillity are assessed and adopted during impact studies or additional impact studies whose content is defined by regulations. These studies assess the sensitivity of residential areas located in the immediate vicinity of the sites, using criteria as diverse as sound level, olfactory pollution and traffic flows. They are carried out under new facilities or renewed at each significant stage of development of a site (extension, new installation or new equipment), and are legally subject to public notice and the approval of the administrative authorities.

As a result, about ten impact studies are conducted annually on the Group's sites. In site compacting operations, all of these potential nuisances are systematically classified to determine the most appropriate measures to reduce their impact. Instances of discussions held at sites enabling local residents to feed back their comments in the event of any pollution. The nature of any grievances is taken into consideration in order to define and implement appropriate solutions.

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

Out of an eagerness to apply the concepts of responsible development advocated by the Group's policy and to stay in line with a product strategy that promotes better recovery and recyclability for its vehicles, the Group's industrial sites are committed to developing a circular economy wherever they are located. This expresses itself in the desire to avoid any wasting of natural resources and to use only the quantity of raw materials necessary. This strategy also extends into waste management, through the achievement of zero landfill waste and encouragement of recycling and recovery. Locally, the plants are examining potential opportunities to exchange resources and waste as part of industrial ecology experiments.

### 2.2.2.3.1. Reducing materials consumption *via* optimised industrial processes G.29

Efforts to reduce materials consumption are largely focused on the product design phase (see Section 2.2.1.1.1.). Work on reducing vehicle mass entails an overall reduction of material mass, particularly steel, in the production of the Group's vehicles (see Section 2.2.1.3.1.).

In addition to efforts to reduce product mass, the PSA Group's stamping business line has developed an approach to the Material Use Coefficient (MUC) which optimises consumption of sheet metal during the process of forming body parts. This action contributes directly to keeping the main source of industrial waste under control, as two thirds of the 450,000 tonnes of waste metal are scraps from stamping. Even though all of these scraps are recycled in foundries, their reduction remains a major issue. The MUC strategy helps people measure the progress made in stamping design. It quantifies the proportion of stamped material used to produce the cars compared to the amount of sheet metal that was received. As a result, this coefficient increased from 47% for the Peugeot 207 to 55% for the Peugeot 208. It is continuing for all new models and applies to all stamped metal.

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

As for production processes, paint solvent regeneration is a process that has been in place for many years. Technical cleaning and purging solvents used by facilities are recovered and regenerated at a service provider before reintegration into the same cleaning process. Accordingly, operations related to the painting of the cars are carried out with solvents following a circular economy process.

### 2.2.2.3.2. Reducing waste production and promoting recycling by introducing circular economy loops G.26

**Within the automotive business (PCA)**, the Group aims to reduce the mass of waste per vehicle manufactured, as well as eliminating landfill waste in favour of recovery and recycling efforts in European plants.

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

- the weight of waste per vehicle processed outside of PSA Group sites has been reduced by more than 63%;
- analysis and characterisation of waste produced during the different stages of production (casting, foundry work, mechanical parts manufacture, stamping, paint and final assembly) have made it possible to identify processing channels that provide an alternative to landfill. The gradual deployment of new outlets, depending on locally available treatment solutions, is driving a steady increase in the waste recovery and on-site recycling rate, which is now close to 90%.

In addition, almost all scrap metal (sheet metal, filings, etc.) is recovered and put to a good alternate use in the steel industry or the Group's foundries.

When waste metal is taken into account, Group plants reclaim or recycle around 96.4% of their industrial waste.

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

In 2016, the framework contract was rolled out in France. PSA Retail France has implemented a policy of optimising waste management contracts. A three-year contract was signed with a single supplier for all waste produced in France, accounting for around 150 points of sale. This approach offers access to tools (notably web platforms) that improve monitoring and make it easier to collect data. This centralisation also improves visibility of the final disposal of waste right up to the end of the chain because the service provider is contractually liable for informing the Group about the recovery and recycling networks used. In addition, mass volumes have made it possible to increase the number of recovery networks accessible to PSA Retail.

In France, the Group's brands are committed to waste sorting and recovery initiatives to encourage their points of sale (including private dealerships) to take measures to improve their waste management. Lots of French dealerships have been awarded the Autoecoclean label by the independent AutoEco organisation, which traces waste collected from the shop floor. Members are classed according to the quality of the data fed back and the longevity of their commitment to collect and sort waste. In 2016, 345 Citroën points of sale were awarded labels, 140 bronze labels (one year), 97 Silver labels (four years), and 108 Gold labels (six years). The Peugeot network has 387 points of sale that have been awarded labels, (123 Bronze and 264 Silver).

In addition, within the context of the rollout of after-sales programmes (Osmose for Citroën and Odas for Peugeot), on-site experts include environmental preservation in their coaching, in particular to raise awareness amongst after-sales representatives, of waste recovery and storage conditions as well as of rules on waste collection point cleanliness and maintenance.

The multi-franchise independent automotive maintenance and repair network, Euro Repair Car Service, also subscribes to the environmental approach taken by the Group. It is overseen by the Parts & Services Department. The brand provides all its repair centres with a waste collection and recycling service *via* agreements with approved specialist companies.

**All Faurecia sites**, especially the production sites, aim to reduce the mass of waste generated during the manufacturing process. In total in 2015:

- 58% of waste was recycled (+3% compared with 2015);
- 14% of waste was recovered with energy recovery (stable compared with 2015).

In 2016, Group sites produced 214,503 tonnes of waste (+1.7% compared with 2015, due to increased volumes). Non-hazardous waste accounted for 62% of the total (excluding waste metal). Furthermore, waste metal (scrap iron, castings) which represented 31% of the total, were fully recovered and recycled by the foundries.

## Total weight of waste by type and disposal method

### AUTOMOTIVE DIVISION (WASTE METAL, NEARLY 100% OF WHICH IS RECYCLED)

| *(in tonnes)* | Year | Landfilling | Recovery and recycling | Other disposal methods | Total | On-site recycling |
|---|---|---|---|---|---|---|
| **Foundry waste** | **2016** | **4,830** | **43,671** | **0** | **48,501** | **95,946** |
| | 2015 | 3,325 | 47,272 | 32 | 50,629 | 85,737 |
| | 2014 | 3,316 | 45,550 | 44 | 48,909 | 80,578 |
| **Non-hazardous process waste** | **2016** | **4,570** | **58,962** | **2,413** | **65,946** | **2,240** |
| | 2015 | 4,582 | 59,792 | 2,776 | 67,151 | 980 |
| | 2014 | 6,636 | 58,786 | 1,745 | 67,168 | 4,017 |
| **Hazardous process waste** | **2016** | **461** | **16,515** | **12,652** | **29,628** | |
| | 2015 | 497 | 18,092 | 14,267 | 32,857 | 0 |
| | 2014 | 760 | 18,473 | 15,138 | 34,371 | 0 |
| **TOTAL** | **2016** | **9,861** | **119,148** | **15,065** | **144,075** | **98,186** |
| | 2015 | 8,404 | 125,156 | 17,075 | 150,637 | 86,717 |
| | 2014 | 10,712 | 122,809 | 16,927 | 150,448 | 84,595 |

The table above does not include waste metal (449,774 tonnes in 2016), nearly all of which was recycled, or manufacturing waste, which is mainly the result of compaction processes within the plants.

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

In 2016, the total amount of waste produced by the Automotive Division remained at a stable ratio of 119 kg per vehicle. However, the distribution of treatment processes has changed profoundly, with an increase of 13% in volume for internal recycling, which is the shortest possible loop, and a decline of 4.5% in external treatment. The main source of this progress lies in the new foundry sand regeneration facility, which started operating at the end of 2015 on the Sept-Fons site.

Excluding casting, the ratio of waste per car produced continues its decline to 47 kg, with a steeper decline in hazardous waste (-9.8%). The recovery and recycling rate rose to 79%, up 1%. Buried waste remains stable in volume and represents less than 2.5 kg per car, and less than 1.5% of all waste produced by the industrial process, including metals. Sites on which these outlets are developed are mainly outside Europe, due to a lack of alternative channels. In addition, the industrial sites of Trnava, Sochaux, Mulhouse, Poissy, Hérimoncourt and Valenciennes confirmed that they no longer buried any waste at all (except the tiny fraction required by law to be buried).

### *O/W PCA FRANCE (NON-WASTE METAL)*

| *(in tonnes)* | Year | Landfilling | Recovery and recycling | Other disposal methods | Total | On-site recycling |
|---|---|---|---|---|---|---|
| **Foundry waste** | **2016** | **4,830** | **43,671** | **0** | **48,501** | **95,946** |
| | 2015 | 3,325 | 47,272 | 32 | 50,629 | 85,737 |
| | 2014 | 3,316 | 45,550 | 44 | 48,909 | 80,211 |
| **Non-hazardous process waste** | **2016** | **1,491** | **32,162** | **2,259** | **35,912** | **2,184** |
| | 2015 | 1,432 | 34,921 | 2,700 | 39,053 | 952 |
| | 2014 | 964 | 30,669 | 1,583 | 33,216 | 4,017 |
| **Hazardous process waste** | **2016** | **202** | **11,528** | **10,333** | **22,063** | |
| | 2015 | 240 | 12,671 | 11,454 | 24,365 | 0 |
| | 2014 | 183 | 13,600 | 12,482 | 26,265 | 0 |
| **TOTAL** | **2016** | **6,523** | **87,361** | **12,592** | **106,476** | **98,130** |
| | 2015 | 4,997 | 94,864 | 14,186 | 114,047 | 86,689 |
| | 2014 | 4,463 | 89,818 | 14,109 | 108,390 | 84,228 |

*O/W AUTOMOTIVE TRADE – OWN BRAND NETWORK SCOPE (EXCLUDING WASTE METAL)*

| *(in tonnes)* | Year | Landfilling | Recovery and recycling | Other disposal methods | Total |
|---|---|---|---|---|---|
| **Non-hazardous process waste** | **2016** | **346** | **8,892** | **58** | **9,296** |
| | 2015 | 5,244 | 4,856 | 20 | 10,119 |
| | 2014 | 5,597 | 4,591 | 19 | 10,209 |
| **Hazardous process waste** | **2016** | **24** | **3,221** | **201** | **3,447** |
| | 2015 | 251 | 3,196 | 250 | 3,697 |
| | 2014 | 302 | 3,463 | 192 | 3,957 |
| **TOTAL** | **2016** | **370** | **12,113** | **259** | **12,742** |
| | 2015 | 5,495 | 8,052 | 270 | 13,816 |
| | 2014 | 239 | 8,054 | 211 | 14,221 |

Major efforts to define waste treatment processes were conducted in the dealership network in 2016. As a result, most of the waste that would have gone to landfills by default was reassigned to proper treatment processes, which explains the considerable changes between 2015 and 2016. The above-mentioned data from brands was reported from an average 97% of their sites in 2016 (95% in 2015 and 86% in 2014).

This table does not include waste metal (2,191 tonnes in 2016).

FOR FAURECIA (EXCLUDING WASTE METAL, 100% OF WHICH IS RECYCLED)

| *(in tonnes)* | Year | Landfilling | Recovery and recycling | Other disposal methods | Total | On-site recycling |
|---|---|---|---|---|---|---|
| **Non-hazardous waste** | **2016** | **48,073** | **81,548** | **4,649** | **134,270** | **13,419** |
| | 2015 | 52,232 | 93,403 | 2,630 | 148,265 | 12,417 |
| | 2014 | 56,154 | 87,779 | 3,292 | 147,225 | 12,477 |
| **Hazardous process waste** | **2016** | **1,444** | **6,721** | **7,062** | **15,277** | **-** |
| | 2015 | 2,522 | 9,460 | 8,874 | 20,856 | 555 |
| | 2014 | 4,150 | 8,827 | 13,631 | 26,608 | 461 |
| **TOTAL** | **2016** | **49,517** | **88,269** | **11,711** | **149,497** | **13,419** |
| | 2015 | 54,754 | 102,863 | 11,504 | 169,121 | 12,972 |
| | 2014 | 60,304 | 96,606 | 16,923 | 173,833 | 12,938 |

This table does not include waste metal (68,109 tonnes in 2016, 100% of which is recycled).

## 2.2.2.4. CONTROLLING THE WATER CYCLE ON FACILITIES

### 2.2.2.4.1. Reducing water consumption G.28

**For the Automotive Division**, saving water is a challenge for every manufacturing plant. As with energy, each plant has its own water consumption management plan based on metering systems, the display of the least water-intensive operating parameters for each workstation and the deployment of recycling systems. Since 1995, these measures have led to a very sharp 73% reduction in water consumption per vehicle produced, thereby helping to conserve resources.

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

## WATER USE

| *(in m³)* | | Year | City water | Surface water | Underground water | Total |
|---|---|---|---|---|---|---|
| **Automotive** | | **2016** | **1,776,519** | **3,151,690** | **2,836,853** | **7,765,061** |
| | | 2015 | 1,848,222 | 3,116,964 | 2,411,330 | 7,376,516 |
| | | 2014 | 1,873,845 | 2,941,544 | 3,194,230 | 8,009,619 |
| | ***o/w PCA France*** | ***2016*** | ***966,990*** | ***2,102,673*** | ***2,196,372*** | ***5,266,035*** |
| | | *2015* | *989,006* | *1,833,538* | *1,859,049* | *4,681,593* |
| | | *2014* | *942,877* | *1,996,341* | *2,585,244* | *5,524,462* |
| **Automotive trade** | | **2016** | **457,421** | | | **457,421** |
| | | 2015 | 507,657 | 0 | 50 | 507,707 |
| | | 2014 | 559,722 | 0 | 0 | 559,722 |
| **Faurecia** | | **2016** | **1,905,407** | **401,170** | **1,091,899** | **3,398,476** |
| | | 2015 | 2,325,826 | 452,219 | 1,140,783 | 3,918,828 |
| | | 2014 | 2,209,653 | 595,967 | 1,199,473 | 4,005,093 |
| **TOTAL** | | **2016** | **4,139,347** | **3,553,860** | **3,928,752** | **11,620,959** |
| | | 2015 | 4,681,705 | 3,569,183 | 3,552,163 | 11,803,051 |
| | | 2014 | 4,652,846 | 3,537,511 | 4,393,703 | 12,584,060 |

**For PCA**, in 2016, the ratio stood at 3.81 m³/car, down from 2015. Two sites contributed to the increased water consumption in particular. Mulhouse, which increased its use by about 350,000 m³ to offset the failure of its cooling facilities. This water was then discharged into the network, and therefore use of the resource remained limited. For Poissy, the rupture of a large pipe was the main cause of the overconsumption of 150,000 m³ of water. These incidents have been handled. Apart from these two special cases, other sites have continued actions to control water consumption.

**Data for the brands** was reported from 94% of sites in 2016 (88% in 2015 and in 2014). Water consumption at dealerships was mainly for sanitary use and vehicle maintenance for points of sale with their own car wash.

### 2.2.2.4.2. Water treatment

Whether connected to the public wastewater treatment network or equipped with their own integrated treatment plant, each facility tracks effluent systematically – sometimes on a daily basis – using indicators, defined in the operating permits. The results of the tracking operations are reported to administrative authorities on a frequent basis. This organisation ensures that aqueous releases are not harmful to the surroundings. In particular, given the nature of effluent from the car plants, the risk of eutrophication and acidification is negligible. Additionally, the continued application of the nickel-free surface treatment process (Green STT) undertaken for several years now in the body factories has made it possible to significantly reduce the quantities of this heavy metal in the factories' end waste.

## GROSS DISCHARGES INTO WATER FROM PLANTS G.24

| *(in kg/year)* | | Year | COD | DBO5 | SM |
|---|---|---|---|---|---|
| **Automotive** | | **2016** | **1,467,091** | **511,104** | **260,032** |
| | | 2015 | 1,469,660 | 513,618 | 307,587 |
| | | 2014 | 1,325,742 | 483,680 | 283,031 |
| | ***o/w PCA France*** | ***2016*** | ***856,746*** | ***241,452*** | ***242,068*** |
| | | *2015* | *850,133* | *218,599* | *189,491* |
| | | *2014* | *713,168* | *188,829* | *180,303* |
| **TOTAL** | | **2016** | **1,467,091** | **511,104** | **260,032** |
| | | 2015 | 1,469,660 | 513,618 | 307,587 |
| | | 2013 | 1,284,528 | 428,342 | 372,479 |

*COD: Chemical Oxygen Demand; BOD5: Biochemical Oxygen Demand after 5 days; SM: Suspended Matter*
*Note: Data for Faurecia have not been consolidated because the differences in regulatory requirements worldwide mean it is not possible to consolidate indicators in a uniform manner.*

**For the Automotive business (PCA)**, less than 10% of the effluent presented above is released into the environment after full treatment in an integrated plant. The remainder is channelled to public waste water plants for further treatment.

Polluting discharge remains generally constant, thus illustrating the stability and performance of internal treatment facilities.

**At Faurecia**, when water is contaminated during the manufacturing process and must be treated before discharge, the sites most often use the collective network (for 53% of water discharged). Other sites have in-house installations (12% of discharges).

#### 2.2.2.5. PROTECTION OF NATURAL ENVIRONMENTS AND BIODIVERSITY EFFORTS

G.25 G.34

The Group's carmaking operations do not intrinsically pose a high risk to the environment.

**The Peugeot carbon sink project in the Amazon**

After 18 years, total carbon sequestration by biomass and soil was estimated at 548,930 tonnes of $CO_2$ equivalent according to the VCS (Verified Carbon Standard) – which is currently being certified by the SCS Global Services external auditor.

# 2.3. CORPORATE SUSTAINABLE DEVELOPMENT COMMITMENT

## 2.3.1. Responsible supply chain management

### 2.3.1.1. SUPPLIERS: VITAL LINKS IN THE VALUE CREATION CHAIN

**Type of automotive purchases**

PSA Group purchases include:

- direct parts: purchases of direct vehicle parts and mechanical subassemblies, direct purchase of materials. Series parts purchased represent more than 75% of a vehicle's production cost;
- spare parts and accessories;
- indirect machinery and equipment: overhead costs, services, commercial facilities, competition, Information Technology and telecoms.

WORLDWIDE PURCHASES IN 2016 BY REGION

| | Europe | Eurasia (including Russia) | Latin America | |
|---|---|---|---|---|
| *(in million euros)* | Amount | Amount | Amount | Total |
| Direct parts | 15,751 | 32 | 911 | 16,694 |
| Spare parts | 1,593 | 0 | 29 | 1,622 |
| Indirect Machinery & Equipment | 3,792 | 13 | 193 | 3,999 |
| **TOTAL** | **21,136** | **45*** | **1,133** | **22,315** |

The PSA Group's Automotive Division purchases amount in 2016 reached €22 billion, which corresponds to 41% of the Group's revenue.

In 2015, the Group acquired Mister Auto, an online website selling spare parts. The purchasing policies and processes described in this section also apply to Mister Auto.

Faurecia has a special status – it is a subsidiary, but also a supplier to other car manufacturers which are direct competitors of PSA. This requires these units to be strictly separated, including the purchasing function. However, the principles of responsibility within the PSA Group Purchasing Department also apply to Faurecia's relationship with its own supply chain, as both a part of the Group and a strategic supplier.

**PSA Group suppliers**

For the Group, long term relationships with its suppliers is essential. The Purchasing Department relies on creating a "win/win" situation. The aim of this approach is that each partner will share its know-how and establish a long-term relationship through an ongoing improvement process.

In taking this approach, the Group aims to surround itself with suppliers who, by virtue of their sound financial structure and capacity for innovation, are capable of supporting the Group's expansion, particularly on the international stage.

The PSA Group approach is based on individualising supplier relationships as a performance lever. It has introduced a supplier classification system which differentiates between strategic and core suppliers, and suppliers in general, for a given category of goods.

## Purchasing as part of the Group's strategy G.40

Purchasing is a key stake for the Group's international development and to its integration in the industrial fabric of the countries it operates in. Chapter 4 of the Group's CSR Report presents the following in details.

### Local sourcing is a key element of the PSA Group procurement policy G.35 G.39

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

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



ORIGIN OF PARTS (DIRECT AND SPARE PARTS) PURCHASED FROM TIER 1 SUPPLIERS BY PSA GROUP PRODUCTION PLANT IN 2016

| | PSA Group plants | | | |
|---|---|---|---|---|
| *Origin of the Parts (Tier 1 suppliers)* | **France** | **Rest of Europe** | **Russia** | **Latin America** |
| **Europe** | 90.91% | 92.44% | 47.40% | 36.14% |
| *o/w France* | ***50.47%*** | *20.84%* | | |
| *o/w Europe outside France* | *40.44%* | ***71.60%*** | | |
| **Russia** | 0.00% | 0.01% | **40.30%** | 0.06% |
| **Latin America** | 0.08% | 0.10% | 0.50% | **58.20%** |
| **Rest of the world** | 8.86% | 7.45% | 11.80% | 5.60% |

The local sourcing ratio is the value of purchases for a region from Tier 1 suppliers divided by the total value of the purchases for this region. These ratios are in bold in the table above.

As a proactive member of its host communities, the PSA Group is committed to strengthening its purchasing policy near its production facilities, which contributes to maintaining subcontracting activities on-site.

It aims to have achieved a local sourcing percentage of more than 85% by 2021.

The Group was awarded the "Origine France Garantie" (Made in France) label for 16 vehicles manufactured at its French plants, four of which were new in 2016 (the new Peugeot Expert and Traveller, the Citroën Jumpy and SpaceTourer). This labelling is awarded to products whose final assembly takes place in France and over 50% of whose value is also produced in France. It guarantees to French consumers that the product they are buying is French made.

Thanks to its deep manufacturing roots in France, the Group has once again made a positive contribution to France's trade balance, with a €4,816 billion surplus and an import-export balance in excess of 328,000 vehicles in 2016. This contribution to the French trade surplus represents an increase of nearly 10% compared with 2014.

With more than 1,008,000 vehicles produced in France in 2016, the Group is on course to meet its commitment in the "New Social Contract" to produce 1 million vehicles in France in 2016.

### A strong commitment: supplier clusters

Focusing on the Moroccan cluster: the PSA Group plans to gain a foothold in Morocco by constructing an engine and vehicle assembly plant in Kenitra, near Rabat. The production site will have a total surface area of one hundred hectares, 40 of which will house a supplier cluster. This plant will be operational in early 2019 and will produce 90,000 vehicles a year, in the first instance, and 200,000 in years to come. 1,500 employees have been recruited and 20 or so new supplier sites should be created to support the PSA Group. Local sourcing is projected to be 60% on start up and then 80% in years to come.

## 2.3.1.2. SUPPLIERS: KEY PLAYERS IN THE CHAIN OF RESPONSIBILITY G.35

The PSA Group believes that performance always comes with responsibility: also, as a member of the Global Compact, it drafted its procurement policy in accordance with the rules laid down by the International Labour Organization (Human Rights, child and forced labour), health and safety standards, environmental practice standards (ISO 14001) and stricter regulations on the use of materials and substance emissions (REACH regulations for example). Procurement of specific materials such as conflict minerals is also the subject of particular attention. This policy is made public and can be accessed on the Group's website.

In view of the limits of its sphere of influence, the PSA Group encourages its suppliers to share in its due diligence with regard to CSR risks in the supply chain.

### 2.3.1.2.1. The PSA Group's procurement policy: performance and responsibility

The Purchasing Department determines and oversees procurement policy worldwide and provides an interface between the PSA Group and its suppliers.

Its role is to build and maintain a supplier database at the best technical, industrial and economic level. It also guarantees the quality and security of the Group's supplies, by ensuring that suppliers comply with Group standards, particularly in terms of quality, logistics and sustainable development. It makes purchases for all Group departments (excluding Faurecia).

The 924 PSA Group purchasing professionals, located throughout the world, apply identical processes.

### Procurement policy social, ethical and environmental standards G.39 G.40 G.43

CSR is implemented on a global level. It is by bringing all the stakeholders together that the progress already made will be sustained over the long-term and will extend across the entire supply chain. By joining the United Nations Global Compact in 2003, the PSA Group pledged to uphold and promote, and to encourage its suppliers to uphold and promote, its ten principles, inspired by the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

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

The PSA Group's Human Rights policy is implemented in line with OECD recommendations. For further details, please refer to Chapter 4 of the CSR Report.

For example: the PSA Group policy on conflict minerals. A specific clause has been inserted into the general purchasing terms and conditions (Article 14), stipulating that suppliers must provide details of the composition of materials used in the manufacture of the parts supplied as well as of any changes to said composition. In addition, suppliers must provide, in writing, all the information required in order to comply with current legislation, in particular with regard to consumer protection and conflict minerals. The Purchasing Department, with the help of the Research and Development Department responsible for sensitive products, undertook to systematically question the entire panel of approved suppliers in order to identify the suppliers, ask them to complete the EICC-GeSI form and, should it be established that materials have been procured from illegal sources, to set up replacement sourcing. PSA Group thus intends to exercise its duty of care and take part in the introduction of sustainable procurement.

#### Suppliers make a major contribution to achievement of the Group's environmental objectives

For the most part, the Group's suppliers are from industries that are faced with the same environmental challenges as the Group: reducing their carbon footprint and water consumption, curbing their industrial emissions, improving waste recycling, conserving biodiversity. PSA Group involves them in initiatives that follow its environmental roadmap.

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

### PSA Group's strong commitment to the adapted sector

For over 20 years, PSA Group has been sourcing direct parts (e.g.: instrument panels, interior trim, pedals etc.) from the sheltered sector. Subcontracting to this sector is one aspect of the Group's agreement for the social and occupational inclusion of people with disabilities. It is the fifth agreement signed since 2000..

Nowadays, suppliers from the sheltered sector are expected to meet the same criteria as the rest of the Group's suppliers in terms of quality, reactivity, economic performance etc. The Purchasing Department, alongside with the all the other PSA Group departments, has helped these suppliers to evolve in order to achieve this level of performance. For example, this improved expertise enabled some sheltered workshops to demonstrate their capabilities to other clients and other business segments (railways, aeronautics etc.).

The steps taken by Monozukuri with certain sheltered workshops helped further improve our partnership (example: integration of an Adapei du Doubs team on the PSA Sochaux site, along with other ongoing discussions).

Key figures:

- services purchased from the sheltered sector represent 38 million of added value;
- 2,500 industrial products;
- the Group works with:
  - 6 major associations: ADAPEI du Doubs, ADAPEI de Haute Saône, Bretagne Ateliers, Les Papillons Blancs du Haut Rhin, Les Ateliers de l'Ostrevent and the AMIPI/SLAMI Foundation,
  - 1,967 beneficiaries (FTE disabled workers from companies in the sheltered or adapted work sector) 1,957 of whom are in manufacturing, corresponding to 3 employment rate percentage points for disabled individuals at Peugeot Citroën Automobiles S.A. (PCA) in France;
- 100% of cars manufactured by the Group in Europe include at least one part manufactured by the sheltered and adapted sector.

The PSA Group remained France's number one buyer from the "EA" sector (adapted company, enterprise adaptée) and the "ESAT" sector (companies employing individuals with disabilities, Établissements et Services d'Aide par le Travail) in 2016.

## 2.3.1.2.2. Exercising due diligence

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

This is based on analysing risks (mapping) to identify the actual, or potential, negative impacts of its suppliers' activities. (Section 4.2.2.1 of the CSR Report). If risks are identified, the PSA Group has a prevention system which includes implementing and monitoring specific action plans with the suppliers in question, to prevent or mitigate any impacts. In the event of actual incidents, the PSA Group is set up to assist in resolving the issue. In full transparency, it publishes the diligence measures taken, and the results obtained, in its annual CSR Report.

### Identifying CSR risks in the supply chain

The numerous crises experienced by the automotive industry over the last few years have enabled the Group to develop its risk analysis process so as to be better able to prevent risks from occurring and be more reactive once the risk has been identified.

In line with the Group's risk policy (see Chapter 1), purchases can be broken down into 630 different groups to which the Purchasing Department applies a multi-criteria (quality, logistics, financial, CSR, etc.) risk analysis to define "Technical and Industrial Purchasing Policy" for each category of goods. The policy is drawn up by the buyers in collaboration with experts from other divisions of the Group: financial analysts, logistics experts, quality experts, engineers, etc.

### The resources deployed to prevent risks: training and systematic CSR performance evaluation for suppliers

#### Buyer trainings

Every year, the Group's purchasing school organises training sessions for new buyers in Europe and in Latin America. A special CSR module, annually updated, is deployed for this occasion. Since 2008, 478 people have been trained in Europe and 124 in Latin America.

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

One course was set up specifically to train buyers in rolling out the new contracts that the Group is signing with its suppliers. This contract was submitted to the DGCCRF (Directorate-General for Competition, Consumption and the Fight against Fraud) which described it as being well-balanced. The training aims to stress the importance of negotiating with suppliers in good faith. This includes a section which focuses on the behaviour to be adopted by the buyer in contractual negotiations. 180 buyers were trained this year, or 64% of direct and spare parts buyers.

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

### Supplier training

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

- Supplier information meetings are organised on a monthly basis to inform suppliers about the latest developments in CSR, to let them know about the Group's expectations in terms of CSR and to inform them of legal and regulatory changes in relation to CSR.
- An e-learning training course on CSR principles is available on their CSR performance evaluation platform.
- Events and workshops are organised in at-risk countries to raise awareness amongst suppliers' local production site managers. In 2016, 300 suppliers took part in training organised by PSA Group in China and in the Czech Republic.

### Formal commitment from suppliers and evaluation of their CSR performance

Evaluation of suppliers' CSR performance is a key factor for the Group when it comes to selecting suppliers during calls for tender. 95% of supplier selections were made on the basis of the CSR notice in 2016. This notice comprises suppliers' commitment to comply with the Group's CSR requirements and the results of assessment questionnaires and audits.

#### Supplier CSR assessment system

| SIGNATURE OF THE SUSTAINABLE PURCHASING CHARTER | SELF-ASSESSMENT QUESTIONNAIRE | EXTERNAL ASSESSMENT QUESTIONNAIRE | AUDITS |
|---|---|---|---|
| **1,036** SUPPLIER GROUPS | **1,206** PRODUCTION PLANTS | **400** SUPPLIER GROUPS | **75** AUDITS OF CRITICAL SUPPLIERS SINCE 2008 |
| **93%** OF PURCHASING SPEND | | **81%** OF PURCHASING SPEND | |

### Signing the Charter: "PSA's requirements regarding social and environmental responsibility with respect to its suppliers"

The "**PSA's requirements regarding social and environmental responsibility with respect to its suppliers**" are available *via* the Group's B2B portal.

The Group's CSR requirements:

- are based on a personal commitment to mentoring: since 2010, the Group's Code of Ethics has specifically mentioned the integration of ethical and environmental criteria into the supplier relationship;
- are brought together in an *ad hoc* reference guide for suppliers: these requirements make explicit reference to the Global Compact, the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on the Environment and the United Nations Convention against Corruption;
- distributed to the Group's largest suppliers and to suppliers associated with high-risk countries or commodities. These suppliers are asked to formally commit to comply with the PSA Group guidelines or to demonstrate their compliance with equivalent guidelines. As of end-2016, 1,036 suppliers had made this commitment, accounting for 93% of the purchasing spend managed by the Purchasing Department;
- incorporated into the fundamental principles of supplier relationship management, in contractual documents such as purchasing contracts and purchasing terms and conditions, and in the Group's purchasing processes.

75% of Mister Auto's revenue (equivalent to 0.38% of the PSA Group's annual purchases) is accounted for by parts purchased from major automotive equipment manufacturers who, as Tier 1 suppliers, are signatories of the "Social and Environmental Guidelines for PSA Group suppliers".

### Self-assessment questionnaires for supplier plants:

Since mid-2013, all suppliers wishing to take part in a tender process for automotive parts must complete a self-assessment questionnaire for each production plant. The questionnaire covers three areas: compliance with social criteria respect for environmental principles, and management of supplier relations. The aim of this assessment is threefold: to allow the supplier to see where it sits in terms of PSA Group expectations; to provide appropriate support for each supplier and to act as an initial risk prevention filter.

### External assessment

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

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

In 2016, 400 supplier groups, or 81% of the amount of purchases, were evaluated.

#### Audits of critical suppliers

In addition, social and environmental audits are conducted at selected suppliers' plants in accordance with the risk level associated with their country, product or process. Since 2010, 75 social and environmental audits have been performed at suppliers ranked 1, 2 or 3. Chapter 4 of the CSR Report presents the results of these audits in detail.

### Watching out for weak signals to eliminate causes of risk

A number of mechanisms have been introduced to identify potential risks:

- discovery report: this report is an internal PSA Group tool that can be used by anyone within the Group who is visiting a supplier production site (buyers, quality auditors, supervisors, analysts, etc.) It enables any failures observed, or suspected, during visits to supplier production sites to be fed back. This questionnaire is forwarded to the CSR coordinator who decides on any follow-up such as a site audit;
- an internal whistleblowing system: see Section 6.1.2.1 of the CSR Report;
- listening to stakeholders: NGOs, journalists, unions. All these alerts are investigated and action is taken against the suppliers in question *i.e.* a letter from the Head of Purchasing, a site audit etc.

#### Remedial action in the event of non-compliance

No complaints have been upheld against PSA Group for CSR breaches.

#### Transparent communication regarding the results of due diligence

2016 RESULTS OF SUPPLIER PRODUCTION PLANTS SELF-ASSESSMENT

| Self-assessment of 1,206 supplier production plants | Compliant | Minor non-compliances | Major non-compliances |
|---|---|---|---|
| Global rating | 91% | 9% | 0% |
| Social factors | 95% | 5% | 0% |
| Environmental factors | 97% | 3% | 0% |
| Sustainable procurement | 77% | 18% | 5% |

2016 RESULTS OF SUPPLIERS' CSR PERFORMANCE EVALUATION BY AN EXTERNAL PROVIDER (ECOVADIS)

| | Compliant | Minor non-compliances | Major non-compliances |
|---|---|---|---|
| Overall performance | 60% | 38% | 2% |
| Environmental performance | 67% | 30% | 3% |
| Workforce-related performance | 68% | 40% | 2% |
| Ethical performance | 38% | 56% | 6% |
| Sustainable procurement | 37% | 57% | 6% |

## 2.3.2. Consumer safety and protection G.42

### 2.3.2.1. COMMITMENT TO ROAD SAFETY

The Group has implemented operating safety measures and is simultaneously promoting three lines of defence: primary, secondary and tertiary. It is also incorporating work that is indispensable to counter new cybersecurity threats.

Road safety has always been a top priority for the PSA Group. The Group is focusing on technologies that have shown a proven ability to make automobiles safe, at an affordable cost for the largest number of motorists.

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

### Primary safety: avoiding accidents

#### Chassis systems

Suspension, steering, breaking and other systems are designed to deliver handling performance, precision steering and braking efficiency that rank among the best in the market.

The PSA Group anticipated regulatory changes by fitting its vehicles with driving assistance technologies aimed at helping drivers, such as:

- ABS (Anti Blocking System), which prevents the wheels from locking up during emergency braking;
- EBA (Emergency Brake Assist), which amplifies braking effort during emergency braking;
- ESC, (Electronic Stability Control) which helps drivers maintain control even in a skid;
- TPMS (Tyre Pressure Monitoring System), which detects under-inflated tyres that can reduce vehicle stability.

### Controlling trajectory and safety distances

- LDWS (Lane Departure Warning System) warns the driver of unintentional lane departure, which is responsible for many accidents on motorways.
- LKA (Lane Keeping Assist) helps to prevent the vehicle from inadvertently departing from a lane by acting on the direction of the vehicle.
- DA (Distance Alert) indicates the time it would take to close with the vehicle in front at the current speed.
- ACC (Adaptative Cruise Control) is used to adjust vehicle speed according to traffic conditions.
- SLI (Speed Limit Information) recognises speed limit signs and suggests regulating speed to the various speed regulation/limitation systems (ISA-Intelligent Speed Assist);
- AEBA (Autonomous Emergency Braking System) which:
  - alerts and increases braking if the driver reacts and is triggered if the driver does not react to a risk of collision with another vehicle or pedestrian;
  - or increases driver braking in case of emergency braking on highways and motorways.
- DAA (Driver Attention Alert); as driver distraction is a major cause of road safety problems, the Group's vehicles are fitted with functions to analyse risky driver behaviour and alert them if necessary.

### See and be better seen

Beyond the technologies which are already widespread (use of rear camera, panoramic vision, LED projectors), the PSA Group has developed many innovations in this area which set it apart that are available on several vehicle lines:

- lighting to support the safety functions (including automatic activation of emergency flasher lights in the event of sudden deceleration, LED daytime running lights and automatic dipped beam/main beam switching);
- a blind spot information system that indicates the presence of a vehicle (particularly a motor bike) in a blind spot zone through a pictogram in the wing mirror; the blind spot information system and Lane Keeping assist may be combined to react to the presence of a vehicle in the blind spot if changing lanes.

### Ergonomics and Human-Machine Interface (HMI)

The proliferation of driver assistance systems and spread of infotainment technologies demand close attention when designing HMIs. The PSA Group conducts extensive research on distraction factors and risks so that it can diagnose the state of alertness of drivers and suggest interactions that will enable them to refocus on driving.

Through a collaborative project called SCOOP@F (which succeeded SCOREF) investigating "car to x" applications of ICT, researchers are looking at ways to send drivers targeted information that may either warn them about risks of an accident (suggested speed, weather alerts, traffic, obstacles such as a vehicle breakdown on the carriageway, etc.) or provide a service (service stations, recommended route, etc.). All this information must be delivered to drivers without distracting their attention or disturbing their driving. The project is now entering the "pilot" test phase with customers to measure the potential benefits of the system.

## Secondary safety: protection during an accident

The *Laboratoire d'Accidentologie, de Biomécanique et d'Étude du comportement humain* (LAB) is a road safety association created jointly by the PSA Group and Renault. Since fourty years, it has been carrying out research to enhance understanding of accident mechanisms and their related injury mechanisms (26,750 accidents in the database).

The PSA Group is primarily working in two areas:

- **chassis and body structure:** the vehicles are structurally designed to dissipate the energy from an impact in a controlled manner, with effectively positioned impact absorption structures and deformable crash boxes (shock absorbers). The passenger compartment becomes a real survival cell by reducing strain and intrusion;
- **airbags and restraint systems:** the capacity of structures to absorb energy and protect the passenger compartment leads to a reduction in the impact on occupants in crashes through sophisticated restraint systems. The Group's vehicles offer up to eight airbags. They also include seatbelt tensioning devices front and rear and load-limiting retractors. Buckle-up reminders sound a warning and light up to warn the driver when someone has not buckled their belt. Thanks to the ISOFIX attachment points, compatible with the iSize standard, PSA Group vehicles ensures the proper use of child safety seats adapted to their morphology.

## Tertiary safety: post-accident emergency response

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

- **emergency call system:** implementing the devices before European regulation PE/112 comes into effect on 30 March 2018, the Group is the only mainstream car manufacturer to have deployed since 2003 a wide-scale, location-aware emergency call system, without a subscription or any cut-off date and operational 24/7. In the event of an accident or medical emergency in an ATB-equipped vehicle, occupants can alert a dedicated assistance centre that can accurately locate the vehicle. This saves time and allows for more effective assistance to be provided. According to the European Commission, equipping every vehicle on the road with such a system would save more than 2,500 lives a year in Europe. The emergency call system is particularly useful when accidents occur in isolated areas with no eyewitnesses.

  Confidential information on customer movements is not retained.

| | Cumulative total through 2014 | Cumulative total through 2015 | Cumulative total through 2016 |
|---|---|---|---|
| Cumulative total of Peugeot, Citroën and DS vehicles standardly equipped with the PSA emergency call system | 1,672,495 | 1,877,026 | 2,300,764 |
| Cumulative total alerts sent to emergency services | 12,885 | 16,167 | 20,184 |
| Countries in which the PSA Group emergency call service is available | 17 countries: France, Germany, Italy, Spain, Belgium, Luxembourg, the Netherlands, Portugal, Austria, Switzerland, Denmark, Poland, the United Kingdom, Czech Republic, Slovakia, Norway and Sweden | 17 countries: same | 17 countries: same |

Traffic control centres in France are now automatically alerted about incidents on their roads by Peugeot, Citroën and DS vehicles fitted with the e-call service. Drivers can also use e-call from their vehicle to alert the emergency services if they witness an accident. Other drivers can then be warned of potential dangers ahead *via* messages displayed on motorway signal boards.

In future, other vehicles will provide information that will improve environmental awareness. For example, a vehicle will be informed by the vehicle ahead of it that there is a pedestrian on the road, thus enabling it to anticipate automatic braking in full safety;

- **victim removal instructions and safety manuals:** to facilitate the job of rescue workers after an accident, the Group works with French rescue teams to prepare victim removal instructions for each of its models. Regular training sessions are held with the Public Safety Services of the French Interior Ministry and the zonal victim removal group to update the teams' knowledge of the new vehicles and the new technologies that are about to go on the market. Meanwhile, PSA Group steered ISO work on defining an international standard for victim removal instructions. This standard has been applicable since January 2015 and will become an international standard. In addition, ISO standardisation work continued in 2016 with the drafting of a safety manual standard (all vehicle types): the Group is actively involved in this work which is overseen by the CTIF (international association of fire fighters and rescue teams).

### Euro NCAP and China NCAP safety ratings

Group vehicles tested by the Euro NCAP and China NCAP organisations achieved very good scores thus reflecting the high level of service offered by Peugeot, Citroën and DS.

Since 2009, a new Euro NCAP rating system has been in place: the vehicles tested receive an overall rating that takes into account the results in terms of protection of adults, pedestrians and children, as well as the presence of safety equipment.

From 2014, Euro NCAP has taken into account not only the secondary safety performance of vehicles but also the performance of the primary safety systems such as lane departure warning and Autonomous Emergency Braking System. This increased strictness calls for a renewed focus on the Euro NCAP evaluation. A five-star rating is now only awarded to vehicles also fitted with this type of equipment. A four-star rating is awarded to vehicles with a high level of passive safety.

From 2016, Euro NCAP has included an assessment of the performance of automatic emergency braking systems on pedestrians and on preventing unintentional lane departure.

The Euro NCAP and China NCAP performances of the Group's vehicles are set out in Section 2.2.3.6 of the 2016 CSR Report.

### Cybersecurity: a new threat

The emergence of new threats related to computer hacking of vehicles, led the PSA Group to set up a framework and methodology based on Operating Safety and a dedicated organisation using experts who are also involved in drafting international standards in this area. This organisation is tasked with formulating immediate responses if design and customer risks are detected on existing vehicles and building a secure, onboard electronic architecture for our future vehicles, starting with the autonomous and connected vehicle. The Group is in particular involved in research work on transport safety (IRT SystemX) to define security solutions.

## 2.3.2.2. CONSUMER PROTECTION

### Protection of personal data

The new European Regulation on privacy came into effect in 2016 and companies have until May 2018 to comply. The PSA Group is already committed to an active process with the French Data Protection Commission CNIL to put together a conformity package for connected vehicles to anticipate certain expectations of this European Directive. In parallel, the Group has set up a reference guide for internal data use and within its joint arrangements.

The new European Regulation on privacy will result in the following in particular:

- stepping up corporate obligations: appointing a Data Protection Officer (CIL); implementing privacy by design and privacy by default principles, more restrictive notification of security loopholes, etc;
- strengthening individuals' rights over their data: the right to be forgotten, the right to data portability, strengthening transparency and systematically informing all individuals on their rights and on who is collecting and processing their data; obtaining the informed consent of consumers regarding the use of their data, etc;
- strengthening controls and sanctions by regulatory authorities (in percentage of global revenue), etc.

The main strands of the draft European regulation, supported by consumer groups, have already been taken into account in changes to Group operations (extending opt-in, sales methods used to inform customers on how their data is processed, handing over connected vehicles explaining new communication tools and how to deactivate them).

The Group is working on standardising its personal data collection and administration policy in customer relations management. In particular, it is standardising all data protection references in its various contracts: purchase orders, after-sales services, connected services, internet forms, etc. Internal guidelines on best practice have been drawn up and distributed; the IT guidelines have been updated to incorporate useful recommendations.

On this basis, the Group is providing training and awareness-raising to internal employees (including in sales outlets). Once the process of validating the European Regulation started, we updated internal training materials for Group employees. A working group was set up with Group operating units and human resources to identify and train employees exposed to compliance with the Regulation. Thus, a dedicated e-learning training programme for managing personal data was taken by almost 1,900 employees in total by end-2016. Roll-out will continue in 2017.

The Group also contractually requires its partners and suppliers to apply the same level of commitment in terms of data protection.

In parallel, the Group is continuously improving its security systems for data storage and exchange networks to prevent any risk of hacking, using cybersecurity techniques that are constantly being updated.

### Consumer credit

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

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

2

## 2.3.3. Partnerships and sponsors to promote regional and/or local community development G.36 G.38

The PSA Group is often one of the largest private employers in areas where it has an industrial presence. As a core economic player, the Group assumes its social responsibility commitments in its various territories.

Through its sponsorships, the Group meets two corporate challenges:

- **mobility issues:**

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

- **the issue of locally rooted sponsorship and philanthropy:**

  Support given to organisations or associations located very near the Group's employee pool strengthen the bond between its sites and their territory. PSA's convictions are expressed through initiatives that occur wherever the Group operates. These initiatives are performed by the Foundation, the Peugeot, Citroën and DS brands and the Group's various industrial and tertiary sites.

The PSA Foundation lends its support to projects putting mobility to work to promote social integration, strengthen social ties and expand access to culture and education. In 2016, it supported 69 projects for a total amount of €1.2 million.

Detailed information is available in Section 7.2 of the Group's CSR Report on the PSA Foundation site: http://www.fondation-psa-peugeot-citroen.org/en/

## 2.3.4. Ethical practices – anti-corruption G.41

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

### THE GROUP'S ETHICS POLICY AND ITS REFERENCE DOCUMENTS

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

The Code of Ethics includes detailed information regarding the prohibition of anti-competitive practices and corruption, the prevention of conflicts of interest, gifts and non-interference with political activities. In June 2015, the Code was supplemented and prefaced with an official undertaking from the Group's executive managers, signed by all members of the Executive Committee. The Code is accompanied by an illustrative document "Daily ethics", an operational guide comprising examples of situations that might occur in respect to each rule. These documents are available on the Group's intranet and internet site. They form part of the new employee documents given to all new staff.

An anti-corruption guide summarising Group policy on this topic (zero tolerance) was updated and redistributed in 2016.

Every employee is expected to comply with the Code of Ethics. It can be downloaded *via* the Group Intranet portal and sets out the practical obligations for employees and management in terms of ethics, actions to take and procedures to follow in the event of questions or if breaches of the Group's ethical principles are identified and lastly, the role of each body.

They are based on the "Anti-fraud system" enhanced and updated in 2015.

In 2016, the Code was progressively expanded by a corpus of precise educational internal control procedures focused respectively on the major themes of business ethics and compliance, notably: anti-corruption, compliance with competition law, data privacy, export control, etc.

In addition to this general system and the Group's reference documents, other procedures have been introduced in certain corporate departments or subsidiaries depending on the identified risks or particular legislation. In the United Kingdom the conflict of interest and anti-bribery policy was enhanced and updated in May 2015.

### GOVERNANCE, WHISTLEBLOWING AND MONITORING SYSTEM

From 2010, the Group has had an Ethics Committee, which reports to the Executive Committee. It is chaired by the Group General Secretary and brings together the Executive Vice-President, Human Resources and the Head of Audit and Risk Management and, since July 2015, the Chief Legal Officer, the new Competition Compliance Officer of PSA.

If a case of non-compliance poses a major risk to the Company, the Committee alerts the Managing Board, which then decides whether to inform the Supervisory Board's Finance and Audit Committee.

With the support of the Executive Board, the Ethics Committee has been based since 2016 on a network of approximately 20 Internal Control and Risk Officers (one representative per department reporting to the Chairman of the Managing Board) tasked notably with leading the ethics and compliance approach within their department and auditing their department's operational compliance.

In 2016, four high-level compliance officers were appointed, tasked respectively with ensuring compliance with competition law, anti-corruption law, data privacy and vehicle certification compliance. Led by the Group General Counsel, who is also Chairman of the Ethics Committee, they liaise in particular with the network of Internal Control and Risk Officers to ensure the rollout of the compliance programme the execution of which they are tasked with verifying.

The Ethics Committee is also responsible for the anti-fraud system (including external fraud). This system is placed under the responsibility of the Group Ethics Committee. Audited and enhanced in 2015 with the twenty-odd Fraud Detection Managers, Local Security Managers and Chief Ethics Officers, it is structured around prevention, detection, investigation and treatment processes, as well as continued improvement.

Monthly meetings have been set up with Fraud Detection Managers aimed at mapping fraud risks, analysing deficiencies, adapting corrective and preventive measures and steering fraud prevention action plans.

Group departments are called upon to assess risks of fraud in their areas of activity and their own practices, particularly during Department Risk and Compliance reviews, with regard to the Company's ethics. Reporting directly to their Head of department and led by the network of Internal Control and Risk Officers, they are responsible for applying the Code of Ethics in their area and for implementing suitable systems.

Finally, the Auditing and Risk Management Department checks that the processes have actually been implemented. It looks into and analyses any cases of fraud or corruption. Each audit of a site or a subsidiary includes a section analysing this risk.

In total, for 2016, about 95 managers (not including auditors), dispersed across the Group's functions, establishments and geographical areas, ensure optimum networking of the Group and are specifically tasked with alerting and informing the Ethics Committee in the event of fraud and monitoring the implemented Action Plans.

### Asia

In 2015, the two Chinese joint-ventures (DPCA and CAPSA) signed up to a Code of Ethics focused on preventing corruption. A special anti-corruption guide compliant with Chinese laws and regulations was published at the end of 2014 and training provided.

## IMPLEMENTATION PROCESS AND ACHIEVEMENTS IN 2016

### Adherence

In 2015, in line with the operating procedure "Compliance with the Code of Ethics", which requires each executive to renew their adherence to the Code personally every three years, a campaign to renew support for the Code of Ethics was launched among all Group executives. The campaign to renew support for the Code of Ethics comes under the responsibility of the Chairman of the Managing Board, demonstrating the involvement of Group executive managers at the highest level.

By end-2016, approximately 18,000 people had signed up the Code individually, including 91% of the target employees (all managers and buyers worldwide, business personnel in dealer networks and Purchasing Department employees) including 100% of executive managers and 100% of senior managers.

Twenty-three Risk and Compliance Department reviews were conducted in 2016 and early 2017 in departments that report to the Chairman of the Managing Board (as well as the Information Systems Department, PSA Retail and the Services and Parts Department), based on a standard defined by the General Counsel. These reviews consisted of validating the risk mapping of the departments, that of fraud and compliance risk in particular. The reviews include an assessment of management processes with regard to fundamental internal control procedures and conclude by defining action plans to be set up to ensure operational compliance. The consolidation of this work by the Group provides a general overview of "ethics and compliance" risks (simplified mapping) and of the ongoing the ongoing action plans in each department.

.The anti-fraud measures set up in 2016 include the following:

- the system aimed at preventing anti-competition practices: appointment of a Competition Compliance Officer; setting up a dedicated whistleblowing system and training courses (in-class and remote) that involve 100% of French senior managers and executive managers, appointment and organisation of ten competition referents in the most affected departments, updating of lists of accredited professional associations, etc;
- anti-corruption:
  - five face-to-face training sessions involving the 150 most affected high-level people were carried out within the Group in target activities such as Purchasing, Trade (Europe and non-Europe, retail, BtoB), marketing, etc.,
  - broadcast of an awareness-raising video and an e-learning course. By end-2016, 1,400 people had undertaken this training;
- awareness-raising and external fraud prevention programme.

### Situation in 2016 *(consolidated Group, excluding Faurecia)*

- No major conflicts of interest or cases of non-compliance with competition law were reported in 2016;
  - in July 2015, the Spanish Markets and Competition National Commission ruled that 21 car manufacturers had exchanged sensitive commercial and strategic information. The Spanish subsidiaries of the Peugeot Espaňa Group and Citroën Espaňa were fined €15.7 million and €14.7 million respectively. The Group exercised its right of appeal before the Spanish courts in October,
  - in December 2015, the French competition authority handed down overall fines of €672.3 million to courier companies, of which €30.6 million on GEFCO, for breach of competition law. The PSA Group is involved because GEFCO was a wholly-owned subsidiary at the time of the events. Both companies have appealed this decision.
- In December 2016, the Openbaar Ministerie (the Dutch National Office of the Public Prosecutor) announced that ended the cases of corruption in which Peugeot Netherlands was suspected in a settlement. By agreeing to pay the sum of €2 million, Peugeot Netherlands avoided prosecution for bribery of a Defence official in the 2001-2012 period. The company fully cooperated with investigators and took measures to strengthen its compliance and enforcement systems. The settlement with Peugeot Netherlands is part of a larger investigation concerning calls for tender for official Police and Defence vehicles. This investigation involves a number of car manufacturers.

# 2.4. HUMAN RESOURCES: ENABLER OF PERFORMANCE

For the PSA Group, company performance and social performance are intrinsically linked. The Group's human resources policy aims to create the right environment for the success of the "Push to Pass" strategic plan and support the related transformation.

To do this, the Group will have to rely on competitive teams worldwide to be in a position to challenge its best competitors. Recognising talent and ensuring equal opportunity are based on merit, to reward individual and collective performance. Giving everyone the opportunity to develop and reach their potential provides the Company with major leverage for boosting performance.

To ensure the success of its strategic plan, the Group also relies on the shared willingness of employee representatives to co-construct the future and support change within the Company. This constructive dialogue with employee representatives is a competitive advantage for the Company.

Each employee is at the core of the Company's concerns as regards the transformations to be accomplished and achieve the performance objective. The human resources policy aims to offer an employee experience based on well-being at work, by preparing the future with new working methods and giving a creative space to express individual and collective talents. The goal is to foster sharing, agility and cross-functionality. Digitilisation offers an opportunity to boost collaborative work arrangements and flexibility, and to provide solutions to make employees' everyday lives easier. All these actions help to enhance work-life balance, leading to greater engagement and motivation.

The Group is committed to rolling out this policy worldwide, with the PSA Global Framework Agreement on Social Responsibility, renewed on 7 March 2017, and its commitments to respecting Human Rights as the core reference system.

This policy provides effective responses to the five key Human Resources issues identified by the Company:

- social dialogue and responsible management of jobs and skills;
- attracting, identifying, developing and retaining talent;
- employee experience based on well-being, health and safety in the workplace and collaborative work methods;
- diversity, gender equality, equal opportunity and merit;
- respect for Human Rights and for the free exercise of union rights.

This policy applies to all companies excluding Faurecia, which has complete management autonomy and specific policies described in Faurecia's Registration Document.

For further information on social achievements at the PSA Group (Automotive Division and other activities excluding Faurecia), please refer to the CSR Report.

## 2.4.1. Social dialogue

The PSA Group has elected to make the mutual trust with unions a competitive advantage for the Company. This involves sharing Group strategy with unions to create the right supporting environment for transformation hand in hand.

With the signing of the "New Momentum for Growth", the Company has gone beyond the usual practices to promote a culture of co-construction.

The relationship set up by the Group with union federations at international level aims to propel this momentum to regulate workplace relations based on co-construction in all countries.

The Group acknowledges the central role of unions in the Company's social dialogue and cohesion. It actively supports employee freedom of association and representation and is committed to respecting the independence and pluralism of unions at all its facilities and implements an active contractual policy. 98% of employees are represented by unions or employee representatives. Employee representation is part of the Group governance (see Section 3.1).

### THE GLOBAL FRAMEWORK AGREEMENT ON SOCIAL RESPONSIBILITY G.6 G.15 G.16 G.17 G.18 G.19 G.41 G.43

The PSA Group has elected to get a wide range of stakeholders involved in the corporate social responsibility process by signing a global framework agreement on corporate social responsibility in 2006.

The agreement was renewed in 2010, dedicating a new section to safeguarding the environment and strengthening social commitment. It applies to all facilities and was contractually extended to its partners, suppliers and distributors.

The PSA Group European Union federations and the IndustriALL Global Union and IndustriALL European Union trade union federations were negotiating towards a new agreement in 2016. On 7 March 2017, in Geneva, these negotiations resulted in the signing of a new global framework agreement respecting the PSA Group's Social Responsibility.

This new agreement reflects the PSA Group's desire to co-create its future with employee representatives on a global scale and to involve all employees in its global human resources policy, thus ensuring a common basis with regard to fundamental rights and social practices based on the expression of personal and collective talents.

This agreement is made up of two parts. The first part gives a formal framework to the PSA Group's Social Responsibility policy, enrolls stakeholders and sets forth its social requirements in terms of supply chain. The second part adds the goal of introducing an international human resources policy that develops talent and skills, quality of life and well-being in the workplace, with respect for diversity and equality of treatment. In addition, the agreement reinforces the global dimension of the Group Works Council and its vocation to share economic and social issues on a global scale.

The Group thus has an adapted framework to efficiently and transparently implement the United Nations Guiding Principles on Business and Human Rights (Ruggie Principles) and the OECD's Guidelines for Multinational Enterprises.

Since 2006, the application of this global framework agreement is monitored and assessed on an ongoing basis using a structured system. IndustriALL and all unions exercise continuous vigilance and can report non-compliance, and their opinion is regularly sought on the application of the agreement's commitments. The Group is committed to handling claims and complaints expressed in application of this agreement and ensuring due diligence with suppliers in the supply chain.

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

**15 commitments of the 2010 global framework agreement on PSA's Social Responsibility**

| | |
|---|---|
| 1. | Non-complicity in the violation of Human Rights; |
| 2. | Freedom of association and recognition of the right to collective bargaining; |
| 3. | Abolition of child labour; |
| 4. | Elimination of discrimination and promotion of equal opportunities; |
| 5. | Fight against corruption; |
| 6. | Safety, working conditions and health; |
| 7. | Developing future skills through continuous in-service training; |
| 8. | Opportunities for employee participation; |
| 9. | Advance planning for changes to professional and job profiles; |
| 10. | Pay; |
| 11. | Social protection; |
| 12. | Negotiated work organisations; |
| 13. | Shared social responsibility with suppliers, sub-contractors, industrial partners and dealer networks; |
| 14. | Consideration of the impact of company activity at the local level; |
| 15. | Environmental protection. |

This global framework agreement applies to all Group companies (excluding Faurecia) and promotes compliance with social and environmental requirements through action plans exhaustive monitoring and support on a wide scale.

To implement this agreement, every year each subsidiary defines its priorities for action and applies action plans to improve their ability to fulfil the agreement's commitments. 201 action plans were defined in 2016 in the 52 Group companies based in 30 countries on four continents.

Each subsidiary and union conducts a self-assessment of the application of the agreement every three years. In 2015, 85% of the 79 unions concluded that progress had been made in fulfilling the CSR commitments. With the involvement of an external stakeholder, compliance with the agreement is reviewed annually at global level by the Group's Works Council expanded into a Global Council, in the presence of IndustriALL representatives.

## THE GLOBAL WORKS COUNCIL

Set up in 1996, the European Group Works Council is a body for dialogue and discussion between management and employee representatives. Dealing with the Group's strategy, results and outlook, this body allows Executive Management to understand the concerns, expectations and suggestions of employees, and to build the partnerships necessary to carry out large cross-functional projects. During its annual plenary meeting, the European Group Works Council is expanded into a Global Council, with delegates from Argentina, Brazil, Russia and China.

In 2016, the European Group Works Council and its Liaison Committee of officers met eight times.

## THE JOINT UNION-MANAGEMENT STRATEGY COMMITTEE

A body for dialogue and discussion, this Committee allows for more and earlier involvement of the employee representatives in Group strategy. The French representative organisations and the main unions of the non-French European companies are represented on the Committee.

As part of the agreement "New Momentum for Growth", the Group has stepped up communication with the Committee with a view to increasing sharing, exchanges and transparency upstream in relation to strategic topics such as the product plan, the guidelines of the 3-year Medium-Term Plan (PMT) or the industrial strategy. It met twice in 2016.

## COLLECTIVE AGREEMENTS POLICY G.7

The PSA Group is committed to driving a contractual policy based on a sound understanding of the Company, which looks for innovative solutions and shows its capacity to conciliate the Company's economic and social priorities. In 2016, 107 company collective agreements were concluded, of which 84 outside France. Worldwide, 95% of Group employees are covered by a collective bargaining agreement at sectoral and/or company level.

In July 2016, the Group signed an agreement in France with 5 unions representing more than 80% of employees called "New Momentum for Growth" with the aim of supporting the rollout of the "Push to Pass" strategic plan and thus boost performance, support growth and protect employees.

With this agreement, the Company has set up a responsible employment policy. The 7 Territorial Career Mobility and Transition Platforms will boost mobility in the Group's various host countries by encouraging mobility between companies and between job families. Internal mobility is also boosted with 6,000 transactions per year. An assertive youth employment policy has been implemented, involving 2,000 young people per year (students with work-study contracts, interns, PhD students with CIFRE contracts or, International Corporate Volunteering Contracts). The Group plans to hire 1,000 people on permanent contracts during the term of the agreement, with a commitment to ensuring that 50% of recruitment for junior positions will come from the youth employment policy. Innovative teleworking and flexitime systems are planned to improve quality of life, and the ambition is to increase teleworkers from 2,000 to 4,000. The agreement also involves supporting employees during the Company's digital transformation.

Internationally, the agreements concluded with unions also helped support Company transformation and manage employment in a responsible and concerted fashion, adapted to the local economic and social context.

### PROMOTING EMPLOYEE MOTIVATION AND COMMITMENT

The PSA Group is committed to informing and listening to employees and to implementing participatory initiatives. The Group has a range of methods worldwide to measure employee satisfaction and better understand their aspirations. Regular surveys conducted by a market research institute assess employee satisfaction and confidence levels.

The Workplace Stress Measuring and Monitoring Programme (see Section 2.4.4 on Well-being, health and safety at work) provides a regular assessment of a motivation index and illustrates the factors effecting motivation. All the criteria from monitoring well-being in the workplace are improving.



## 2.4.2. Responsible employment and skills management

To achieve its transformation plans, the Company engages in ongoing dialogue with employee representatives and promotes a contractual approach. Anticipating changes *via* Human Resources Planning and Development Initiatives (GPEC) and support systems are the subject of arrangements concluded by the company-wide agreement.

The PSA Group wants to secure its sustainability and the employment of its employees based on operational excellence, performance and agility. The Group has set up a responsible employment policy to anticipate transformations and skills requirements and boost employee employability. Secure career paths are offered to employees, both internally through reconversion, and externally.

The Professions and Skills Observatory, a joint body set up in France by the Group, is responsible for building a prospective vision of roles within the Group and producing shared diagnoses on occupations in high demand (unmet needs) and on at-risk occupations (workforce reduction and reconversion needs). It is based on the job families and professions approach (Section 2.4.3.1 on Management by job families and business lines). This Observatory is a key tool for anticipating changes in employment, communicating in a transparent and responsible manner, initiating professional mobility and preventing overstaffing. This transparency and access to information mean that each employee is master of their own professional career.

### 2.4.2.1. WAYS TO ADAPT RESOURCES TO THE COMPANY'S NEEDS

#### Safeguarding career paths

Priority is given to internal resources and their development. Introduced in 2012, *Top Compétences* is a worldwide system designed to better meet the Group's competitiveness and skills reallocation needs. Aimed at all socio-professional categories, it has opened up new opportunities for career reconversion supported by an increased emphasis on individual training. Since 2012, 3,300 employees benefited from the opportunity to learn a new skill within the Group, totalling 201,550 training hours.

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

Mobility support centers were set up in Spain to support employees in their career development.

In France, the safeguarding of career paths is based on the innovative solutions formulated by the "New Social Contract" renewed as part of the agreement "New Momentum for Growth": Probationary mobility periods secure mobility periods allowing outplacement candidates to return to PSA Group for up to two years after starting a new job, career transition passports under the Territorial Career Mobility and Transition Platforms (PTMTP) based on joint arrangements forged with companies that are hiring and set up in the same regions as the Group.

#### Building Group activities based on strategic partnerships

The Group has entered into new strategic partnerships to assign some activities on to specialist businesses better placed to build up performance and competitiveness over the long term. Although listed as workforce departures in the tables below, workforce transfers undertaken under this scheme have helped maintain jobs and develop skills with better career prospects.

#### Group hirings

In 2016, the Group maintained hirings targeted at experienced profiles, particularly in electronics and electricity and in the Supply Chain, Digital and Aftermarket fields to acquire new skills in growing sectors and to reinforce the Group's competitiveness. A number of key hirings were also made in areas such as design and health and safety in the workplace to maintain priorities in these areas. The Company also recruited some 200 young graduates under permanent contracts to supplement the sales teams in France.

In 2016, the Group hired 12,931 employees on permanent contracts. 86% of these hirings took place at Faurecia. 92% of these hirings were for the Group's international business.

## Workforce

NUMBER OF EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS OVER THREE YEARS G.1A

*(Consolidated Group, at 31 December)*

| | | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Automotive | | 103,894 | 95,669 | 89,927 |
| | *o/w PCA France* | *57,351* | *54,340* | *55,525* |
| Faurecia | | 82,382 | 85,218 | 79,818 |
| Other Businesses | | 3,510 | 1,270 | 411 |
| **TOTAL** | | **189,786** | **182,157** | **170,156** |

The fixed-term contracts include apprenticeships, skill-acquisition contracts and CIFRE contracts for PhDs students.

The workforce is assessed on 31 December of each year and is not adjusted to reflect any changes to the scope. The decrease in the Faurecia workforce between 2015 and 2016 is related to the disposal of the Faurecia Automotive Exteriors activity on 29 July 2016. This disposal affected an equivalent of 6,613 employees registered as of 31 December 2015. The Faurecia workforce increased by 1.5% on a pro-forma basis.

The decrease in workforce in the “Other businesses” category is linked to the completion of the implementation of the partnership between Banque PSA Finance and Santander Consumer Finance, which resulted in the creation of five new joint ventures in 2016 in Italy (January), the Netherlands (February), Germany, Austria (July) and Poland (October). In August 2016, the partnership between Banque PSA Finance and Groupe Santander also extended to Brazil.

NUMBER OF EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS OVER THREE YEARS BY REGION G.1D

*(Consolidated Group, at 31 December)*

| | | | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|---|---|
| **Automotive** | | **2016** | **62,036** | **20,509** | **7,382** | **89,927** |
| | | 2015 | 65,809 | 21,977 | 7,883 | 95,669 |
| | | 2014 | 70,044 | 24,986 | 8,864 | 103,894 |
| | ***o/w PCA France*** | ***2016*** | ***55,525*** | **-** | **-** | ***55,525*** |
| | | *2015* | *54,340* | - | - | *54,340* |
| | | *2014* | *57,351* | - | - | *57,351* |
| **Faurecia** | | **2016** | **10,411** | **32,570** | **36,837** | **79,818** |
| | | 2015 | 12,137 | 36,060 | 37,021 | 85,218 |
| | | 2014 | 12,122 | 34,520 | 35,740 | 82,382 |
| **Other businesses** | | **2016** | **298** | **102** | **11** | **411** |
| | | 2015 | 328 | 910 | 32 | 1,270 |
| | | 2014 | 1,664 | 1,650 | 196 | 3,510 |
| **TOTAL** | | **2016** | **72,745** | **53,181** | **44,230** | **170,156** |
| | | 2015 | 78,274 | 58,947 | 44,936 | 182,157 |
| | | 2014 | 83,830 | 61,156 | 44,800 | 189,786 |

At 31 December 2016, there were 170,156 employees within the Group of which 158,311 were on permanent contracts (93% of the workforce). 57% of employees work outside France, of which 31% in other European countries and 26% in the rest of the world.

The headcount was broken down into 21% managers, 18% technicians and administrative employees and 61% operators.

EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS BY REGION AND GENDER G.1B

*(Consolidated Group, at 31 December)*

| | France | | Rest of Europe | | Rest of the world | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** |
| Automotive | 10,661 | 51,375 | 4,733 | 15,776 | 1,224 | 6,158 | 16,618 | 73,309 |
| *o/w PCA France* | *9,537* | *45,988* | - | - | - | - | *9,537* | *45,988* |
| Faurecia | 2,397 | 8,014 | 10,434 | 22,136 | 10,830 | 26,007 | 23,661 | 56,157 |
| Other businesses | 142 | 156 | 52 | 50 | 2 | 9 | 196 | 215 |
| **TOTAL** | **13,200** | **59,545** | **15,219** | **37,962** | **12,056** | **32,174** | **40,475** | **129,681** |

EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS BY AGE GROUP AND GENDER G.1C

*(Consolidated Group, at 31 December)*

| | < 30 years old | | 30-39 years old | | 40-49 years old | | ≥ 50 years old | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** |
| Automotive | 2,087 | 6,042 | 4,653 | 17,492 | 5,294 | 25,013 | 4,584 | 24,762 | 16,618 | 73,309 |
| *o/w PCA France* | *926* | *2,444* | *1,972* | *8,717* | *3,173* | *16,294* | *3,466* | *18,533* | *9,537* | *45,988* |
| Faurecia | 7,543 | 17,436 | 7,032 | 16,201 | 5,838 | 13,137 | 3,248 | 9,383 | 23,661 | 56,157 |
| Other businesses | 30 | 26 | 55 | 41 | 55 | 74 | 56 | 74 | 196 | 215 |
| **TOTAL** | **9,660** | **23,504** | **11,740** | **33,734** | **11,187** | **38,224** | **7,888** | **34,219** | **40,475** | **129,681** |

## Hirings G.2A

PERMANENT CONTRACT HIRINGS BY REGION

*(Consolidated Group, at 31 December) – Includes transfers from fixed-term to permanent contracts*

| | | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|---|
| **Automotive** | **2016** | **623** | **939** | **208** | **1,770** |
| | 2015 | 387 | 601 | 476 | 1,464 |
| | 2014 | 453 | 480 | 243 | 1,176 |
| ***o/w PCA France*** | ***2016*** | ***133*** | **-** | **-** | ***133*** |
| | *2015* | *79* | - | - | *79* |
| | *2014* | *88* | - | - | *88* |
| **Faurecia** | **2016** | **452** | **3,049** | **7,639** | **11,140** |
| | 2015 | 450 | 2,830 | 6,023 | 9,303 |
| | 2014 | 299 | 3,302 | 5,774 | 9,375 |
| **Other businesses** | **2016** | **5** | **15** | **1** | **21** |
| | 2015 | 2 | 22 | 2 | 26 |
| | 2014 | 23 | 28 | 12 | 63 |
| **TOTAL** | **2016** | **1,080** | **4,003** | **7,848** | **12,931** |
| | 2015 | 839 | 3,453 | 6,501 | 10,793 |
| | 2014 | 775 | 3,810 | 6,029 | 10,614 |

FIXED TERM CONTRACT HIRINGS BY REGION
*(Consolidated Group, at 31 December)*

| | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|
| Automotive | 2,095 | 1,339 | 506 | 3,940 |
| *o/w PCA France* | *1,797* | - | - | *1,797* |
| Faurecia | 474 | 3,965 | 6,901 | 11,340 |
| Other businesses | 21 | 3 | - | 24 |
| **TOTAL** | **2,590** | **5,307** | **7,407** | **15,304** |

## Leavers G.2B

LEAVERS UNDER PERMANENT CONTRACTS BY REGION
*(Consolidated Group, at 31 December)*

| Automotive | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|
| Resignations | 525 | 1,206 | 772 | 2,503 |
| *o/w PCA France* | *215* | - | - | *215* |
| Dismissals | 368 | 305 | 44 | 717 |
| *o/w PCA France* | *195* | - | - | *195* |
| Redundancies and transfer of activity | 2,306 | 1,148 | 31 | 3,485 |
| *o/w PCA France* | *2,258* | - | - | *2,258* |
| Retirement, death or other | 1,509 | 403 | 98 | 2,010 |
| *o/w PCA France* | *1,232* | - | - | *1,232* |
| **TOTAL** | **4,708** | **3,062** | **945** | **8,715** |

| Faurecia | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|
| Resignations | 172 | 2,337 | 3,325 | 5,834 |
| Dismissals | 201 | 1,101 | 3,359 | 4,661 |
| Redundancies and transfer of activity | 134 | 321 | 220 | 675 |
| Retirement, death or other | 178 | 176 | 95 | 449 |
| **TOTAL** | **685** | **3,935** | **6,999** | **11,619** |

| Other businesses | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|
| Resignations | 9 | 7 | - | 16 |
| Dismissals | - | - | 1 | 1 |
| Redundancies and transfer of activity | 1 | 30 | - | 31 |
| Retirement, death or other | 2 | - | - | 2 |
| **TOTAL** | **12** | **37** | **1** | **50** |

### 2.4.2.2. ORGANISATION OF WORKING HOURS

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

#### Short-time work G.4

Use of short-time work can be an alternative to unemployment and redundancies as it preserves jobs. In recent years, it has been an important vehicle for the Group to avoid job losses during a period of recession in the European automotive market, whilst developing employees' skills and protecting the future. This way of adjusting resources, which protects employment, has been used in various European countries, including France.

Thus, short-time working hours in France represented the equivalent of 400 jobs saved in 2016 (number of short-time working hours applied to an annual average of 1,607 hours).

SHORT-TIME WORKING HOURS
*(Consolidated Group, at 31 December)*

| | | | Total |
|---|---|---|---|
| **Automotive** | | **2016** | **1,200,679** |
| | | 2015 | 1,178,152 |
| | | 2014 | 4,172,246 |
| | ***o/w PCA France*** | ***2016*** | ***700,235*** |
| | | *2015* | *645,763* |
| | | *2014* | *2,930,576* |
| **Faurecia** | | **2016** | **1,311,788** |
| | | 2015 | 602,566 |
| | | 2014 | 1,018,538 |
| **Other businesses** | | **2016** | **-** |
| | | 2015 | 3,061 |
| | | 2014 | 11,196 |
| **TOTAL** | | **2016** | **2,512,467** |
| | | 2015 | 1,783,779 |
| | | 2014 | 5,201,980 |

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

## Absenteeism G.5

In 2016, based on 266 million hours worked, absenteeism for sickness stood at 2.5%. Moreover, 419,323 hours of maternity leave and 288,527 hours of absences related to accidents were recorded.

PAID ABSENCES FOR SICKNESS

*(Consolidated Group, at 31 December)*

| | | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|---|
| **Automotive** | **2016** | **2,268,972** | **1,134,074** | **205,484** | **3,608,530** |
| | 2015 | 2,537,776 | 1,261,847 | 228,209 | 4,027,832 |
| | 2014 | 2,909,390 | 1,298,668 | 540,303 | 4,748,361 |
| ***o/w PCA France*** | ***2016*** | ***2,169,856*** | **-** | **-** | ***2,169,856*** |
| | *2015* | *2,217,362* | - | - | *2,217,362* |
| | *2014* | *2,468,683* | - | - | *2,468,683* |
| **Faurecia** | **2016** | **486,797** | **1,733,197** | **816,251** | **3,036,245** |
| | 2015 | 581,593 | 1,958,574 | 620,056 | 3,160,223 |
| | 2014 | 570,172 | 1,789,855 | 534,157 | 2,894,184 |
| **Other businesses** | **2016** | **14,963** | **1,714** | **128** | **16,805** |
| | 2015 | 2,618 | 41,387 | 119 | 44,124 |
| | 2014 | 54,573 | 75,027 | 2,609 | 132,209 |
| **TOTAL** | **2016** | **2,770,732** | **2,868,985** | **1,021,863** | **6,661,580** |
| | 2015 | 3,121,987 | 3,261,808 | 848,384 | 7,232,179 |
| | 2014 | 3,534,136 | 3,163,550 | 1,077,069 | 7,774,755 |

# 2.4.3. Developing human capital

The PSA Group aims to offer the best opportunities for development and employability to all its employees and intends to build talent. The value and commitment of human capital of the PSA Group was fully demonstrated by its achievement of the economic reconstruction plan Back in the Race. To accomplish its strategic plan, the Group relies on a core base: Talent Management. The goal is to provide the Group with competitive teams all over the world and challenge its best competitors.

The human resources ambition, defined in 2016, is to “pool energies and unleash talent to lead the Company toward winning”. The talent development programme is part of this ambition, as it gives employees the freedom and space to be creative to fully express their potential.

The values of the PSA Group are based on fundamental values and aspirational values. The first are the basis of the Group’s resilience and the second provide new agility to enable rapid implementation of the strategy.

- Win together
- Respect
- Drive
- Dare
- Agility
- Demand

## 2.4.3.1. MANAGEMENT BY JOB FAMILIES AND BUSINESS LINES

The job families and business lines approach is central to the human resources development policy to manage talent and skills today and tomorrow over the medium and long term. This skills management at global level is based on 20 job families and 104 business lines.

Group job families build their prospective vision of business lines by anticipating strategic trends and identifying the skills they will need in the future. This approach is used to prepare transitions and draw up compelling skills development programmes. It also ensures that experts are recognised to guarantee that the highest level of know-how is maintained in their domain.

## 2.4.3.2. ATTRACTING TALENT

The following actions are taken to provide information on Group business lines and training and employment opportunities: participation in forums, organising visits to Group facilities, participation in teaching at selected partner colleges and placements for lecturers.

The objective of 2,000 work-study participants in 2016 in France was achieved, in line with the Group’s objectives. The Group’s employment policy for young people also includes contracts for PhDs students (CIFRE) and international corporate volunteering contracts (VIE). The PSA Group is very attractive to young people, as seen in the over 100,000 visits to the Emploi Jeunes corporate website and the more than 10,000 curriculum vitae received during the apprenticeship campaign.

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

In France, this partnership with the academic world is formalised by a framework agreement with the Ministry of Education, Higher Education and Research. The Group works with 55 French educational institutions to transfer this professional know-how. In 2016, 555 young people were enrolled on a training programme (Professional Baccalauréat or Senior Technician Diploma) for workplace integration in the automotive industry. In the last ten years, about 3,600 young people have been hired in the PSA Group network.

In collaboration with local education partners and the French Ministry of Education, Higher Education and Research, the Group is also implementing training centres for the brand networks in the countries where it has a strong presence. This particularly applies to China (with BVCES) and Brazil (with SENAI) to train teachers, trainers, employees and future Group employees, in the automotive manufacturing and commerce.

### 2.4.3.3. DETECTING AND DEVELOPING TALENT G.11

The Group's talent management policy supports the "Push to Pass" plan, particularly the development of new business and international offensives by anticipating tomorrow's skills requirements, and identifying talent.

This talent management also aims to seek out talent more extensively within the organisation, diversify profiles and experiences, assign young emerging talent to key positions and projects, provide the right skills and protect expertise, promote and develop local skills and give corporate functions a more international dimension.

The Company attaches great importance to developing talent in each country, which helps increase performance by improving understanding of local strengths, opportunities and constraints, both technical and business. These talented people are made the focus of development and upskilling actions, such as training programmes to prepare them for their future responsibilities and tasks, and role plays to make them known to the Top 10 Regions.

At global level, the Group performs the Talent Review process globally every year as a proactive exercise to manage individual employment, and identify and develop talent to serve the corporate strategy. This bottom-up process consists of collectively comparing views based on performance, skills and leadership and is used to build more robust development options and a career forecast explicitly linked to succession plans. Specific Talent Reviews relating to female employment and internationalisation are implemented to strengthen mobility between job families.

Talent Pools for employees with excellent performance and strong growth potential are set up to detect and develop talent earlier in the employee's career and accelerate their potential career paths.

In the Group's commercial subsidiaries in Europe, Emerging Talent programme helps accelerate the professional development of employees with strong growth potential through participation in cross-functional projects and specific managerial monitoring.

Individual and collective assessment and career support schemes are implemented worldwide: 360, Assessment Center, a development programme exclusively aimed at high-potential managers and backed up by mentoring, coaching or collaboration initiatives on top of the Leadership Academy offering.

### 2.4.3.4. PROFESSIONAL TRAINING G.11

Launched in 2010 to support employees as the Group's dynamic changes, PSA University is a powerful lever for performance and the development of human capital in the Group. The University's purpose is to relay a shared body of know-how and soft skills accessible to all men and women throughout the PSA Group worldwide. Skills are a performance lever and they are also a marker of adaptability in an environment subject to profound mutation, particularly those generated by the digital revolution. PSA University has thus become an essential vehicle for rolling out the values inseparable from the Company's strategy and corporate culture.

To support changes, PSA University aims to transform the Group into a "learning company" and ensure that employees are agents of their own development. This necessity requires administrative employees to continuously update their expertise and skills, which they can do *via* digital learning.

As part of the conversion to digital, PSA University offers employees a wide range of contents available on a Learning Management System (LMS), called "Learn'in", an internal digital learning platform. E-learning modules, videos, podcasts, thematic articles on targeted topics are thus uploaded and made available to employees, who can use them anywhere, anytime and on any device.

#### A new management culture to serve the Group's strategic challenges

Attached to PSA University, the Leadership Academy has launched a programme specifically designed for managers who have to relay and embody the Group's new culture among their employees. The Leadership In Action (LIA) programme, which works on leadership concepts and is based on collective intelligence, was designed to help managers become motivating leaders for their teams and able to support the cultural changes underway by adopting these new values and new behaviours.

#### Organisation strengthened by four academies

Four Academies have been set up to steer the design, adaptation and updating of the learning offering under their supervision. These are the Research & Development Academy, the Industrial Academy, the Sales & Marketing Academy and the Support Academy. They act to implement job family guidelines and achieve professional objectives through an adequate learning offering and organising the rollout of this offering according to the priorities of the business lines concerned, in coordination with PSA University. They are sponsored by a member of the Executive Board.

NUMBER OF TRAINING HOURS BY REGION G.12

*(Consolidated Group, at 31 December)*

| | Total hours of training *(in thousands of hours)* | | | | Average hours of training per employee* | | |
|---|---|---|---|---|---|---|---|
| | France | Rest of Europe | Rest of the world | Total | France | Rest of Europe | Rest of the world |
| Automotive | 1,044 | 359 | 160 | 1,563 | 19.5 | 19.6 | 22.1 |
| *o/w PCA France* | *971* | - | - | *971* | *20.4* | - | - |
| Faurecia | 166 | 579 | 845 | 1,590 | 16.0 | 17.8 | 22.9 |
| Other businesses | 3 | 2 | - | 5 | 12.0 | 17.9 | 8.6 |
| **TOTAL** | **1,213** | **940** | **1,005** | **3,158** | **18.9** | **18.4** | **22.8** |

* *Present employees (excluding relocation leaves and job retention leaves for older employees).*

AVERAGE HOURS OF TRAINING BY SOCIO-PROFESSIONAL CATEGORY AND GENDER G.12

*(Consolidated Group, 31 December) – Number of training hours based on present employees* on fixed-term contracts and permanent contracts.*

| | Operators and Administrative Employees | | | Technicians and supervisors | | | Managers | | | Total (including all categories) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| Automotive | 21.1 | 19.8 | 20.0 | 17.2 | 20.0 | 19.3 | 21.1 | 19.3 | 19.6 | 19.9 | 19.7 | 19.7 |
| *o/w PCA France* | *20.3* | *22.3* | *22.0* | *13.2* | *19.0* | *18.0* | *20.8* | *18.1* | *18.6* | *19.0* | *20.6* | *20.4* |
| Faurecia | 16.3 | 16.2 | 16.2 | 21.9 | 25.3 | 24.3 | 31.9 | 27.6 | 28.6 | 19.6 | 20.1 | 19.9 |
| Other businesses | 1.1 | 0.2 | 0.7 | 8.3 | 3.8 | 6.9 | 21.8 | 11.5 | 15.8 | 17.2 | 10.0 | 13.4 |
| **AVERAGE** | **17.6** | **18.0** | **17.9** | **19.0** | **21.7** | **21.0** | **27.0** | **23.3** | **24.1** | **19.7** | **19.9** | **19.8** |

* *Excluding reclassification leaves and job retention leaves for older employees.*

Each employee received an average of 19.8 hours of training in 2016. The more than 3.3 million hours of training delivered throughout the Group represented an investment of €130 million.

## 2.4.3.5. DIGITAL TRANSFORMATION

Digital is at the core of the Group's transformation in the "Push to Pass" strategic plan. This transformation will be made possible thanks to talented teams with a mindset geared toward digital. The Digital Employees project aims to involve the entire Company in the digital transformation, offering increased digital knowledge and skills.

This project is organised around 4 topics:

- digital acculturation: to optimise the integration of digital culture, it is essential to support employees, guide them, train them by giving them a shared body of knowledge on the uses, trends and terminology of digital;
- digital Employee Journey: using digital technology to make employees' lives easier and help to align personal and business uses (setting up applications, etc.);
- development of collaborative tools for more cross-functionality in operating procedures;
- impact of digital in professional skills: setting up development actions, training courses by job family to boost competence.

## 2.4.3.6. MANAGING PERFORMANCE AND DEVELOPMENT

The annual appraisal is a fundamental management strategy for assessing team performance and development. In 2016, the individual appraisal was updated to characterise individual performance more globally and take better account of professional development. Each technical employee, supervisor and manager has two distinct appraisals per year: a performance-based appraisal at the start of the year and a professional development appraisal mid-year.

In 2016, 81% of employees worldwide undertook an individual appraisal.

## 2.4.3.7. COMPENSATION POLICY

In all countries of operation, the Group's compensation policy is in line with the different markets practices. It also meets the Company's own objectives:

- contribute to the Group's economic performance and success by aligning compensation, particularly fixed salaries, with the challenges of cost control and personnel expenses;
- base the compensation policy on performance, by focusing employees on individual and/or collective targets and sharing results with them.

With inflation low across Europe and in an unstable economic environment, the wage policy implemented in 2016 meets tow major challenges: rewarding individual and collective performance, and controlling costs to sustain the Group's competitiveness. The principle is to make employees more involved in the Company's performance.

Demonstrating the high level of commitment of employee representatives to the Company's recovery, wage agreements were concluded in France on 18 March 2016 as in most other countries.

The Group's desire to promote meritocracy was reflected in 2016 by extending bonus schemes. Thus, the variable compensation schemes were extended in 2016 to all managers and supervisors to tie employees to individual and collective targets based on Company performance. In 2016, approximately 18,000 Group employees were eligible for bonuses. Over 90% of Group managers are now eligible.

### Healthcare, death & disability coverage

The Group is committed to covering core risks such as life insurance for all employees (on fixed-term contracts or permanent contracts) worldwide.

The partnership set up by the Group in recent years with an international broker has allowed the Company to manage these healthcare, death and disability coverage schemes worldwide throughout the year and to optimise cost effectiveness, in the interest of the Company and of the employees, who pay some of the contributions.

2016 was marked by arranging healthcare, death and disability coverage in Morocco. Furthermore, a number of calls for tender were made to limit the rise in contributions and improve the quality of service of insurers in Brazil, Algeria and China.

### Pension

The Group has set up defined contribution pension plans in countries where necessary according to market practices and available resources. Such schemes are in place in Germany, Belgium, Spain, France, Japan, the Netherlands, Czech Republic, Slovakia and the United Kingdom. In 2016, a project to set up pension plans was initiated in Turkey. Managed by local joint labour management committees, these plans are designed to provide beneficiaries with supplemental retirement income in addition to their statutory retirement benefit. There are also specific pension plans in addition to the statutory requirements in Brazil and Argentina.

### Group employee profit-sharing agreements

Employee business support and association with profit-sharing are governed by collective schemes; in France, these are discretionary and non-discretionary profit-sharing plans. As a result of the Back in the Race recovery plan, discretionary profit-sharing paid out to employees in 2016 reached its highest levels in ten years. The PSA Group wanted to develop the discretionary profit-sharing scheme for 2017–2019 to more closely associate employees with economic performance and take into account the rise in successive thresholds of the package paid out according to economic results.

In 2016, an exceptional discretionary profit-sharing supplement was paid out in France and an allowance was paid out in other countries. This signals the Company's intention to reward employees for good results achieved in 2015 and to redistribute the savings made by the Group at a time when the defined benefit pension plan for Group Executive Directors and members of the Executive Board is being phased out. The resulting €34 million in savings was redistributed among all employees.

A Collective Local Performance Incentive (CLPI) was rolled out in 2016 in European Union countries outside France, as well as in Switzerland, Algeria, Turkey and Japan. The aim is to involve all Group employees and associate them with local performance *via* shared annual targets relating to economic and commercial objectives.

### Employee savings schemes

Employee saving schemes enable employees in several countries to invest in the Group's shares or in various vehicles (shares, bonds, monetary) with a varied risk/return ratio based on the vehicles.

## Payroll costs G.3

TOTAL PAYROLL BY REGION

*(Consolidated Group, excluding Faurecia, at 31 December)*

| *(in millions of euros)* | | France | Rest of Europe | Rest of the world | TOTAL |
|---|---|---|---|---|---|
| Automotive | | 3,284 | 1,041 | 317 | 4,642 |
| | *o/w PCA France* | *2,958* | - | - | *2,958* |
| Other Businesses | | 66 | 7 | 4 | 77 |
| **TOTAL** | | **3,350** | **1,048** | **321** | **4,719** |

In 2016, total payroll costs (excluding Faurecia) came to €3,601 million, while related payroll taxes amounted to €1,118 million. Annual median salary in France is €35,517.

### GROUP MINIMUM WAGE *VERSUS* LOCAL STATUTORY MINIMUM WAGE, BY COUNTRY G.35

*(Base 100 = Consolidated Group, excluding Faurecia, in 2016)*

| Country | Ratio | Regional legal minimum wage |
|---|---|---|
| Germany | 118 | Local legal minimum wage |
| Argentina | 164 | Local legal minimum wage |
| Austria | 100 | Local legal minimum wage |
| Belgium | 130 | Guaranteed average minimum monthly income |
| Brazil | 149 | Local legal minimum wage |
| China | 100 | Regional legal minimum wage (Shanghai) |
| Spain | 129 | Local legal minimum wage |
| France | 122 | Local legal minimum wage Guaranteed |
| Italy | 103 | Local legal minimum wage |
| Portugal | 102 | Local legal minimum wage |
| United-Kingdom | 104 | Local legal minimum wage > 21 years |
| Russia | 365 | Local legal minimum wage |
| Slovakia | 164 | Local legal minimum wage |
| Switzerland | NA | No legal minimum wage; no industry agreements |

Information is reported for countries representative of the Group's organisation (excluding Faurecia), where there are more than 300 employees.

The ratio is calculated based on each country's statutory minimum wage (when one exists), without considering any regional variations.

At Faurecia, the total amount of compensation paid in 2016, including social security contributions, was €3,059.1 million. In 2016, 104 agreements were signed there on wages, bonuses and compensation, and 67 on discretionary and non-discretionary profit-sharing. The variable compensation scheme, based primarily on the performance of the various business units, is applied consistently in all countries where the Group has operations. At end-2016, approximately 3,900 managers (after the disposal of the Exteriors business) benefited, out of a total of 16,683 managers.

## 2.4.4. Well-being, health and safety at work G.8

The PSA Group's results in health and safety are up to the highest levels in the manufacturing sector, the result of a policy that makes health and safety a top priority.

The Group is committed to do everything to ensure the health and safety of all persons who contribute to the Group's activity worldwide. This commitment is embodied in a structured and managed programme to reduce risks and manage safety in each working environment. The Group is stepping up its efforts to boost employee health throughout their professional life and well-being on the workplace.

A systematic method is applied by the Company: Occupational Health and Safety Management System (OSHMS).

3 performance indicators guide these actions:

- the total lost-time incident frequency rate (expressed in terms of 1,000,000 hours worked over worldwide). It reached the excellent score of 1.16 points in 2016;
- the occupational illnesses frequency rate (expressed in terms of 1,000,000 hours worked over worldwide). It posted a material reduction in 2016 and was down to 2.79 points;
- the work-related stress frequency rate (MSP 25 methodology). The average rate measured in 2016 was 7.3%.

The Group wants to be in the top 3 of the automotive industry in terms of these indicators: safety, where the target is to achieve a total lost-time incident frequency rate of 1 point over the medium term; health, where the target is to achieve an occupational illness frequency rate of 2 points; and well-being, where the target is to achieve a work-related stress frequency rate of 7%.

### 2.4.4.1. OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM G.8

The Group's Workplace Health and Safety Management System (OSHMS) is based on the principle that safety can be designed for, planned for and emplemented everyday. Management at all levels of the Company ensures that fundamentals are respected at all times and that the principles set out in the health and safety policy are rolled out in a rationale of continuous improvement.

| The Health and Safety Management System | |
|---|---|
| 1. | Executive management involvement |
| 2. | Structured leadership |
| 3. | Clearly established and applied standards |
| 4. | Defined roles |
| 5. | Effective alert systems |
| 6. | Effective monitoring and improvement resources |

With the Occupational Health and Safety Management System, the Group is in compliance with the occupational health and safety recommendations of the International Labour Organization and fulfils its resulting obligations in all countries. This management system was designed and rolled out in 2009, with the roadmap being applied methodically to ensure step-by-step acquisition and control of its requirements.

The Occupational Health and Safety Management System is now operational at all Company facilities. It includes five essential steps leading to a mature process and lasting change: raise awareness, change mind-sets, change behaviours, change habits and align the corporate culture. In 2016, the objective to bring 60% of all facilities worldwide to at least maturity level 4 was reached.

The very positive results obtained were notably due to the progress tools provided by the Occupational Health and Safety Management System. Internal controls are in place to ensure that it is correctly applied and permanently improved. In 2016, 12 workplace safety audits were carried out in various Group operations at international level (plants, dealerships and technical centres) on the application of the Occupational Health and Safety Management System (OSHMS), supplementing checks on standards compliance in all facilities.

The SMST, which has taken over all OHSAS 18001 areas, supports evaluation, monitoring and risk control. The OSHMS goes the extra mile and also includes specific provisions in terms of policy, commitment, Health and Safety Committee in all facilities and at all levels. The OSHMS also includes a description of personal protection gear, the modus operandi for handling external visitors and external companies. It also outlines various risks (psycho-social risks, chemical risks, musculoskeletal disorders, commuting risks, etc.). Just like the economic results or the level of quality, respecting the safety objectives is part of the assessment criteria for variable compensation of executive managers in various Group positions and regions.

### Results in terms of workplace accidents and occupational illnesses G.10

As a result of the Group's Health and Safety Policy and its Health and Safety Management system, the great progress made over several years held steady in 2016, with a management lost-time rate of 1.16, as compared to 1.18 in 2015 and 1.38 in 2014. The Group has the best performance in all French industry. These results reflect safe practices by both permanent and temporary employees. With emphasis on training from the first day on the job and to the attention paid to all categories of workers, the lost-time accident frequency rate for temporary workers is now as low as for Group employees.

Since 2009, with a view to ensuring the protection of all employees, the Group decided to manage this indicator by using the total lost-time incident frequency rate including Group employees and temporary employees (TF1 Management).

The management lost-time incident frequency rate target of 1 point over a whole year set by the Group for the medium-term, has already been achieved in 26 facilities in Latin America, Spain, France, Portugal, Russia and Slovakia.

TOTAL MANAGEMENT LOST-TIME ACCIDENT FREQUENCY RATE (TF1 MANAGEMENT)

*(Consolidated Group, excluding Faurecia, at 31 December)*

| | | 2015 | 2016 |
|---|---|---|---|
| Automotive | | 1.22 | 1.20 |
| | *o/w PCA France* | *1.44* | *1.54* |
| Other Businesses | | 0 | 0.31 |
| **TOTAL** | | **1.18** | **1.16** |

Management lost-time accident frequency rate includes Group employees and temporary employees. It corresponds to the "number of lost-time occupational accidents multiplied by one million divided by the number of hours worked".

Concerning Faurecia, in 2016, it reached a FR0t rate of 0.8 (number of workplace accidents involving a Faurecia employee or an interim employee and resulting in a stoppage of work for one million hours worked), an indicator that has been divided by three since 2009. Faurecia has defined 13 HSE (Health, Safety, Environment) rules for personal safety that are mandatory and deployed at all Faurecia sites. The results show that Faurecia is now one of the best industrial companies in the world for the control of health and safety risks.

SEVERITY RATE

*(Consolidated Group, excluding Faurecia, at 31 December)*

| Severity rate | | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|---|
| Automotive | | 0.20 | 0.03 | 0.01 | 0.14 |
| | *o/w PCA France* | *0.19* | - | - | *0.19* |
| Other Businesses | | 0.03 | 0 | 0 | 0.01 |
| **TOTAL** | | **0.19** | **0.03** | **0** | **0.13** |

The severity rate corresponds to the number of consecutive days lost to accidents multiplied by 1,000 divided by the number of hours worked.

### Occupational illnesses

The PSA Group stands out in that it publishes its occupational illness indicators and accident reduction objectives. Good health is essential to sustaining the performance of human resources and business operations. The Group considers that health is a state of physical, mental and social well-being (included in the "New Momentum for Growth" agreement).

Ergonomists, doctors, safety engineers and health and safety experts worked together, combining management, specific operational action plans, achieving a significant drop in the frequency rate of occupational illnesses in 2016 (including musculoskeletal disorders).

In 2016, this rate was 2.79, an improvement compared with 3.46 in 2015 and 3.89 in 2014. (Rate calculation: number of recognised occupational illnesses divided by the number of hours worked × 1,000,000).

### Five priority commitments for preventing health and safety risks

To control the main risks to which its employees are exposed, the Group has strengthened its overall approach by focusing on five priority commitments regarding the following risks:

- preventing musculoskeletal disorders (MSD);
- chemical risks;
- psychosocial risks;
- road risks;
- workstation safety: "STOP™" audits.

**Musculoskeletal disorders** (MSD), which account for most of the Group's occupational illnesses, are a priority for the workplace health and safety policy, and in particular involves setting up rating tools for workstations and analysing why musculoskeletal disorders occur and finding solutions for preventing them. Manufacturing sites thus focus on alleviating physical and postural stress by reducing the number of workstations rated as "heavy". This is taken into account from the design stage for products and processes. From 2005 to the end of 2015, the proportion of "heavy" work stations fell from 18% to 7%, while "light" work stations rose from 37% to 59%. It is the Group's ambition to make further progress in this area and reach a level of 60% "light" workstations in 2017.

Preventing **psychosocial risks** (PSR) and, more generally, promoting well-being in the workplace are not only critical to keeping employees healthy and safe at work but also have a direct impact on the Company's performance. With support from the medical community, the PSA Group has, since 2007, developed expertise in detecting stress and motivation factors, evaluating and conducting multidisciplinary actions to help prevent situations where psychosocial risks can arise. Using these evaluation tools, the Company reports publicly on stress frequency rates it measures and the improvement objectives it adopts. This method of measuring stress rates has now been extended to Latin America (Brazil, Argentina) and Europe (Spain, Portugal, Germany, the United Kingdom, Belgium, the Netherlands, Italy, Switzerland, Austria).

The last survey conducted within the Group in 2016 among 16,436 employees revealed that 7.3% of employees are experiencing excess stress. This monitoring initiative also incorporates a business support structure based on a network of correspondents (human resources, occupational physician, social worker, safety engineer).

### Joint Management-Worker Health and Safety Agreements and Committees G.9

In most host countries, joint management-worker organisations are in charge of monitoring the application of employee health and safety practices.

More than 96% of Group employees (excluding Faurecia) are represented by Joint Management-Worker Health and Safety Committees.

The Group is also committed to implementing the best workplace health and safety standards and practices. In contractual terms, Group policy as regards working conditions comes under the company agreements which set out the applicable provisions. In 2016, 17 health and safety agreements were signed.

## 2.4.4.2. IMPROVING WELL-BEING AND QUALITY OF LIFE AT WORK G.4

In 2016, the PSA Group confirmed a new ambition to offer an employee experience based on well-being at work, by preparing the future with new working methods and giving the space for expression for individual and collective talents.

The new momentum for individual and collective health initiated in 2016, with the signing of the European programme Healthy Workplaces, illustrates this ambition, as well as the rollout of teleworking and the introduction of new, flexible work options.

Since 2016, new work spaces have been rolled out on tertiary and technical sites to encourage collaborative work, cross-functionality and information sharing to improve efficiency. These more user-friendly, modern and digital workplaces help develop synergies and simplify and accelerate exchanges between teams. This reconfiguration of the workplace is transforming the way in which employees collaborate by enhancing collective strength. All levels of the Company will be set up in these open-plan spaces, including members of the Executive Committee, who will now be nearer their teams.

A number of facilities already have this kind of layout: the Vélizy and Poissy facilities in France and also facilities in Brazil, the United Kingdom, Belgium, China, etc.

Social service in the workplace is provided to all staff in France, through a network of 22 social workers. Social services have also been set up in other countries with the same roles.

Community life is encouraged: over 80 sporting, cultural and charity associations are very active.

### 3,347 teleworkers in the Group

After an experimental two-year phase showing the positive impact of teleworking on working conditions and personal quality of life, especially with the reduction in commuting time, teleworking has been formalised as a valid work arrangement option in the Group since 2014 by collective agreement. French technicians, administrative employees and managers can now work from home one or two days a week.

At end-2016, 2,735 employees in France opted for teleworking, representing 12% of those eligible for this new way of working.

An in-house survey conducted among teleworkers and their managers showed that 100% of teleworkers and 97% of managers were satisfied and 94% of managers would recommend to another manager setting up teleworking in their department. 90% of teleworkers noticed a positive impact on their efficiency and saw teleworking as a mark of trust by their manager.

The Group makes a point of applying this best practice in other geographic areas where it operates. Teleworking is now in use in Spain (37 teleworkers), and Belgium (8), and is being tested in Brazil (158), Argentina (119), Slovakia (32), Italy (46) and Turkey (12).

Under the agreement "New Momentum for Growth", new innovative systems are available. The Group is thus expanding its teleworking offering option to include the following: three days teleworking a week on an experimental basis, ½ day teleworking combined with ½ day off for part-time employees and teleworking from another location than the employee's main residence. The Group is also setting up an innovative procedure in terms of quality of life in the workplace with the creation of an annual account of 25 remote working days. These days allow employees to occasionally exercise their professional activity from their main residence or another personal residence in France or even from another location.

## Part-time employees G.4

Employee requests for part-time work are approved whenever possible, with individualised solutions that align employee needs with efficient team performance. Part-time contracts are chosen by employees and not dictated by the Group.

NUMBER OF PART-TIME EMPLOYEES UNDER PERMANENT OR FIXED-TERM CONTRACTS
*(Consolidated Group, at 31 December)*

| | | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|---|
| **Automotive** | **2016** | **2,038** | **6,788** | **-** | **8,826** |
| | 2015 | 2,465 | 6,062 | - | 8,527 |
| | 2014 | 3,198 | 6,905 | 1 | 10,104 |
| ***o/w PCA France*** | ***2016*** | ***1,877*** | ***-*** | ***-*** | ***1,877*** |
| | *2015* | *2,047* | - | - | *2,047* |
| | *2014* | *2,480* | - | - | *2,480* |
| **Faurecia** | **2016** | **426** | **1,090** | **-** | **1,516** |
| | 2015 | 554 | 1,038 | - | 1,592 |
| | 2014 | 598 | 1,086 | - | 1,684 |
| **Other businesses** | **2016** | **14** | **13** | **-** | **27** |
| | 2015 | 23 | 238 | - | 261 |
| | 2014 | 137 | 397 | - | 534 |
| **TOTAL** | **2016** | **2,478** | **7,891** | **-** | **10,369** |
| | 2015 | 3,042 | 7,338 | - | 10,380 |
| | 2014 | 3,933 | 8,388 | 1 | 12,322 |

At 31 December 2016, the Group had 10,369 part-time employees worldwide (4,283 half-time): 38% of these were women and 62% were men.

## Maternity, paternity and parental leaves G.4

Maternity and paternity leaves are recognised in accordance with local legislation and comply with legally prescribed length-of-leave periods. Parental leave enables employees in certain countries to take time off work to raise their young children. The Group's policy is to encourage employees to return to work after taking maternity leave and to inform employees on the various parental leave options to encourage both fathers and mothers to take advantage of it.

NUMBER OF EMPLOYEES ON MATERNITY, PATERNITY AND PARENTAL LEAVE BY SOCIO-PROFESSIONAL CATEGORY
*(Consolidated Group, at 31 December)*

| | Maternity leave | | | | Paternity leave | | | | Parental leave | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Operators and Administrative Employees | Technicians and supervisors | Managers | Total | Operators and Administrative Employees | Technicians and supervisors | Managers | Total | Operators and Administrative Employees | Technicians and supervisors | Managers | Total |
| Automotive | 435 | 257 | 238 | 930 | 1,119 | 305 | 337 | 1,761 | 169 | 115 | 54 | 338 |
| *o/w PCA France* | *141* | *61* | *147* | *349* | *600* | *156* | *259* | *1,015* | *114* | *22* | *39* | *175* |
| Faurecia | 1,025 | 214 | 282 | 1,521 | 878 | 158 | 407 | 1,443 | 466 | 141 | 148 | 755 |
| Other businesses | - | 1 | 10 | 11 | - | - | 2 | 2 | - | 1 | 1 | 2 |
| **TOTAL** | **1,460** | **472** | **530** | **2,462** | **1,997** | **463** | **746** | **3,206** | **635** | **257** | **203** | **1,095** |

## 2.4.5. Diversity and equal opportunity

For the PSA Group, cultural and employee diversity is a source of added value and economic performance provided equal opportunity is ensured. By encouraging equal opportunity and founding its practices on objective criteria based on skills and results, the Group is encouraging the commitment and motivation of each employee and developing a culture of performance and economic efficiency.

This societal challenge concerns all the Group's host countries. Stakeholders were included in this commitment through the signing of a Global Framework Agreement on Social Responsibility which sets out non-discrimination and equal treatment rules. All stakeholders are thus involved in practising inclusive management, taking skills into account in hiring and career development, recognising merit and preventing all forms of discrimination and intolerance towards differences.

In signing up to the Women's Empowerment Principles in 2016, a UN and UN Women's initiative, the Group is pursuing this responsible approach worldwide to adopt better standards and promote best practices in terms of gender equality and equal opportunity between men and women.

### 2.4.5.1. PROMOTING DIVERSITY FOR SOCIAL COHESION AND PERFORMANCE G.15

The PSA Group voluntarily formalised its actions in favour of diversity in its social dialogue. On an international scale, the Global Framework Agreement on Social Responsibility is committed to exceeding local legal requirements in applying and promoting the fight against racism, sexism, xenophobia and homophobia and, more generally, against intolerance of differences and ensuring respect for privacy.

An agreement on diversity and social cohesion signed on 8 September 2004 was renewed on 21 May 2015. It reasserts the Company's intention to ensure equal treatment of all based on objective criteria such as skills and results, combating certain prejudices and preventing discrimination, direct or indirect, conscious or not, in particular as regards the actual or presumed origins of persons. The agreement associates employee representatives through shared principles and ensures that commitments are fulfilled.

The hiring channels are diversified, in particular in building partnerships with academic organisations and state employment services, developing online job offers and using social networks to reach a wider public. The Group strives to ensure that no stages in the hiring process are discriminatory. A best practice guide is given to recruiters and a service agreement concluded with line managers involved in recruitment, setting out the assessment procedures. Candidates are selected objectively using tools such as the simulation recruitment method (MRS).

The Group contributes to the formulation of public policies put in place in various countries to promote diversity and prevent workplace discrimination. In France, in 2009, the Group was one of the first French companies to obtain the Diversity label in recognition of the Group's human resources policy and best practice in promoting diversity, equal opportunity and preventing discrimination. This label is awarded after a demanding certification process conducted by AFNOR Certification *via* an on-site audit. It was re-issued in 2012 and audited in 2014. Similarly, in Spain, the Group was awarded the "Diversidad" label in 2009 and again in 2015.

#### Preventing all forms of discrimination, bullying and violence in the workplace

The Group condemns all infringements of respect for individual rights and dignity, verbal or physical abuse, harassment, workplace violence and discrimination. This type of behaviour is liable to sanctions and specific measures have been set in every country to prevent it. Employees are regularly informed about these policies and a large number of managers have participated in awareness raising campaigns.

Whistleblowing schemes are in place for employees who experience or witness bullying, discrimination or violence in the workplace. They can thus alert a specific person in charge of diversity and/or harassment issues. A centralised system offering guarantees of confidentiality and neutrality, based on two email addresses, harcelement@mpsa.com and diversite@mpsa.com, provides another means for remedying and handling situations involving bullying or discrimination.

A standard handling and tracking procedure aligned with the local legal framework has been introduced in every host country. When a problem is identified, the information is reported to the Human Resources Department and a review is conducted. In 2016, 71 cases of harassment, discrimination and violence in the workplace were handled *via* this procedure.

### 2.4.5.2. GENDER EQUALITY G.13

For the last ten years, the PSA Group has pursued an assertive policy of promoting gender balance and gender equality in its workforce, making it a source of added value and economic performance.

In June 2016, the PSA Group signed up to the Women's Empowerment Principles, a UN and UN Women's initiative that encourages companies to take action to promote gender balance and equal opportunity. This new Group commitment shows its willingness to roll out its gender equality and equal opportunity policy worldwide.

Subscribing to the Women's Empowerment Principles provides a reference guide that is internationally recognised and applicable in all countries. Achievements will be measured in various countries to identify new progress actions and promote best practices.

The Group sees female representation in business lines and key positions as a decisive target for its sustainable and responsible development strategy. The PSA Group also analysed the challenges in its traditionally masculine business segment and drew from that structured action plans based on the following three areas:

- gender equality in the professions;
- Human Resources processes to guarantee equal opportunity;
- access of women to higher levels of responsibility.

The Group is the first company to have been "Professional equality" certified since 2005 in France. The renewal of this label on 16 December 2014 marks the Group's long-term commitment and ongoing progress.

The signing on 26 August 2014, with all six representative unions in France, of a new agreement on gender equality, the fourth generation of an initial agreement signed in November 2003, shows that social dialogue is still fruitful and that the the Group is highly committed to this issue.

In Spain, the Equality label granted by the Ministry for Social Affairs and Equal Opportunity was awarded to the Group in 2013 and for the first time to its sales subsidiaries in 2015.

2

### NUMBER OF FEMALE EMPLOYEES ON PERMANENT OR FIXED-TERM CONTRACTS BY SOCIO-PROFESSIONAL CATEGORY

*See also Section 2.4.2.1 on female employment*

*(Consolidated Group, at 31 December)*

| | | Operators and administrative employees | Technicians and supervisors | Managers | Total |
|---|---|---|---|---|---|
| Automotive | | 8,113 | 5,013 | 3,492 | 16,618 |
| | *o/w PCA France* | *5,119* | *1,982* | *2,436* | *9,537* |
| Faurecia | | 16,850 | 2,828 | 3,983 | 23,661 |
| Other businesses | | 13 | 48 | 135 | 196 |
| **TOTAL** | | **24,976** | **7,889** | **7,610** | **40,475** |

### CHANGE IN THE PERCENTAGE OF WOMEN EMPLOYEES UNDER PERMANENT AND FIXED-TERM CONTRACTS

*(Consolidated Group, at 31 December)*

| **% of women** | | **2014** | **2015** | **2016** |
|---|---|---|---|---|
| Automotive | | 18.4% | 18.4% | 18.5% |
| | *o/w PCA France* | *17.7%* | *17.9%* | *17.2%* |
| Faurecia | | 27.4% | 28.1% | 29.6% |
| Other businesses | | 48.6% | 52.8% | 47.7% |
| **TOTAL** | | **22.8%** | **23.2%** | **23.8%** |

Women account for 21.6% of engineers and managers, 25.2% of technicians and supervisors and 24.1% of operators and administrative employees.

### DIVERSITY IN SENIOR MANAGERS AND EXECUTIVE MANAGERS BY AGE GROUP

*(Consolidated Group, excluding Faurecia, at 31 December)*

| | | 30-39 years old | | 40-49 years old | | 50 years and + | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** |
| Automotive | | 4 | 8 | 39 | 185 | 27 | 320 | 70 | 513 |
| | *o/w PCA France* | *4* | *8* | *35* | *137* | *24* | *269* | *63* | *414* |
| Other businesses | | 3 | 0 | 4 | 19 | 5 | 39 | 12 | 58 |
| **TOTAL** | | **7** | **8** | **43** | **204** | **32** | **359** | **82** | **571** |

The table above includes "executive managers" in charge of adapting and implementing the Group's strategy, policies and programmes and "senior managers" in charge of rolling them out. It does not include members of the Executive Committee. In 2016, the proportion of female senior managers and executive managers was 12.6%.

## 2.4.5.3. ENCOURAGING PROFESSIONAL INSERTION G.15

### Employing young people

In 2016, as part of its programme to bring young people into the workforce, the Group welcomed 4,220 work-study programme participants (work-study contracts include skills-acquisition and apprenticeship contracts and other types of contracts depending on the country). In addition, the Group welcomed 4,925 interns in 2016.

The programme is designed to ensure the training of its youngest employees and the transfer of knowledge and expertise between generations.

INTERNSHIPS AND WORK-STUDY CONTRACTS
*(Consolidated Group)*

| | Interns (Cumulative total 2016) | | Work-study contracts (at 1 December 2016) | | o/w skill-acquisition contracts | | o/w apprenticeship contracts | |
|---|---|---|---|---|---|---|---|---|
| | Workforce | % of Women | Workforce | % of Women | Workforce | % of Women | Workforce | % of Women |
| Automotive | 2,757 | 34% | 3,002 | 28% | 540 | 22% | 2,462 | 30% |
| *o/w PCA France* | *1,705* | *24%* | *2,402* | *31%* | *345* | *23%* | *2,057* | *32%* |
| Faurecia | 2,130 | 35% | 1,192 | 29% | 194 | 49% | 224 | 39% |
| Other businesses | 38 | 61% | 26 | 50% | - | - | 26 | 50% |
| **TOTAL** | **4,925** | **35%** | **4,220** | **29%** | **734** | **29%** | **2,712** | **31%** |

### Employing seniors

Keeping older employees (25% of the Group's workforce over 50 years old) in work and motivated is one of the Company's social responsibility commitments. The aim is to ensure equal opportunity and fair treatment for all, including seniors.

The measures included in the PSA Generation Contract seek to consolidate the place of older employees in the Company, to better consider their experience as an advantage for the Group's success. The coexistence of the generations and knowledge transfer is an asset for social cohesion and economic efficiency.

### Community initiatives

Aware that the location of residence can be a cause of isolation, lack of equal opportunity or even discrimination, the Group is a major player in social responsibility in its host communities and is committed to promoting equal opportunity and diversity within the Company. In liaison with public and academic authorities, the Group implements targeted career guidance and professional insertion measures, through youth employment contracts and work-study contracts, specifically aimed at people having difficulty finding work.

In signing the *Entreprises et Quartiers* Charter in France, the PSA Group demonstrated its commitment to work alongside public authorities to support local economic and social development in neighbourhoods designated as disadvantaged in France's Urban Planning Policy.

## 2.4.5.4. HIRING DISABLED WORKERS G.14 G.38

The Group has 7,038 disabled employees worldwide. Disabled employee status is specified by various local laws. 79% of disabled employees are workers and administrative employees. 14% are technicians or supervisors and 7% are managers.

PSA Group is committed to hiring and retaining disabled employees. In the Automotive Division in France, 7.46% of employees are classified as disabled, *i.e.* 6% above the national legislation. This is solely achieved by maintaining people with disabilities in work. In addition, there are 3% sheltered workers under contract which bring the overall rate of disabled employees to 10.46%, considerably higher than the minimum legal thresholds.

An assertive policy has been developed for many years to retain, recognise and integrate disabled people, in particular through the signing of a number of agreements and organising initiatives across the globe. In France, the Group signed the 5th agreement on social and professional integration of the disabled on 10 March 2014, confirming its willingness to step up its commitments in this area.

This agreement is structured around four main areas of application:

- changing how we look at disability by raising awareness among employees throughout the year and by reinforcing the training of managers and trainers;
- promoting recognition of the status of disabled workers, by offering subsidies and guarantees to agreement beneficiaries in their personal and professional lives;
- taking action to integrate and retain disabled employees by supporting them and providing adjusted work solutions or specially adapted workstations;
- mobilising all those involved in coordinated management by improving awareness of the agreement and of measures in favour of the workers concerned (local disability correspondent, social service, medical service, Human Resources function, management, employee representatives and employees) and by setting up preventive measures.

In France, expenditure on integrating disabled staff was €2.5 million. The Accessibility diagnoses provide site inventories reports at all sites leading to undertaking priority investment actions.

"Disability Awareness Week" helps to better promote awareness of disabled workers throughout all working units (office facilities, R&D and plants).

## 2.4.6. Respecting Human Rights G.16 G.17 G.18 G.19 G.41

In signing the Global Framework Agreement on Social Responsibility on 20 May 2010, the Group formalised its commitments to its stakeholders in a detailed and public manner, and shared its social requirements with suppliers, industrial partners and dealer networks.

In this agreement, the PSA Group undertakes to go beyond simply complying with local and national standards and to work within a framework for fundamental Human Rights. The agreement refers to conventions 87, 135 and 98 of the International Labour Organization on freedom of association and protection of the right to organise, on workers' representatives, on the right to organise and to bargain collectively, conventions 29 and 105 on the abolition of forced labour, convention 138 on the abolition of child labour and the minimum age for admission to employment, convention 111 on preventing discrimination, convention 100 on equal compensation and convention 155 on occupational safety and health. For example, in signing up to "PSA's requirements regarding social and environmental responsibility with respects to its suppliers", Group suppliers commit in particular not to use forced or compulsory labour or child labour. This practice has been applicable since 2006, well before the entry into force of regulations such as the UK Modern Slavery Act.

The Group promotes the respect of Human Rights in every host country, even in regions where such respect is not always forthcoming. By abiding to the United Nations Global Compact in 2003, the Group pledged to uphold and promote its ten principles inspired by the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption, the United Nations Guiding Principles on Business and Human Rights (Ruggie Principles) and the OECD Guidelines for Multinational Enterprises.

The Group acknowledges the central role of unions in the Company's social dialogue and cohesion. The Group actively supports employee freedom of association and representation and is committed to respecting the independence and pluralism of unions at all its sites and implements an active contractual policy. 98% of the staff is represented by unions or by employee representatives.

In 2016, claims made by stakeholders were examined and dealt with, in particular by applying the Global Framework Agreement on Social Responsibility. In 2016, the Group was not cited for non-respect of basic Human Rights.

### TRAINING ON HUMAN RIGHTS POLICIES AND PROCEDURES

*(Consolidated Group, excluding Faurecia, at 31 December)*

| Areas | Number of hours | Number of employees | % of employees trained |
|---|---|---|---|
| Equal opportunity, diversity, anti-discrimination training | 4,471 | 1,395 | 1.54% |
| Compliance with internal rules, global agreement, Code of Ethics, data privacy guidelines | 26,736 | 6,034 | 6.68% |
| Corruption, conflicts of interest | 964 | 1,018 | 1.13% |
| **TOTAL** | **32,171** | **8,447** | **9.35%** |

In 2016, 8,447 employees participated in dedicated training in Human Rights policies and procedures.

Some of the courses focus on issues related to employee's duties, such as anti-corruption rules, combating fraud, money laundering rules and compliance with competition law. A training course on "Managing diversity – Preventing discrimination" is provided to a large number of managers and human resources employees. Almost 3,800 people have completed this course since 2009. 24 training sessions were provided in France in 2016. Diversity and non-discrimination training is also provided in other countries such as Germany and Russia. These training sessions include a presentation of remedies.

# 2.5. REPORT BY AN INDEPENDENT THIRD-PARTY BODY ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

The Company has decided to seek an independent expert's opinion on the fair presentation of consolidated social, environmental and societal indicators included in the Management Report, in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code. The firm Grant Thornton was appointed as an independent third party by Carlos Tavares, Chairman of the Managing Board, on 4 November 2016. Grant Thornton submitted its expert report to the Company's Managing Board on 23 February 2017. The conclusions of this report are presented below.

## Report by an independent third-party body on the consolidated human resources, environmental and social information included in the management report

*This is a free English translation of the independent third-party body's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

**For the year ended 31 December 2016**

To the Shareholders,

In our capacity as professional accountants identified, appointed as independent third party and certified by COFRAC under number n° 3-1080[1], we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2016, included in the management report (hereinafter named "*CSR Information*"), pursuant to article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

### Company's responsibility

The Executive Board is responsible for preparing a company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the guidelines used by the company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

### Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L. 822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional standards and applicable legal and regulatory requirements.

### Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information);
- express a reasonable assurance conclusion that the information selected[2] by company has been established, in all material aspects, in compliance with the Guidelines.

Our work involved five persons and was conducted between September 2016 and February 2017 during a ten week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000[3] concerning our conclusions on the fairness of CSR Information and the reasonable assurance.

*(1) Whose scope is available at* www.cofrac.fr
*(2) See footnote 6 page 84.*
*(3) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*

# 1. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

## Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

For any information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the management report.

### Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

# 2. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

## Nature and scope of our work

We conducted around tweeny interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate ;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[(4)]:

- at parent entity, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us[(5)] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 25% of headcount and between 28% and 100% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

### Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

*(4)* ***Social quantitative information:*** *number of employees under permanent or fixed-term contract by region, gender and age group; hiring for open-end contracts; breakdown of leavers under permanent contracts and dismissals; total management lost-time accident frequency rate (TF1 Management); severity rate; occupational illnesses; hours of training.*

***Environmental quantitative information:*** *water use; overall energy consumption; scope 1 and 2 greenhouse gas emissions (GHG); VOC emissions from paint shop facilities; gross discharges into water from plants (COD, DBO5, MES); total weight of waste by type (foundry waste, non-hazardous waste, hazardous waste) and disposal method.*

***Qualitative information:*** *"Purchasing: responsible purchasing policies for the entire supply chain"; "Combating global warning and adapting to the consequences of climate change"; "Preserving air quality"; "Measures taken by the Group to improve the efficient use of materials"; "Eco-design and life cycle analysis"; "Development of mobility and on board intelligence services"; "Consumer safety and protection"; "Ethical practices – anti-corruption"; "Partnerships and sponsors to promote regional and/or local community development".*

*(5)* ***For social and environmental information:*** *Charleville; Madrid; Sochaux; Trémery; Trnava; Vesoul.*

***For environmental information only:*** *Peugeot CRC Agrelo; Peugeot Ituzaingo; Peugeot SCA Mulhouse Illzach; Peugeot SCC Mulhouse Illzach.*

## 3. REASONABLE ASSURANCE ON A SELECTION OF ENVIRONMENTAL INFORMATION

### Nature and scope of work

Regarding the information selected(6) by the company, we undertook work of the same nature as those described in paragraph 2 above for the CSR Information considered the most important, but in a more in-depth manner, in particular in relation to the number of tests.

The sample selected(7) represents 28% of headcount between 34% and 47% of quantitative environmental information selected.

We consider that this work allows us to express a reasonable assurance opinion on the information selected by company.

### Conclusion

In our opinion, the information selected by the company has been established, in all material aspects, in compliance with the Guidelines.

Paris, February 24, 2017

Original French report signed by:
Independent third-party body

Grant Thornton
Membre français de Grant Thornton International

Alban Audrain
Partner

Gilles Hengoat
Partner

(6) ***Environmental quantitative information:*** *water use; overall energy consumption; scope 1 and 2 greenhouse gas emissions (GHG); VOC emissions from paint shop facilities; total weight of waste by type (non-hazardous waste and hazardous waste).*

***Social quantitative information:*** *number of employees under permanent or fixed-term contract ; total management lost-time accident frequency rate (TF1 Management); severity rate.*

***Qualitative information:*** *supplier self-assessment results; number of suppliers evaluated by an external body (ECOVADIS); CSR supplier performance evaluated by an external body (ECOVADIS).*

(7) ***For social and environmental information:*** *Charleville; Madrid; Sochaux; Trémery; Trnava; Vesoul; Palomar.*

***For environmental information only:*** *Peugeot CRC Agrelo; Peugeot Ituzaingo; Peugeot SCA Mulhouse Illzach; Peugeot SCC Mulhouse Illzach.*

# 2.6. REPORTING SCOPE, METHODOLOGY AND CROSS-REFERENCE TABLES

2

## 2.6.1. Reporting scope

### REGULATORY REFERENCES AND INTERNATIONAL STANDARDS

The social, environmental and societal information contained in this section fall within the remit of the provision of Articles L. 225-102-1 paragraph 5 of the French Commercial Code resulting from law No. 2010-778 of 12 July 2010 on the national environmental commitment (the "Grenelle 2" Act) and in line with GRI (Global Reporting Initiative) recommendations.

A cross-reference ratio with GRI indicators may be found at the end of the 2016 CSR Report, published by the Group for its Automotive Division. The reported data concern the production plants (PCA), the R&D centres, the main office sites, the Peugeot, Citroën and DS proprietary dealership networks and the logistics platforms of companies fully consolidated within the Group.

This information is consolidated and is based on the parent company Peugeot S.A. as well as on all of its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies controlled within the meaning of Article L. 233-3 of the French Commercial Code.

Three of its subsidiaries (Faurecia, Crédipar – a BPF subsidiary – and PCA) are required to publish CSR information in their respective management reports. One of these, PCA, opted for the derogation on publishing CSR information in its own management report because its parent company already publishes detailed CSR information on it. The other two subsidiaries publish the required CSR information in their own management report. The PSA Group publishes some detailed quantitative CSR information for Faurecia when analysing the Group's different activities.

### ACTIVITIES INCLUDED IN REPORTING AND DEVELOPMENTS

Detailed social, environmental and societal data as well as information on sustainable development initiatives also covers:

- **automotive activities (production, research and development and tertiary facilities):**

  The "automotive" segment now includes the subsidiaries PCA, AP/AC, Française de Mécanique, SevelNord, manufacturing sites outside France, R&D facilities and tertiary facilities in France. Among the automotive subsidiaries, only PCA has the obligation to publish its detailed environmental and social data. They are available in this Registration Document.

  Unless otherwise stated, Group policy applies to PCA. This relates to the following topics in particular: workplace health and safety conditions, organisation of social dialogue, especially procedures for informing, consulting and negotiating with personnel, and agreements signed with unions or employee representatives, the training policies implemented, anti-discrimination policy, measures taken in relation to the Group's local impact, partnerships and philanthropy initiatives, taking social and environmental issues into account in procurement policies.

  PCMA Automotiv RUS, located in Kaluga in Russia, a joint operation with Mitsubishi Motors Corp, is also included in the scope for societal and environmental reporting, under "automotive".

  Notable changes:

  - in 2014, SevelNord changed from a public limited company (S.A.) to a general partnership (SNC). Moreover, this company, previously classified under "other businesses" in the social reporting system, is now classified under "automotive" for all CSR indicators,
  - Française de Mécanique, which was run as a joint operation with Renault up to 19 December 2013, the date on which the Group took control, is included in the reporting since 2014;

- **"automotive trade" activities:**

  These include proprietary dealership network, training centres for network personnel, spare parts warehouses, regional offices and import subsidiary registered offices. The "automotive trade" companies are included under the "automotive" heading with respect to HR but are stated separately with respect to the environment.

  In 2015, the Group acquired Mister Auto, an online website selling spare parts, for which the measurement of CSR impacts deemed significant at PSA Group level will be progressively included in extra-financial reporting;

- **the equipment subsidiary:**

  Faurecia, a listed company in which PSA Group has a 46.335% stake remains fully consolidated because Peugeot S.A. has retained control (62.944% of theoretical voting rights). In accordance with the legal provisions, Faurecia manages its business independently and therefore prepares and publishes its social, environmental and societal indicators in its own Registration Document;

- **"other businesses":**

These now comprise the Peugeot S.A. holding company and Banque PSA Finance (BPF). Notable changes:

  - PMTC France, PMTC Germany and PMTC Italy were sold during the period,
  - the social and societal information published in the BPF Registration Document consolidates entities wholly owned by BPF at 31 December 2016. This methodology linked to the BPF consolidation rules, excludes the joint ventures created with Santander in 2016 and previous years from the CSR reporting scope. These joint ventures are listed in the BPF Management Report.

In compliance with regulations, quantitative data were reported using cross-functional, comparable indicators when relevant.

### EXCLUSIONS FROM THE CSR REPORTING *VERSUS* THE FINANCIAL REPORTING

The scope of reporting does not include subsidiaries jointly owned with other car manufacturers or joint ventures accounted for using the equity method, due to the lack of exclusive control:

- TPCA, located in Kolín (Czech Republic), a joint operation with Toyota;
- DPCA, located in Wuhan (Hubei Province, China), a joint venture with Dongfeng Motor Corp;
- CAPSA, located in Shenzhen (China), a joint venture with China Changan PSA Automobiles;
- Sevelsud, located in Val Di Sangro (Italy), a joint operation with Fiat;
- IKAP (Iran Khodro Automobiles Peugeot), located in Teheran (Iran), a joint-venture with Iran Khodro.

In these cooperation ventures, the Group exercises its role as shareholder and industrial partner in a commitment to supporting each venture's long-term development. Therefore it takes its CSR responsibilities just as seriously in these joint ventures as it does in its other operations.

The cooperation ventures report their CSR data at different levels, depending on the management structure in place with the industrial partner.

In 2007, at the Group's initiative and with the agreement of co-shareholder Dongfeng Motor Corp., DPCA published its first Sustainable Development Report – the first such report ever prepared by a car manufacturer in China.

Other items, including examples of actions undertaken, are described in greater detail in the CSR publications for each of the entities. The Group's CSR Report and Faurecia's Registration Document notably describe the policy, commitments and results of the automotive, banking and equipment supply divisions.

## 2.6.2. Reporting methodology

The reporting standards are presented in Section 8.4 of the Group's CSR Report.

## 2.6.3. Cross reference table with required material in Article R. 225-105 of the French Commercial Code (application of Grenelle 2 legislation)

The items required by Article 225 of the Grenelle 2 law are indicated in this report using the following icon: G.X



| Expected by the decree | PSA Group codification of the 43 topics of Grenelle 2 | 2016 Registration Document (relevant sections) | Reporting status* |
|---|---|---|---|
| **1° PERSONNEL INFORMATION** | | | |
| **a) Employment** | | | |
| Total workforce | G.1.a | 2.4.2.1 | |
| Employees by gender | G.1.b | 2.4.2.1 | |
| Employees by age | G.1.c | 2.4.2.1 | |
| Employees by region | G.1.d | 2.4.2.1 | |
| Hirings | G.2.a | 2.4.2.1 | |
| Dismissals | G.2.b | 2.4.2.1 | |
| Compensation and changes therein | G.3 | 2.4.3.7 | |
| **b) Work arrangements** | | | |
| Organisation of working hours | G.4 | 2.4.2.2/2.4.4.2 | |
| Absenteeism | G.5 | 2.4.2.2 | |
| **c) Employee relations** | | | |
| Organisation of employer-employee communications, especially procedures for informing, consulting and negotiating with personnel | G.6 | 2.4.1 | |
| Summary of labour agreements | G.7 | 2.4.1 | |
| **d) Health and safety** | | | |
| Workplace health and safety conditions | G.8 | 2.4.4./ 2.4.4.1 | |
| Summary of agreements signed with unions or employee representatives regarding workplace health and safety | G.9 | 2.4.41 | |
| Workplace accidents, particularly their frequency and severity, along with occupational illnesses | G.10 | 2.4.41 | |
| **e) Training** | | | |
| Policies put into practice with regard to training | G.11 | 2.4.3.3/2.4.3.4 | |
| Total number of hours of training | G.12 | 2.4.3.4 | |
| **f) Non-discrimination** | | | |
| Measures taken to ensure equality between men and women | G.13 | 2.4.5.2 | |
| Measures taken to ensure the hiring and integration of handicapped persons | G.14 | 2.4.5.4 | |
| Anti-discrimination policy | G.15 | 2.4.1/2.4.5.1/2.4.5.3 | |
| **g) Promotion and observance of the core conventions of the International Labour Organization relative** | | | |
| To respect for freedom of association and the right to collective bargaining | G.16 | 2.4.1/2.4.6 | |
| To the elimination of discrimination in terms of hiring and occupation | G.17 | 2.4.1/2.4.6 | |
| To the elimination of forced or obligatory labour | G.18 | 2.4.1/2.4.6 | |
| To the effective abolition of child labour | G.19 | 2.4.1/2.4.6 | |
| **2° ENVIRONMENTAL INFORMATION** | | | |
| **a) General environmental policy** | | | |
| The organisation of the Company so as to take environmental questions into consideration and, where appropriate, environmental assessment or certification initiatives | G.20 | 2.1.1 2.2.1/2.2.2 | |
| Actions taken to train and inform employees about protection of the environment | G.21 | 2.2.2 | |
| Resources committed to prevent environmental risks and pollution | G.22 | 2.2.1/2.2.1.1/2.2.1.1.1./2.2.1.2./ 2.2.1.3.3./2.2.2 | |

| Expected by the decree | PSA Group codification of the 43 topics of Grenelle 2 | 2016 Registration Document (relevant sections) | Reporting status* |
|---|---|---|---|
| The amount of the provisions and warranties made for environmental risks, provided this information is not of a nature that might be seriously adverse to the Company in a current legal dispute. | G.23 | 2.2.2 | |
| **b) Pollution** | | | |
| Measures to prevent, reduce or repair emissions into the air, water or ground that seriously affect the environment | G.24 | 2.2.1.2/2.2.1.3.1/2.2.1.3.4/2.2.2/ 2.2.2.2.1/2.2.2.2.2/2.2.2.4.2 | |
| The handling of sound pollution or any other form of pollution specific to an activity | G.25 | 2.2.1.3.4/2.2.2.2.3/2.2.2.5 | |
| **c) The circular economy** | | | |
| ***I) Waste prevention and management*** | | | |
| Measures to prevent, recycle, reuse waste, and other forms of waste recovery and elimination | G.26 | 2.2.1.3.2/ 2.2.1.3.4/2.2.2.3.2 | |
| Actions to combat food waste | G.27 | Not applicable | |
| ***II) Sustainable use of resources*** | | | |
| Water consumption and sourcing in light of local constraints | G.28 | 2.2.2.4.1 | |
| Consumption of raw materials and measures taken to use them more efficiently | G.29 | 2.2.1.3.1/2.2.1.3.2/2.2.2.3.1 | |
| Consumption of energy, measures taken to improve energy efficiency and use of renewable energy | G.30 | 2.2.1.1.1/2.2.2.1.1 | |
| Use of land | G.31 | 2.2.2.2.2 | |
| **d) Climate change** | | | |
| Significant greenhouse gas emissions due to the Company's activity, notably through the use of goods and services it produces | G.32 | 2.2.1.1.2/2.2.2.1.2 | |
| Adaptation to the consequences of climate change | G.33 | 2.2.1.1/ 2.2.1.1.1/2.2.1.3.4/2.2.1.4/2.2 .2.1.2 | |
| **e) Protection of biodiversity** | | | |
| Measures taken to preserve or develop biodiversity | G.34 | 2.2.2.5 | |
| **3° INFORMATION RELATING TO CORPORATE SUSTAINABILITY EFFORTS** | | | |
| **a) Local, economic and social impact of the Company's business** | | | |
| On employment and regional development | G.35 | 2.3.1.1/2.3.1.2/2.4.3.7 | |
| On neighbouring or local residents | G.36 | 2.3.3 | |
| **b) Relationships maintained with equal employment opportunity groups, educational institutions, environmental protection groups, consumer groups and neighbouring communities** | | | |
| How the Company communicates with these persons or groups | G.37 | 2.1.2 | |
| Support, partnerships and philanthropy provided | G.38 | 2.3.3/2.4.5.4 | |
| **c) Subcontractors and suppliers** | | | |
| Consideration given to social and environmental issues in procurement policies | G.39 | 2.3.1.1/2.3.1.2.1 | |
| The importance of subcontracting and the inclusion in subcontractor and supplier relationships of their social and environmental responsibility | G.40 | 2.3.1.1/2.3.1.2.1 | |
| **d) Fair operating practices** | | | |
| Actions undertaken to prevent corruption | G.41 | 2.3.4/2.4.1/2.4.6 | |
| Measures taken benefiting the health and safety of consumers | G.42 | 2.2.1.2/2.2.1.3.1/ 2.2.1.4/2.3.2 | |
| **e) Other actions undertaken relating to this Article to promote Human Rights** | G.43 | 2.3.1.2.1/2.4.1 | |

* *The reporting status indicates a response by the Group to each of the 43 Grenelle topics and the coverage rate for this response among the relevant subsidiaries.*

*= the Group has responded to the Grenelle topic and the response covers 100% of subsidiaries required to published detailed information.*
*= the Group has responded but it does not cover the entire scope subject to this requirement.*
*= the Group has not responded to the Grenelle topic and has explained why not (n/a).*

# CORPORATE GOVERNANCE

# 3.1. MANAGEMENT AND SUPERVISORY BODIES

Since 1972, Peugeot S.A. has had a two-tier management structure comprising a Managing Board, responsible for strategic and operational management, and a Supervisory Board, responsible for oversight and control. This separation is especially effective in addressing the concern for a balance of power between the executive and oversight functions, as reflected in the principles of good corporate governance.

## 3.1.1. Information about the Management and Supervisory Bodies

### Changes in the membership of the Managing Board and the Supervisory Board in 2016

At the request of the Chairman of the Managing Board, the Supervisory Board has approved the appointment of Maxime Picat to the Managing Board, to replace Grégoire Olivier, who has been appointed to lead the new Mobility Services Department, as of 1 September 2016.

Changes in the membership of the Supervisory Board are presented in Section 3.2.1.1.1., page 106.

### 3.1.1.1. THE MANAGING BOARD AND EXECUTIVE COMMITTEE

#### Members of the Managing Board

Managing Board members are appointed by the Supervisory Board for four-year terms. They may be removed from office by the Supervisory Board pursuant to the Company's by-laws, or by shareholders in a General Meeting, in accordance with French company law. Managing Board members' terms of office were renewed for four years by the Supervisory Board at its meeting on 22 February 2017.

#### Executive Committee

The Executive Committee is responsible for the Group's executive management. Its members are listed in Section 1.2 above.

### Information about current Managing Board members

**CARLOS TAVARES**

Portuguese national

Born 14 August 1958

Business address:
PSA Groupe
75, avenue de la
Grande-Armée
75116 Paris
France

**First appointed to the Managing Board:** 1 January 2014

**Current term expires: 2021:** (4-year term)

**Chairman of the Managing Board of Peugeot S.A.**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Director of BANQUE PSA FINANCE | | √ |
| Director of FAURECIA | √ | √ |
| Chairman of the Board of Directors, PEUGEOT CITROËN AUTOMOBILES S.A. | | √ |
| Director of AIRBUS Group | √ | |

**Other directorships and positions in the past five years:**

- Chief Operating Officer of RENAULT and member of the Managing Board of the RENAULT-NISSAN Alliance
- Director of RENAULT NISSAN B.V.
- Director of PCMA Holding B.V.
- Director of AVTOVAZ
- Director of ALPINE-CATERHAM
- Chairman of the Management Committee of NISSAN AMERICAS
- Executive Vice-President, Planning, NISSAN MOTOR COMPANY
- Manager of a Bed & Breakfast micro-enterprise in Lisbon (2016)

**Relevant expertise and professional experience:**

After graduating from École Centrale de Paris, Carlos Tavares held various management positions within the Renault Group between 1981 and 2004, before joining the Nissan Group to lead operations in the Americas region. In 2011, he was named Chief Operating Officer of the Renault Group, a position he held until 2013. He joined the Peugeot S.A. Managing Board on 1 January 2014, becoming the Board's Chairman on 31 March 2014.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 1,000 shares.**

## JEAN-BAPTISTE CHASSELOUP DE CHATILLON

French national

Born 19 March 1965

Business address:
PSA Groupe
75, avenue de la
Grande-Armée
75116 Paris
France

**First appointed to the Managing Board:**
13 March 2012

**Current term expires:**
2021 (4-year term)

**Member of the Managing Board of Peugeot S.A.**

**Chief Financial Officer and Executive Vice-President, Information Systems**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Director of AUTOMOBILES CITROËN | | √ |
| Permanent Representative of Peugeot S.A. on the Board of Directors of AUTOMOBILES PEUGEOT | | √ |
| Director of FAURECIA | √ | √ |
| Vice-Chairman and Chief Executive Officer of PSA INTERNATIONAL S.A. | | √ |
| Director of DONGFENG PEUGEOT CITROËN AUTOMOBILE COMPANY LTD | | √ |
| Director of CHANGAN PSA AUTOMOBILES CO. LTD | | √ |
| Vice-Chairman of the Supervisory Board of GEFCO S.A.* | | |
| Chairman of MISTER AUTO | | √ |
| Chairman of CARONWAY | | √ |

* *Affiliate of PSA Group.*

**Other directorships and positions in the past five years:**

- Chairman of Banque PSA Finance (2016)
- Chairman of A.S.M. Auto Sud Marché S.A.S. (2016)
- Director of PEUGEOT CITROËN AUTOMOBILES S.A.
- Director of PCMA HOLDING B.V.
- Director of GEFCO
- Director of CCFA
- Permanent Representative of CCFA on the Board of Directors of AUTO MOTO CYCLE PROMOTION Chairman of the Supervisory Board of PEUGEOT FINANCE INTERNATIONAL N.V.

**Relevant expertise and professional experience:**

A graduate of Université Paris Dauphine and Lancaster University (United Kingdom), Jean-Baptiste Chasseloup de Chatillon held various management positions within the Group before becoming Group Financial Controller in 2007. He has been a member of the Peugeot S.A. Managing Board since 2012. He is currently Chief Financial Officer of the PSA Group and Executive Vice-President, Information Systems, with additional responsibility for Replacement Parts & Services and the Used Vehicles business unit.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 1,943 shares and 1,005 equity warrants.**

**Number of units in the PSA Employee Stock Ownership Fund as of 31 December 2016: 768 units.**

## MAXIME PICAT

French national

Born 26 March 1974

Business address:
PSA Groupe
75, avenue de la
Grande-Armée
75116, Paris
France

**First appointed to the Managing Board:**
1 September 2016

**Current term expires:**
2021 (4-year term)

**Member of the Managing Board of Peugeot S.A.**

**Executive Vice-President, Europe**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Director of PEUGEOT CITROËN AUTOMOBILES S.A. | | √ |
| Chief Executive Officer of PEUGEOT CITROËN AUTOMOBILE COMPANY LTD | | √ |
| Chairman of the Board of Directors and Director of PEUGEOT CITROËN AUTOMOVILES ESPAÑA | | √ |
| Chairman of the Board of Directors and Director of PEUGEOT CITROËN AUTOMOVEIS (Portugal) | | √ |
| Director of the PSA Corporate Foundation | | |

**Other directorships and positions in the past five years:**

- Chairman and Chief Executive Officer of AUTOMOBILES PEUGEOT (2016)
- Director of DONGFENG PEUGEOT CITROËN AUTOMOBILE SALES COMPANY LTD (2016)
- Director of DONGFENG PEUGEOT CITROËN AUTOMOBILE COMPANY LTD (2016)
- Director of PEUGEOT ESPAÑA (2016)
- Director of BERI ITALIA SRL
- Chairman of the Board of Directors of PEUGEOT MOTOR COMPANY PLC
- Permanent Representative of AUTOMOBILES PEUGEOT on the Board of Directors of BANQUE PSA FINANCE (2016)
- Chairman of the Board of Directors and ultimately Member of the Supervisory Board of PEUGEOT MOTOCYCLE (2016)

**Relevant expertise and professional experience:**

A graduate of École des Mines de Paris engineering school, Maxime Picat joined the Group in 1998. He has extensive experience in manufacturing, having held several positions in Mulhouse, France, and he became manufacturing manager of the Sochaux plant before being appointed as Plant Manager of the Wuhan manufacturing facility in November 2007. In January 2011, Maxime Picat was appointed Chief Executive Officer of Dongfeng Peugeot Citroën Automobiles (DPCA), after serving as Chief Operating Officer from August 2008 to January 2011. On 1 October 2012, he was appointed Chief Executive Officer of the Peugeot brand. Since 1 September 2016, he is Executive Vice-President, Europe, and a member of the Managing Board.

**Number of Peugeot S.A. securities owned by Maxime Picat as of 31 December 2016: 1,000 shares.**

**Number of units in the PSA Employee Stock Ownership Fund as of 31 December 2016: 2,308 units.**

## JEAN-CHRISTOPHE QUÉMARD

French national

Born 30 September 1960

Business address:
PSA Groupe
75, avenue de la
Grande-Armée
75116 Paris
France

**First appointed to the Managing Board:**
13 March 2012

**Current term expires:**
2021 (4-year term)

**Member of the Managing Board of Peugeot S.A.**

**Executive Vice-President, Africa-Middle East**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Permanent Representative of AUTOMOBILES PEUGEOT on the Board of Directors of TUNISIENNE AUTOMOBILE FINANCIÈRE IMMOBILIÈRE ET MARITIME (STAFIM) | | √ |
| Director of PEUGEOT CITROËN AUTOMOBILES MAROC | | √ |
| Director of IKAP | | √ |
| Director of SOPRIAM | | √ |

**Other directorships and positions in the past five years:**

- Director of BMW PEUGEOT CITROËN ÉLECTRIFICATION
- Director of PCMA HOLDING B.V.
- Director of IFPEN
- Director of DONGFENG PEUGEOT CITROËN AUTOMOBILE COMPANY LTD
- Director of Chairman of the Board of Directors of GM PSA PURCHASING SERVICES
- Executive Vice-President, PSA Programmes

**Relevant expertise and professional experience:**

Jean-Christophe Quémard is a graduate of École des Mines de Saint-Étienne and École du Pétrole et des Moteurs. After joining PSA in 1986, he held various positions, in particular in the Automobile Platforms and Technologies Department, where he was named Director. Appointed to the Expanded Executive Committee and named Vice-President, Purchasing, in 2008, he became a member of the Executive Committee in 2009. He was appointed Executive Vice-President, Programmes in September 2010. He has been a member of the Peugeot S.A. Managing Board since 2012. Since 1 September 2014, he has been Executive Vice-President, Africa-Middle East.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 1,771 shares.**

**Number of units in the PSA Employee Stock Ownership Fund as of 31 December 2016: 1,305 units.**

### Managing Board members who stepped down in 2016

Grégoire Olivier

First appointed to the Managing Board: 6 February 2007

Term of office expired: 31 August 2016

In accordance with the recommendations set out in paragraph 18 of the AFEP-MEDEF Corporate Governance Code, Managing Board members systematically consult the Supervisory Board before agreeing to become a corporate officer of any listed company outside the Group.

## 3.1.1.2. THE SUPERVISORY BOARD

### Information about the current members of the Supervisory Board

#### LOUIS GALLOIS

French national

Born 26 January 1944

Business address:
PSA Group
75, avenue de la
Grande-Armée
75116 Paris
France

**First elected to the Supervisory Board:**
12 February 2013

**Current term expires:**
2018 (4-year term)

**Chairman of the Supervisory Board of Peugeot S.A.**
(Independent Member)
**Member of the Appointments, Compensation and Governance Committee**
**Member of the Strategy Committee**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Chairman of Fédération des Acteurs de la Solidarité | | |
| Co-Chairman of La Fabrique de l'Industrie | | |
| Director of Association Nationale de la Recherche Technique | | |
| Director of Cercle de l'Industrie | | |

**Other directorships and positions in the past five years:**

- General Commissioner for Investment
- Director of MICHELIN
- Executive Chairman of EADS
- Chairman of Fondation de la Cité des Sciences et des Technologies (Villette Entreprises)
- Director of École Centrale de Paris

**Relevant expertise and professional experience:**

A graduate of the HEC business school and École Nationale d'Administration, Louis Gallois began his career in the French Treasury Department. He subsequently became Chief of Staff for Jean-Pierre Chevènement at the Ministry of Research and Technology before serving as Head of the Industry Department at the Ministry of Industry and Policy Officer at the Ministry of the Economy, Finance and Privatisation before ultimately serving on Mr Chevènement's staff at the Ministry of Defence. After that, he held the position of Chairman and Chief Executive Officer, first at Snecma (1989-1992) and then at Aerospatiale (1992-1996). After serving as President of SNCF-French Railways from 1996 to 2006, he was one of the co-Chief Executive Officers of the EADS Group until 2007, then Chief Executive Officer until June 2012. He also served as Chief Executive Officer of Airbus from September 2006 to August 2007. From June 2012 to April 2014, he served in the French government as General Commissioner for Investment.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 1,065 shares.**

## MARIE-HÉLÈNE PEUGEOT RONCORONI

French national

Born 17 November 1960

Business address:
FFP
66, avenue Charles
de Gaulle
92200 Neuilly-sur-Seine
France

**First elected to the Supervisory Board:**
2 June 1999

**Current term expires:**
2018 (4-year term)

**Vice-Chairman of the Supervisory Board of Peugeot S.A.**

**Permanent Representative of Établissements Peugeot Frères on the Board of Directors of Peugeot S.A.**
**Member of the Appointments, Compensation and Governance Committee**
**Member of the Asia Business Development Committee**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Director and Chief Operating Officer of ÉTABLISSEMENTS PEUGEOT FRÈRES | | |
| Director and Vice-Chairman of FFP | √ | |
| Director and Chief Operating Officer of SAPAR | | |
| Director of ASSURANCES MUTUELLES DE FRANCE | | |
| Director of ESSO SAF | √ | |
| Director of LISI | √ | |
| Director and Vice-Chairman of the PSA Corporate Foundation | | |
| Director of INSTITUT DIDEROT | | |

**Other directorships and positions in the past five years:**

- Member of the Supervisory Board and Finance Committee of Peugeot S.A.
- Permanent Representative of SAPAR on the Board of Directors of IMMEUBLES DE FRANCHE-COMTÉ
- Permanent Representative of SOCIÉTÉ ASSURANCES MUTUELLES DE FRANCE on the Board of Directors of AZUR – GMF MUTUELLES D'ASSURANCES ASSOCIÉES
- Member of the Supervisory Board of ONET S.A.

**Relevant expertise and professional experience:**

Marie-Hélène Peugeot Roncoroni, a graduate of Sciences Po Paris, began her career in an international audit firm before holding positions in Corporate Finance, Industrial Relations and Human Resources within the Group. She currently serves as Director and Chief Operating Officer of Établissements Peugeot Frères, Director and Vice-President of FFP, and Director of SAPAR, Assurances Mutuelles de France, ESSO SAF, LISI and Institut Diderot.

**Établissements Peugeot Frères (EPF)**

**Other directorships and positions as of 31 December 2016:** None.

**Other directorships and positions in the past five years:** None.

**Number of Peugeot S.A. securities owned by Marie-Hélène Peugeot Roncoroni as of 31 December 2016: 1,070 shares.**

**Number of Peugeot S.A. securities owned by EPF as of 31 December 2016: 26,298,895 shares.**

## ZHU YANFENG

Chinese national

Born 21 March 1961

Business address:
Special no. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone
Wuhan
Hubei Province
China

**First elected to the Supervisory Board:**
4 June 2015

**Current term expires:**
2018 (4-year term)

**Vice-Chairman of the Supervisory Board of Peugeot S.A.**

**Permanent Representative of Dongfeng Motor (Hong Kong) International Co. Ltd (DMHK)**
**Member of the Appointments, Compensation and Governance Committee**
**Member of the Strategy Committee**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Chairman of DONGFENG MOTOR CORPORATION | | |
| Chairman of DONGFENG MOTOR GROUP CO. LTD | √ | |
| Chairman of DONGFENG MOTOR COMPANY. LTD | | |

**Other directorships and positions in the past five years:**

- Chairman of DONGFENG PEUGEOT CITROËN AUTOMOBILES CO. LTD (2016)
- Chairman of DONGFENG PEUGEOT CITROËN AUTOMOBILE SALES CO. LTD (2016)
- Chairman of DONGFENG HONDA AUTOMOBILE CO. LTD (2016)
- Chairman of DONGFENG RENAULT AUTOMOBILE CO. LTD (2016)

**Relevant expertise and professional experience:**

A graduate of Zhejiang University with a Masters in Control Engineering from Harbin Institute of Technology, Zhu Yanfeng started his career in 1983 at the FAW Group where he held a variety of key positions, including Director of the foreign trade and import-export subsidiary, Chief Executive Officer of FAW Car Co., Ltd and Chief Executive Officer of China FAW Group Corporation. In addition, Zhu Yanfeng has held numerous state-appointed positions in China FAW Group Corporation as well as in the province of Jilin. From December 2007 to May 2015, he occupied several posts in the Jilin provincial government, most notably as Vice-Governor. Since 6 May 2015, Zhu Yanfeng has been the Chairman and Party Secretary at Dongfeng Motor Corporation, and Chairman of Dongfeng Motor Group and Dongfeng Motor (Hong Kong) International Co. He has also been an alternate member of the Central Committee since 2002.

**DMHK**

**Other directorships and positions as of 31 December 2016:** None.

**Other directorships and positions in the past five years:** None.

**Number of Peugeot S.A. securities owned by Zhu Yanfeng as of 31 December 2016:** None.

**Number of Peugeot S.A. securities owned by DMHK as of 31 December 2016: 110,622,220 shares.**

## JACK AZOULAY

French national

Born 23 September 1978

Business address:
Ministère de l'Économie et des Finances
Agence des Participations de l'État
139, rue de Bercy
Télédoc 228
75572 Paris Cedex 12
France

**First elected to the Supervisory Board:**
23 September 2016

**Current term expires:**
2018 (4-year term)

**Vice-Chairman of the Supervisory Board of Peugeot S.A.**
**(Appointed on the recommendation of the French State)**
**Member of the Strategy Committee**
**Member of the Appointments, Compensation and Governance Committee**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Head of Industrial Shareholdings at the Agence des Participations de l'État (APE) of the French Ministry of Economy and Finance | | |
| Director (representative of the French State) of DCNS | | |
| Director (representative of the French State) of STX | | |
| Director (representative of the French State) of KNDS | | |

**Other directorships and positions in the past five years:**

- Member of the Steering Committee of DOCAPOST
- Member of the Steering Committee of MEDIAPOST
- Member of the Steering Committee of MOBIGREEN
- Member of the Steering Committee of GREENOVIA
- Chairman of LP2 WNA
- Chairman of LA POSTE VSMP

**Relevant expertise and professional experience:**

A graduate of Université Paris Dauphine, École Supérieure de Commerce de Paris, Sciences Po Paris and École Nationale d'Administration, Jack Azoulay began his career in 2002 at the Cour des Comptes (French Court of Auditors). He later joined the European Commission in Brussels, where he worked on the staff of Loyola de Palacio, Energy and Transport Commissioner. He was Advisor to the prefect of the Franche-Comté region and, from 2006 to 2010, Finance Inspector at the French Ministry of Economy, Finance and Industry. He then held the following positions at La Poste: Chief of Staff and Strategic Planner for the Mail Division (2010-2012), Executive Vice-President of the Mail Division, responsible for marketing and key accounts (2012-2014), and Executive Director of the Services Business Unit (2014-2016). Since September 2016, Jack Azoulay has served as Head of Industrial Shareholdings at the French Government Shareholding Agency (Agence des Participations de l'État – APE).

**Number of Peugeot S.A. securities owned as of 31 December 2016: None.**

## CATHERINE BRADLEY

French national

Born 20 April 1959

Business address:
11 Woodstock Road
London W4 1DS
United Kingdom

**First elected to the Supervisory Board:**
23 February 2016

**Current term expires:**
2020 (4-year term)

**Member of the Supervisory Board of Peugeot S.A.**
**(Independent Member)**
**Chairman of the Finance and Audit Committee**
**Member of the Appointments, Compensation and Governance Committee**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Independent Director at the Financial Conduct Authority (FCA) | | |
| Independent Director at WS Atkins PLC | √ | |
| Independent Director at the FICC Markets Standards Board (FMSB) | | |

**Other directorships and positions in the past five years:** None.

**Relevant expertise and professional experience:**

Catherine Bradley graduated from HEC Paris with a major in Finance and International Affairs. Between 1981 and 1991, she held a variety of positions in the investment banking and mergers & acquisitions departments at Merrill Lynch. She was appointed Executive Director, in charge of investment banking at SBC (UBS) in 1991, and became Head of European Strategy for the Equity Advisory team at BNP Paribas in 1994. In 2000, she was named Managing Director of Dresdner Kleinwort Benson, before joining Crédit Suisse as Managing Director in 2003, first in London as Head of Coverage, and then in Hong Kong, where she served as Head of the Equity-Linked Group for Asia-Pacific from 2008 to 2012. In 2013, she was appointed Head of Equity Advisory, Global Markets for the Asia-Pacific region at Société Générale. She is currently an independent director, notably on the Board of the Financial Conduct Authority, the UK financial regulator, and on the Board of WS Atkins, an engineering consultancy specializing in transport and energy.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 1,000 shares.**

## PAMELA KNAPP

German national

Born 8 March 1958

Business address:
PSA Groupe
75, avenue de la
Grande-Armée
75116 Paris
France

**First elected to the Supervisory Board:**
31 May 2011

**Current term expires:**
2017 (6-year term)

**Member of the Supervisory Board of Peugeot S.A.**
(Independent Member)
Member of the Appointments, Compensation and Governance Committee
Member of the Finance and Audit Committee

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Director of COMPAGNIE DE SAINT-GOBAIN | √ | |
| Director of HKP AG | | |
| Director of PANALPINA AG | √ | |
| Director of BEKAERT NV | √ | |

**Other directorships and positions in the past five years:**

- Member of the Managing Board of GFK SE
- Director of MONIER HOLDINGS S.C.A.

**Relevant expertise and professional experience:**

Pamela Knapp is a graduate of Harvard Business School's Advanced Management Program and holds a Masters in Economics from the University of Berlin. She began her career at Deutsche Bank AG, then worked as an M&A consultant before taking on various management roles at Siemens AG, including Chief Financial Officer of the Power Transmission & Distribution Division from 2004 to 2009. From 2009 until October 2014, she was Chief Financial Officer, responsible for Finance, Financial Controlling and Accounting, Personnel and Administration at GfK SE.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 1,588 shares.**

## JEAN-FRANÇOIS KONDRATIUK

French national

Born 24 March 1950

Business address:
Peugeot Citroën
Automobiles S.A.
45, rue J.-P. Timbaud
78300 Poissy
France

**First elected to the Supervisory Board:**
24 April 2013

**Current term expires:**
2018 (4-year term)

**Member of the Supervisory Board of Peugeot S.A.**
Member representing employees*
Member of the Strategy Committee
Member of the Asia Business Development Committee

* *Appointed pursuant to Article L. 225-79-2 of the French Commercial Code.*

**Positions held within the Group as of 31 December 2016:**

- Methods Engineer at the Poissy assembly unit
- Director of the PSA Corporate Foundation

**Other directorships and positions as of 31 December 2016:** None.

**Other directorships and positions in the past five years:**

- Employee Representative
- Trade Union Representative (FO) at the PCA Poissy plant
- Employee Representative on the Health, Safety and Working Conditions Committee
- Secretary of the European Works Council

**Relevant expertise and professional experience:**

Since joining the Group in 1970, Jean-François Kondratiuk, who holds a French high school diploma (baccalauréat) in science, has been a Methods Engineer in charge of special projects in the Methods Department at the Poissy production plant. He has served as Employee Representative, Trade Union Representative (Force Ouvrière) at the PCA Poissy plant, Employee Representative on the Health, Safety and Working Conditions Committee and Secretary of the European Works Council. He resigned from these positions when he was appointed as Employee Representative on the Supervisory Board by the European Works Council in June 2014.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 10 shares.**

**Number of units in the PSA Employee Stock Ownership Fund as of 31 December 2016: 77 units.**

## HELLE KRISTOFFERSEN

French and Danish national

Born 13 April 1964

Business address:
Total S.A.
2, place Jean Millier –
La Défense
92078 Paris
La Défense Cedex
France

**First elected to the Supervisory Board:**
27 April 2016

**Current term expires:**
2020 (4-year term)

**Member of the Supervisory Board of Peugeot S.A.**
**(Independent Member)**
**Member of the Strategy Committee**
**Member of the Asia Business Development Committee**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Vice-President, Strategy and Chief Administrative Officer of the low carbon division at Total | √ | |
| Director on the Board of Directors of ORANGE | √ | |
| Director of Sunpower | √ | |

**Other directorships and positions in the past five years:**

- Director of VALEO

**Relevant expertise and professional experience:**

Helle Kristoffersen is a graduate of École Normale Supérieure and École Nationale de la Statistique et de l'Administration Économique (ENSAE). On 1 September 2016, she was named Vice-President, Strategy and Chief Administrative Officer of a new business division which covers Total's "low carbon" operations (natural gas, solar energy, energy trading and marketing, and energy efficiency services). As the division's Chief Administrative Officer, she leads the following departments: finance, legal, HR, information systems, corporate communication, security and strategic markets. She previously served as Senior Vice-President, Strategy & Business Intelligence, at Total. She spent most of her career at Alcatel, now Alcatel-Lucent, which she joined in 1994. After holding a number of positions in the group, she served as Vice-President, Corporate Strategy, from 2005 to 2008 and then Senior Vice-President, Vertical Markets, from January 2009 to December 2010. She holds France's highest honour, as a Chevalier de la Légion d'Honneur.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 1,000 shares.**

## LIU WEIDONG

Chinese national

Born 13 October 1966

Business address:
Special no. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone
Wuhan
Hubei Province
China

**First elected to the Supervisory Board:**
29 April 2014

**Current term expires:**
2018 (4-year term)

**Member of the Supervisory Board of Peugeot S.A.**
**(Appointed on the recommendation of Dongfeng)**
**Chairman of the Asia Business Development Committee**
**Member of the Finance and Audit Committee**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Chairman of DONGFENG PEUGEOT CITROËN AUTOMOBILE COMPANY LTD (DPCA) | | √ |
| Chairman of DONGFENG PEUGEOT CITROËN AUTOMOBILE SALES COMPANY LTD (DPCS) | | √ |
| Director of DONGFENG MOTOR (HONG KONG) INTERNATIONAL CO. LTD (DMHK) | | |
| Chief Operating Officer of DONGFENG MOTOR CORPORATION | | |
| Executive Director of DONGFENG MOTOR GROUP CO. LTD | √ | |
| Executive Director and Chief Executive Officer of DONGFENG MOTOR INVESTMENT (SHANGHAI) CO. LTD | | |
| Chairman of DONGFENG GETRAG TRANSMISSION CO. LTD | | |
| Director of CHINA AUTO LIGHTWEIGHT TECHNOLOGY INSTITUTE CO. LTD | | |
| Chairman of XIANGYANG DAAN AUTOMOTIVE TEST CENTER | | |

**Other directorships and positions in the past five years:**

- Non-Executive Director of DONGFENG MOTOR GROUP CO. LTD (2016)
- Vice-Chairman of DPCA (2016)
- Chairman of DONGFENG ELECTRIC VEHICLE CO. LTD (2016)
- Chairman of DONGFENG HONGTAI HOLDINGS GROUP CO. LTD (2016)
- Chairman of CHINA DONGFENG MOTOR INDUSTRY IMP. & EXP. CO. LTD (2016)
- Vice-Chairman of DONGFENG YUEDA QIYA AUTO CO. LTD (2016)
- Chairman of DONGFENG XIAOKANG AUTO CO. LTD (2016)
- Director of GUO ILIAN CENTRE TEST AUTOMOTIVE POWER BATTERY CO. LTD
- Chief Executive Officer of DONGFENG MOTOR GROUP CO. LTD PASSENGER VEHICLE CO.

**Relevant expertise and professional experience:**

Liu Weidong graduated from Wuhan Institute of Technology (now Wuhan University of Technology) with a major in automobile technology. He joined the leaf spring plant of Second Automotive Works (the predecessor of Dongfeng Motor Corporation) as an engineer in 1988. He went on to hold executive positions in various Dongfeng Group companies. Liu Weidong has been Chief Executive Officer of Dongfeng Peugeot Citroën Automobile Company Limited and Chief Operating Officer of Dongfeng Motor Corporation since 2001. In July 2011, he was named Chief Executive Officer of Dongfeng Passenger Vehicle Company. He is also currently Chairman of Dongfeng Peugeot Citroën Automobile Company Limited, Dongfeng Peugeot Citroën Automobile Sales Company Limited and Dongfeng GETRAG Transmission Co. Ltd. He is Director of Dongfeng Motor (Hong Kong) International Co. Ltd, Executive Director and Chief Executive Officer of Dongfeng Motor Investment (Shanghai) Co. Ltd, Chairman of Xiangyang Daan Automotive Test Center, and Director of China Auto (Beijing) Lightweight Technology Institute Co. Ltd.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 1,000 shares.**

## ROBERT PEUGEOT

French national

Born 25 April 1950

Business address:
FFP
66, avenue
Charles de Gaulle
92200 Neuilly-sur-Seine
France

**First elected to the Supervisory Board of FFP:**
29 April 2014

**Current term expires:**
2018 (4-year term)

**First elected to the Supervisory Board:**
6 February 2007

**Permanent Representative of FFP on the Supervisory Board of Peugeot S.A.**

Chairman of the Strategy Committee
Member of the Finance and Audit Committee

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Chairman and Chief Executive Officer of FFP | √ | |
| Director of FAURECIA | √ | √ |
| Member of the Supervisory Board of HERMÈS INTERNATIONAL | √ | |
| Director of ÉTABLISSEMENTS PEUGEOT FRÈRES* | | |
| Director of SOFINA | √ | |
| Director of DKSH AG | √ | |
| Director of TIKEHAU CAPITAL ADVISORS (SAS) | | |
| Managing Director of S.A.R.L. CHP GESTION | | |
| Managing Director of SC RODOM | | |
| Permanent Representative of FFP, Chairman of FFP INVEST* | | |
| Permanent Representative of FFP INVEST, Chairman and member of the Supervisory Board of FINANCIÈRE GUIRAUD S.A.S.* | | |
| Permanent Representative of FFP INVEST on the Board of Directors of SANEF | | |

* *Position held at FFP.*

**Other directorships and positions in the past five years:**

- Director of IMERYS (2016)
- Director of HOLDING REINIER S.A.S. (2016)
- Permanent Representative of FFP INVEST on the Supervisory Board of IDI EMERGING MARKETS S.A.
- Permanent Representative of FFP INVEST on the Supervisory Board of ZODIAC AEROSPACE
- Member of the Supervisory Board of Peugeot S.A.
- Director of SANEF
- Member of the Supervisory Board of IDI EMERGING MARKETS S.A.

**Relevant expertise and professional experience:**

After graduating from École Centrale de Paris and INSEAD, Robert Peugeot held various executive positions within the Group. From 1998 to 2007, he was Vice-President, Innovation & Quality, and a member of the Group's Executive Committee. Since 2003, he has been Chairman and Chief Executive Officer of FFP.

**FFP:**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Chairman of FFP Invest** | | |

** *FFP Invest is a director of SEB SA, Zodiac Aérospace, IDI Emerging Markets S.A., Orpea, Financière Guiraud SAS, LT Participations, IPSOS, GRAN VIA 2008, LAPILLUS II, LDAP and FFP – Les Grésillons.*

**Number of Peugeot S.A. securities owned by Robert Peugeot as of 31 December 2016: 1,000 shares.**

**Number of Peugeot S.A. securities owned by FFP as of 31 December 2016: 84,323,161 shares.**

## HENRI PHILIPPE REICHSTUL

Brazilian national

Born 12 April 1949

Business address:
Av. Brig. Faria Lima, 201
8° Andar – cjs. 82 –
CEP 05426-100 São
Paolo SP
Brasil

**First elected to the Supervisory Board:**
23 May 2007

**Current term expires:**
2017 (4-year term)

**Member of the Supervisory Board of Peugeot S.A.**
(Independent Member)
Member of the Strategy Committee
Member of the Asia Business Development Committee

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Director of SEMCO PARTNERS | | |
| Director of REPSOL YPF S.A. | √ | |
| Director of LATAM AIRLINES GROUP | √ | |
| Chairman of the Supervisory Board of FIVES GROUP | | |
| Director of BRF – Brazilian Food | √ | |

**Other directorships and positions in the past five years:**

- Director of FOSTER WHEELER and GAFISA

**Relevant expertise and professional experience:**

After earning an economics degree from the University of São Paulo and doing post-graduate work at Oxford University, Henri Philippe Reichstul began his career as a university professor of economics. He then went on to hold various civil servant positions in Brazil before serving as Chairman and Director of a variety of companies, including Petrobras, of which he was Chairman from 1999 to 2001.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 1,025 shares.**

## GEOFFROY ROUX DE BÉZIEUX

French national

Born 31 May 1962

Business address:
Notus Technologies
2 bis, rue de Villiers
92300 Levallois-Perret
France

**First elected to the Supervisory Board:**
23 May 2007

**Current term expires:**
2017 (4-year term)

**Member of the Supervisory Board of Peugeot S.A.**
Senior Independent Member
Chairman of the Appointments, Compensation and Governance Committee
Member of the Finance and Audit Committee

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Chairman of NOTUS TECHNOLOGIES | | |
| Director of PARROT S.A. | √ | |
| Chairman of CREDIT.FR | | |
| Vice-Chairman, Treasurer and member of the Bureau of MEDEF | | |

**Other directorships and positions in the past five years:**

- Chairman of OMEA TELECOM (VIRGIN MOBILE)
- Vice-Chairman of the Supervisory Board of SELOGER.COM

**Relevant expertise and professional experience:**

After graduating from the ESSEC business school, Geoffroy Roux de Bézieux held various positions at L'Oréal from 1986 to 1996. He was Founder-Chairman of The Phone House, France's leading independent mobile phone retailer. He later sold the company to The Carphone Warehouse, which appointed him as Managing Director Europe in 2000 and Chief Operating Officer in 2003, a position he held until 2006. From 2006 to 2014 he was Founder-Chairman of Omea Telecom (Virgin Mobile) and is now Chairman of the investment company Notus Technologies.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 1,000 shares.**

## ANNE VALLERON

French national

Born 1 July 1953

Business address:
PSA Groupe
Centre Technique
de Vélizy
Route de Gisy
78943 Vélizy-
Villacoublay Cedex
France

**First elected to the Supervisory Board:**
24 April 2013

**Current term expires:**
2017 (4-year term)

**Member of the Supervisory Board of Peugeot S.A.**

**Member representing employee-shareholders**
**Member of the Appointments, Compensation and Governance Committee**
**Member of the Finance and Audit Committee**

**Positions held within the Group as of 31 December 2016:**

- Project Leader in the Quality & Engineering Department
- Chairman of the Supervisory Board of the PSA Employee Stock Ownership Fund

| Other directorships and positions as of 31 December 2016 |
|---|
| Vice-Chairman and Director of CETM (Centre d'Études des Techniques et Industries Mécaniques) |
| Advisor to the Île-de-France Economic and Social Council |
| Vice-President of the management employees section of the Nanterre Labour Tribunal (Conseil des Prud'hommes) |
| General Secretary of the CFE-CGC trade union group for the Hauts-de-Seine département |

**Other directorships and positions in the past five years:**

- CFE-CGC Trade Union Representative on the La Garenne facility's Works Council
- Employee Representative for this facility, Trade Union Representative (CFE-CGC) at the La Garenne facility
- Trade Union Representative (CFE-CGC) for Peugeot Citroën Automobiles

**Relevant expertise and professional experience:**

A graduate of the École Centrale de Lyon engineering school, Anne Valleron began her career in 1976 with Automobiles Citroën. After holding positions in diesel engine research and development, she was first promoted to the position of XU petrol engine department head and then to EW engine project manager. She is currently involved in project management with the Research and Development Department. In 2015, she obtained an Executive Director Certificate from Institut Français des Administrateurs (IFA) in partnership with Sciences Po.

**Number of Peugeot S.A. securities owned as of 31 December 2016: 500 shares.**

**Number of units in the PSA Employee Stock Ownership Fund as of 31 December 2016: 2,784 units.**

## FLORENCE VERZELEN

French national

Born 28 February 1978

Business address:
ENGIE
1, place Samuel
de Champlain
92930 Paris La Défense
France

**First elected to the Supervisory Board:**
29 April 2014

**Current term expires:**
2018 (4-year term)

**Permanent Representative of SOGEPA on the Supervisory Board of Peugeot S.A.**
**(Appointed on the recommendation of the French State)**
**Member of the Finance and Audit Committee**
**Member of the Asia Business Development Committee**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Chief Operating Officer of ENGIE Europe and Chief Executive Officer of ENGIE Russia | | |
| Director of AIR FRANCE | | |

**Other directorships and positions in the past five years:**

- Director of STORENGY DEUTSCHLAND (2016)
- Procurement Performance Plan Director of Engie
- Deputy Procurement Director of ENGIE

**Relevant expertise and professional experience:**

After graduating from École Polytechnique and École des Mines, Florence Verzelen joined the Project Finance Department of Société Générale Investment Banking in New York. She then moved to the European Commission, working in the Directorate General for Trade and then the Directorate General for Competition, before joining the staff of the junior minister for European Affairs, in charge of industrial and trade matters. Florence Verzelen joined the Engie Group (GDF Suez) in 2008. She was responsible for mergers and acquisitions from 2008 to 2010, and then headed the subsidiary in Qatar from 2010 to 2013. From 2013 to 2015, she was Procurement Performance Plan Director and Deputy Procurement Director. Since 2015, she has been Chief Operating Officer of Engie Europe, in charge of operations, business development and innovation, and Chief Executive Officer of Engie Russia.

**SOGEPA**

**Other directorships and positions as of 31 December 2016:** None.

**Other directorships and positions in the past five years:** None.

**Number of Peugeot S.A. securities owned by Florence Verzelen as of 31 December 2016: None.**

**Number of Peugeot S.A. shares owned by SOGEPA as of December 31, 2016: 110,622,220 shares.**

## FRÉDÉRIC BANZET

French national

Born 16 September 1958

Business address:
FFP Investment UK Ltd
2 Duke Street
London W1U 3EH
United Kingdom

**First elected as Advisor to the Supervisory Board:** 29 July 2014

**Current term expires:** 2018 (4-year term)

**Advisor**
**(Appointed on the recommendation of FFP/EPF)**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Senior Partner and member of Executive Management at FFP | √ | |
| Permanent Representative of FFP Investment on the Supervisory Board of ZODIAC AEROSPACE | √ | |
| Director of Établissements Peugeot Frères | | |
| Director and Chairman of FFP INVESTMENT UK LTD | | |
| Director of IDI EMERGING MARKETS | | |

**Other directorships and positions in the past five years:**

- Director of FFP
- Director of AUTOMÓVEIS CITROËN
- Director of CITROËN BELUX
- Director of CAPSA
- Director of AUTOMÓVILES CITROËN ESPAÑA S.A.
- Director of CITROËN UK LTD,
- Director of BERI ITALIA S.R.L.
- Director of CITROËN SVERIGE AB
- Permanent Representative of AUTOMOBILES CITROËN as Chairman of AUTOMÓVEIS CITROËN
- Chairman and Chief Executive Officer of AUTOMOBILES CITROËN
- Member of the Supervisory Board of PEUGEOT CITROËN UKRAINE
- Member of the Supervisory Board of CITROËN POLSKA SP ZOO
- Member of the Supervisory Board of CITROËN NEDERLAND B.V.
- Permanent Representative of AUTOMOBILES CITROËN on the Board of Directors of BANQUE PSA FRANCE

**Relevant expertise and professional experience:**

Frédéric Banzet holds a law degree and is a graduate of ISTEC and Harvard Business School. He held various positions within the Group, spending eight years as part of the Corporate Finance team in France and abroad (including four years as Chief Operating Officer of PSA Finance UK, London). He also held the position of Head of Asia-Pacific Operations Peugeot, before moving to Citroën as Head of International Affairs then Head of Sales and Marketing, Europe. He was Chief Executive Officer of the Citroën brand from 2009 until June 2014. In September 2014, he joined FFP's executive management team.

**Number of Peugeot S.A. securities owned as of 31 December 2016: None.**

## AYMERIC DUCROCQ

French national

Born 19 January 1979

Business address:
Ministère des Finances et des Comptes Publics
Ministère de l'Économie, de l'Industrie et du Numérique
Agence des Participations de l'État
139, rue de Bercy
75572 Paris Cedex 12
France

**First elected as Advisor to the Supervisory Board:** 28 July 2015

**Current term expires:** 2019 (4-year term)

**Advisor**
**(Appointed on the recommendation of SOGEPA)**

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Head of Mergers & Acquisitions at EDF Group | √ | |

**Other directorships and positions in the past five years:**

- Head of Industrial Shareholdings at the French Government Shareholding Agency of the French Ministry of Finance (2016)
- Director of STX France (2016)
- Director of ODAS (2016)
- Head of Transport Infrastructure – Audiovisual Sector at the French Government Shareholding Agency of the French Ministry of Finance
- Alternate Executive Director for France at the International Monetary Fund (IMF)
- Director of SFTRF
- Director of ATMB
- Member of the Supervisory Board of ARTE France
- Member of the Supervisory Board of Aéroports de Nice
- Member of the Supervisory Board of Aéroports de Marseille
- Member of the Supervisory Board of Aéroports de Lyon
- Member of the Supervisory Board of the Port of Dunkirk
- Member of the Supervisory Board of the Port of Marseille

**Relevant expertise and professional experience:**

Aymeric Ducrocq, a graduate of Sciences Po Paris and École Nationale d'Administration, started his career as Deputy Head of official development assistance and multilateral development institutions in the Treasury Department of the French Ministry of Finance. In 2008, he joined the International Monetary Fund in Washington D.C. as an Alternate Executive Director for France. In September 2011, he became Head of Industrial Shareholdings at the French Government Shareholding Agency of the French Ministry of Finance. Aymeric Ducrocq has been Head of Mergers & Acquisitions at EDF Group since April 2016.

**Number of Peugeot S.A. securities owned as of 31 December 2016: None.**

## WEI WENQING

Chinese national

Born 7 May 1963

Business address:
Special no. 1
Dongfeng Road
Wuhan Economic
and Technology
Development Zone
430056
Hubei Province
China

**First elected as Advisor to the Supervisory Board:** 28 July 2015

**Current term expires:** 2019 (4-year term)

**Advisor**
(Appointed on the recommendation of Dongfeng)

| Other directorships and positions as of 31 December 2016 | Listed company | Group company |
|---|---|---|
| Deputy Chief Engineer - Vice-President of Strategy at DONGFENG MOTOR CORPORATION | | |

**Other directorships and positions in the past five years:**

- Chief Operating Officer of two brands for Dongfeng Citroën at DPCA

**Relevant expertise and professional experience:**

Wei Wenqing graduated from Huazhong University with a Masters in Science and Technology Management and from Wuhan University of Science and Technology with a Doctorate in Management. He began his career as a preparation technician at Dongfeng Motors in 1983. From 1995 to 2014, he was head of the quality unit, director of the paint workshop, Chief Superintendent of Executive Management, Director of the Industrial and Manufacturing department, Chief Operating Officer Director of the Dongfeng-Citroën brand and Chief Operating Officer of two brands at Dongfeng Peugeot Citroën Automobiles. Wei Wenqing is currently Deputy Chief Engineer and Vice-President of Strategy at Dongfeng Motor Corporation.

**Number of Peugeot S.A. securities owned as of 31 December 2016: None.**

### Supervisory Board members who stepped down in 2016

**BRUNO BÉZARD**

Vice-Chairman of the Supervisory Board until 30 June 2016

Representative of the French State

First elected to the Supervisory Board: 29 April 2014

**PATRICIA BARBIZET**

Member of the Supervisory Board until 27 April 2016

First elected to the Supervisory Board: 24 April 2013

## 3.1.2. Disclosures on the situation of members of the Supervisory Board and Managing Board

### FAMILY RELATIONSHIPS

Marie-Hélène Peugeot Roncoroni, Robert Peugeot and Frédéric Banzet are cousins. There are no family ties among the other Supervisory Board or Managing Board members.

### CONFLICTS OF INTEREST

The corporate officers have declared that no conflicts of interest arose during fiscal 2016 between their obligations to Peugeot S.A. and their personal interests or other obligations, and that none existed at the date of this Registration Document.

In February 2017, the Supervisory Board reviewed possible business relationships between corporate officers and the Group. On the recommendation of the Appointments, Compensation and Governance Committee, the Supervisory Board concluded that these business relationships were not material (for further details, please refer to Section 3.2, page 106).

The Company was informed that on 23 April 2014, certain Managing Board members (Jean-Baptiste Chasseloup de Chatillon and Grégoire Olivier) agreed, along with the other members of the Peugeot family group, to hold their Peugeot S.A. shares for the minimum period required to qualify for the tax exemption provided for in the Dutreil Act (for further details, please refer to Section 7.3, page 294). Their commitment concerned 10 Peugeot S.A. shares. The Appointments, Compensation and Governance Committee obtained confirmation from legal counsel, prior to the agreement being signed, that the arrangement did not prejudice the Company's interests and would not have any particular consequences for the Managing Board members concerned or for the Company's governance. The Committee informed the Supervisory Board of the absence of risks in this regard.

No loans or guarantees have been granted to or on behalf of any members of the Supervisory Board or Managing Board by the Company or any Group entities.

No assets required for the operation of the business are owned by any members of the Supervisory Board or Managing Board or their families.

The rules designed to prevent conflicts of interest have been updated in the Supervisory Board's internal rules (for further details, please refer to Section 3.2, page 111).

## SERVICE CONTRACTS PROVIDING FOR BENEFITS UPON TERMINATION OF EMPLOYMENT

None of the members of the Supervisory Board or Managing Board have service contracts with Peugeot S.A. or any of its subsidiaries providing for benefits upon termination of employment.

## STATEMENTS BY MEMBERS OF THE SUPERVISORY BOARD AND MANAGING BOARD

All corporate officers have declared, as they do every year, that none of them has:

- been convicted of any fraudulent offence in the last five years;
- been a corporate officer of a company that has been in bankruptcy, receivership or liquidation in the last five years;
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities;
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the last five years.



# 3.1.3. Trading in the Company's securities by corporate directors and officers and their close relatives

In accordance with Article L. 621-18-2 of the French Monetary and Financial Code, the following transactions in the Company's securities by corporate directors and officers and their close relatives were declared:

| Date of transaction | Name and position | Type of transaction | Securities concerned | Unit price | Transaction amount |
|---|---|---|---|---|---|
| 27 December 2016 | Établissements Peugeot Frères (*société anonyme*), Member of the Supervisory Board | Sale | Shares | €15.74 | €31.48 |
| 27 December 2016 | FFP (*société anonyme*), Member of the Supervisory Board | Purchase | Shares | €15.75 | €31.5 |
| 23 December 2016 | FFP (*société anonyme*), Member of the Supervisory Board | Delivery of shares to Société Générale | Share purchase option(s) | €6.4290 | €75,799,330.8 |
| 23 December 2016 | FFP (*société anonyme*), Member of the Supervisory Board | Exercise of equity warrants | Equity warrants | €2.25 | €75,794,265 |
| 23 December 2016 | Établissements Peugeot Frères (*société anonyme*), Member of the Supervisory Board | Delivery of shares to Société Générale | Share purchase option(s) | €6.4290 | €25,103,354.9 |
| 23 December 2016 | Établissements Peugeot Frères (*société anonyme*), Member of the Supervisory Board | Exercise of equity warrants | Equity warrants | €2.25 | €25,101,697 |
| 9 December 2016 | FFP (*société anonyme*), Member of the Supervisory Board | Delivery of shares to BNP Paribas | Share purchase option(s) | €6.4280 | €57,504,888 |
| 9 December 2016 | FFP (*société anonyme*), Member of the Supervisory Board | Exercise of equity warrants | Equity warrants | €2.25 | €57,510,000 |
| 9 December 2016 | Établissements Peugeot Frères (*société anonyme*), Member of the Supervisory Board | Delivery of shares to BNP Paribas | Share purchase option(s) | €6.4280 | €6,222,304 |
| 9 December 2016 | Établissements Peugeot Frères (*société anonyme*), Member of the Supervisory Board | Exercise of equity warrants | Equity warrants | €2.25 | €6,222,802.5 |
| 9 December 2016 | Établissements Peugeot Frères (*société anonyme*), Member of the Supervisory Board | Purchase | Shares | €15.54 | €124.32 |
| 18 November 2016 | Maxime Picat, Member of the Managing Board, Executive Vice-President, Europe | Purchase | Shares | €13.97 | €13,970 |
| 27 May 2016 | Jean-Baptiste Chasseloup de Chatillon, Member of the Managing Board | Exercise of equity warrants | Equity warrants | €6.43 | €2,250 |

# 3.2. REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

In accordance with Article L. 225-68 of the French Commercial Code, the report on corporate governance and risk management procedures was approved by the Supervisory Board on 22 February 2017.

## 3.2.1. Corporate governance

The Company refers to the AFEP-MEDEF Corporate Governance Code, which was revised in November 2016, as applicable to French joint stock companies with a Managing Board and Supervisory Board. This Code can be consulted on the following website: http://www.medef.com/

The Group has applied all recommendations of the AFEP-MEDEF Code, except for a few recommendations of the Code which were not implemented. These are presented in the summary table in Section 3.2.1.3 along with the related explanations.

### 3.2.1.1. COMPOSITION OF THE SUPERVISORY BOARD

#### 3.2.1.1.1. A balanced composition

**Changes in 2016-2017**

The table below summarises the changes that took place within the Supervisory Board in 2016 up to 22 February 2017.

| Effective date | Description of the change |
|---|---|
| 23 February 2016 | Appointment of Catherine Bradley as a member of the Supervisory Board to replace Dominique Reiniche, who has resigned. |
| 27 April 2016 | Appointment of Helle Kristoffersen as a member of the Supervisory Board to replace Ms Barbizet, who has resigned. |
| 30 June 2016 | Resignation of Bruno Bézard as a member of the Supervisory Board. |
| 23 September 2016 | Co-option of Jack Azoulay as a member of the Supervisory Board to replace Bruno Bézard. |

**Current membership**

At 22 February 2017, the membership of the Supervisory Board was well balanced and consisted of the following fourteen members:

- six members appointed upon the proposal from each of the three main shareholders: two for the French Government (*via* SOGEPA), two for the Peugeot family (comprised of Établissements Peugeot Frères, hereinafter “EPF”, and FFP) and two for Dongfeng (*via* Dongfeng Motor (Hong Kong) International Co., Ltd, hereinafter “DMHK”), and the title of Vice-Chairman was given to three of the members appointed by each of these shareholders;
- six independent members, including the Chairman of the Supervisory Board and a Senior Independent Member;
- one employee representative and one employee shareholder representative.

This composition is derived from the shareholders’ agreement signed on 28 April 2014 between three reference shareholders and the Company.

Members of the Supervisory Board are appointed for a four-year term (apart from Pamela Knapp, whose six-year term had already begun when the By-laws were modified in 2011).

| Members of the Supervisory Board | Date of first appointment | Date of most recent renewal of term | Term of office expiry date | Presence on the Supervisory Board | Age | Independent according to the AFEP-MEDEF Code | Parity | Main function | Committee membership | Attendance at Board meetings | Attendance at Committee meetings |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Louis GALLOIS Chairman | 12/02/2013 | 2014 AGM | 2018 AGM | 3 | 73 | √ | | Chairman of the Supervisory Board of Peugeot S.A. | Strat. Comm., ACGC | 100% | 100% |
| Marie-Hélène PEUGEOT RONCORONI Permanent Representative of EPF Vice-Chairman | 02/06/1999 | 2014 AGM | 2018 AGM | 18 | 56 | | √ | Chief Operating Officer of EPF | ACGC, Asia BD Committee | 100% | 86% |
| Yanfeng ZHU Permanent Representative of DMHK Vice-Chairman | 04/06/2015 | - | 2018 AGM | 2 | 56 | | | Chairman of Dongfeng Motor Corporation | Strat. Comm., ACGC | 44% | 75% |
| Jack AZOULAY Vice-Chairman (French Government representative – Article 139 of the New Economic Regulations Law (Loi NRE)) | 23/09/2016 | - | 2018 AGM | 1 | 38 | | | Head of Industrial Shareholdings | Strat. Comm., ACGC | 100% | 100% |
| Catherine BRADLEY | 23/02/2016 | 2016 AGM | 2020 AGM | 1 | 57 | √ | √ | Independent director (FCA) | FAC (Chmn.), ACGC | 100% | 100% |
| Pamela KNAPP | 31/05/2011 | - | 2017 AGM | 6 | 58 | √ | √ | Independent director | ACGC, FAC | 100% | 100% |
| Jean-François KONDRATIUK Employee representative (appointed under Article L. 225-79-2 of the French Commercial Code) | 24/04/2013 | EGWC 2014 | 2018 AGM | 4 | 67 | | | Employee | Strat. Comm, Asia BD Committee | 100% | 100% |
| Helle KRISTOFFERSEN | 27/04/2016 | - | 2017 AGM | 1 | 52 | √ | √ | Total Vice-President, Strategy and Head of "low-carbon" business lines | Strat. Comm, Asia BD Committee | 83% | 100% |
| Weidong LIU (appointed on the proposal of Dongfeng) | 29/04/2014 | - | 2018 AGM | 3 | 50 | | | Deputy General Manager of Dongfeng Motor Corporation | Asia BD Committee (Chmn.), FAC | 89% | 100% |
| Robert PEUGEOT Permanent representative of FFP | 06/02/2007 | 2014 AGM | 2018 AGM | 10 | 66 | | | Chairman and Chief Executive Officer of FFP | Strat. Comm. (Chmn.), FAC | 100% | 100% |
| Henri Philippe REICHSTUL | 23/05/2007 | 2013 AGM | 2017 AGM | 10 | 67 | √ | | Director at several companies | Strat. Comm, Asia BD Committee | 89% | 75% |
| Geoffroy ROUX de BÉZIEUX Senior Independent Member | 23/05/2007 | 2013 AGM | 2017 AGM | 10 | 54 | √ | | Chairman of Notus Technologies | ACGC (Chmn.), FAC | 89% | 90% |
| Anne VALLERON Employee shareholders representative (appointed under Article L. 225-71 of the French Commercial Code) | 24/04/2013 | 2013 AGM | 2017 AGM | 4 | 63 | | √ | Employee | ACGC, FAC | 100% | 100% |

| Members of the Supervisory Board | Date of first appointment | Date of most recent renewal of term | Term of office expiry date | Presence on the Supervisory Board | Age | Independent according to the AFEP-MEDEF Code | Parity | Main function | Committee membership | Attendance at Board meetings | Attendance at Committee meetings |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Florence VERZELEN Permanent representative of SOGEPA (appointed on the proposal of the French Government) | 29/04/2014 | - | 2018 AGM | 2 | 39 | | √ | COO of Engie Europe and CEO of Engie Russia | FAC (Chmn.), Asia BD Committee | 100% | 100% |
| Corporate governance indicators | | | | | | 50%(1) | 46%(2) | | | 89%(3) | 91%(3) |

*AGM: Annual General Meeting; Asia BD Committee: Asia Business Development Committee; EGWC: European Group Works Council; ACGC: Appointments, Compensation and Governance Committee; FAC: Finance and Audit Committee; Strategy Committee.*

*(1) Employee representatives and employee shareholders are not taken into account to establish this percentage (AFEP-MEDEF Code, Article 8.3).*

*(2) Employee representatives are not taken into account to establish this percentage.*

*(3) Attendance rate including the attendance rates of Bruno Bézard (60% at Board meetings and 25% at Committee meetings) and Patricia Barbizet (67% at Board meetings and 100% at Committee meetings).*

## Senior Independent Member

The Senior Independent Member has been appointed from among the independent members and has, according to the Internal Rules of the Supervisory Board, the following powers and prerogatives:

- calling and chairing meetings of the independent members of the Supervisory Board on operational matters of the Board and to convey its conclusions to the Chairman of the Supervisory Board;
- notifying the Chairman of the Supervisory Board of any conflict of interest it has identified which could affect the deliberations of the Board;
- taking note of the significant governance concerns of shareholders not represented on the Supervisory Board and ensuring that they are addressed;
- reporting on the performance of his or her duties to the Supervisory Board and, where applicable, to the Shareholders' Meeting.

In 2016, one meeting of the independent members of the Supervisory Board was held in July. At that meeting, the independent members came to the following conclusions:

- the Board's operating procedures are flexible, open and transparent;
- the independent members can express their views without taboo or censorship;
- the Chairman of the Board does an excellent job of presiding over meetings;
- relations with the Managing Board are considered excellent.

## Employee and employee shareholder representatives

The employee representative was appointed by the Group's European Committee in accordance with Article L. 225-79-2 of the French Commercial Code and the By-laws (Article 10.I B). A representative of employee shareholders was appointed by the Shareholders' Meeting on the proposal of the Supervisory Boards of the corporate mutual funds, in accordance with the provisions of Article L. 225-71 of the French Commercial Code and the By-laws (Article 10.I C). The amendment of the By-laws to maintain representation of employee shareholders on the Supervisory Board for a period of four years, even if the percentage of employee ownership becomes less than 3%, is proposed to the Shareholders' Meeting of 10 May 2017.

In 2016, Mr Kondratiuk also received "Employee Director" training at the *Institut Français des Administrateurs.*

## Non-voting advisors

Under the terms of the shareholders' agreement to which the Company is party, each of the three reference shareholders may apply to have a non-voting advisor attend the meetings of the Supervisory Board. In accordance with the Internal Rules of the Supervisory Board, the non-voting advisors are appointed by the Supervisory Board for a term of four years.

In accordance with the law, meetings of the Supervisory Board are also attended by one non-voting member of the Peugeot S.A. Works Council.

| Non-voting advisors | Date of first appointment | Term of office expiry date | Age | Independent according to the AFEP-MEDEF Code | Attendance at Board meetings |
|---|---|---|---|---|---|
| Frédéric BANZET (appointed on the proposal of the Peugeot family) | SB 29/07/2014 | 2018 AGM | 58 | | 100% |
| Aymeric DUCROCQ (appointed on the proposal of the French Government) | SB 28/07/2015 | 2019 AGM | 38 | | 67% |
| Wenqing WEI (appointed on the proposal of Dongfeng) | SB 28/07/2015 | 2019 AGM | 53 | | 100% |

### 3.2.1.1.2. **Independence of Board members**

As stated in the Internal Rules of the Supervisory Board, "*members of the Supervisory Board represent all shareholders and must always act in the corporate interests of the Company. Each member of the Supervisory Board shall strive to ensure that their analysis, judgement, decision-making and action are independent, to benefit the Company's interest. They agree not to seek out or to accept any benefit likely to undermine this independence*".

Following preparatory work by the Appointments, Compensation and Governance Committee, the Supervisory Board reviewed the position of each of its members with regard to the independence criteria selected by the Company (Article 8.5. of the AFEP-MEDEF Code) at its meeting on 22 February 2017:

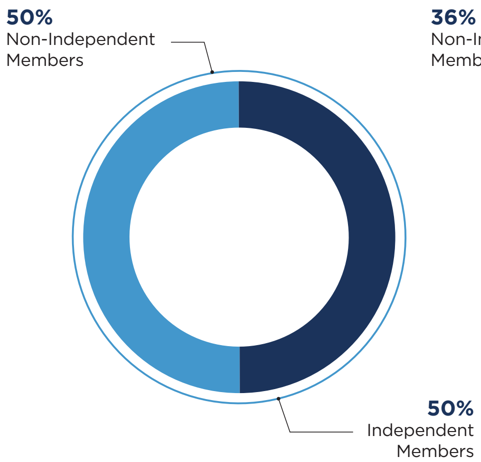
- not be an employee or Executive Director of the Company, or an employee or director of its parent company or of a company which it consolidates or has consolidated in the last five years;
- not be an Executive Director of a company in which the Company holds directly or indirectly a director term of office or in which an employee designated as such or an Executive Director of the Company (either currently or in the last five years) holds a director term of office;
- not be a major client, supplier, investment banker or corporate banker of the Company or its Group, or for which the Company or its Group represents a significant part of its business;
- have no close family ties with a corporate officer;
- not have been a Statutory Auditor of the Company in the last five years;
- not have been a Company director during the last 12 years.

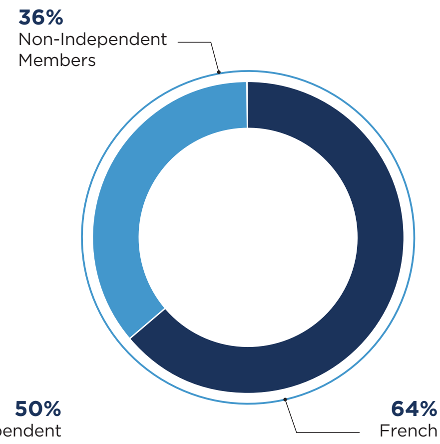
Based on these criteria, the Supervisory Board considers six members to be independent: Louis Gallois (Chairman of the Supervisory Board), Catherine Bradley, Pamela Knapp, Helle Krisoffersen, Geoffroy Roux de Bezieux (Senior Independent Member) and Henri Philippe Reichstul. This puts the proportion of independent members at 50% (Members of the Board representing employees or employee shareholders are not included when calculating this percentage in accordance with the AFEP-MEDEF Code).

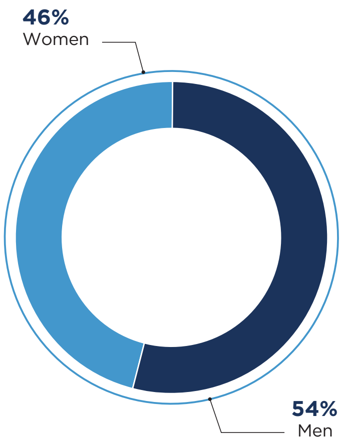
Furthermore, as part of its review, the Supervisory Board carefully examined the existence of business relationships between the members of the Supervisory Board and the Group or its shareholders, along with other criteria. After a quantitative and qualitative review of the situation, it came to the conclusion that the functions of Pamela Knapp at Compagnie de Saint Gobain and Helle Kristoffersen at Orange and Total were not likely to compromise their independence in light of the insignificant nature (assessed in terms of their duration and the revenue of the companies concerned) of the relationships between those companies and the Group. In particular, the functions they perform within those companies do not give them direct or indirect decision-making powers within the institution or as part of those business relationships.

### 3.2.1.1.3. **Diversity policy**

The Board regularly examines the desirable balance of its membership and of its committees, given the composition of and changes to the ownership structure of the Company and the diversity of representation on the Board. It currently includes six female and eight male members; women account for 46% of the members (unchanged from 2014). Employee representatives are not taken into account to establish this percentage. The Board's objective is to maintain the presence of women and independent members on it at those levels at least. The Board also has five members of foreign nationality (Pamela Knapp, Helle Kristoffersen, who has dual French/Danish nationality, Zhu Yanfeng, Henri Philippe Reichstul and Weidong Liu) and all non-employee members have experience within an international organisation. The Board's objective is to continue the internationalisation of its members through the presence of foreign members or members with extensive international experience.



### Supervisory Board member expertise:

Among the kinds of expertise required to serve on the Peugeot S.A. Supervisory Board, the table below summarises the diversity and complementarity of the expertise assembled:

| | Finance & risk management | International experience | Manufacturing | New economic models | Human resources | CSR | Governance |
|---|---|---|---|---|---|---|---|
| Louis Gallois | | | √ | | √ | | √ |
| Marie-Hélène Peugeot Roncoroni | √ | | | | | √ | √ |
| Zhu Yanfeng | | √ | √ | | | | √ |
| Jack Azoulay | √ | | | √ | | | √ |
| Catherine Bradley | √ | √ | | | | | √ |
| Pamela Knapp | √ | | | √ | √ | | |
| Jean-François Kondratiuk | | | √ | | √ | √ | |
| Helle Kristoffersen | | √ | √ | √ | | | |
| Liu Weidong | | | √ | √ | | | √ |
| Robert Peugeot | √ | | √ | | | | √ |
| Henri Philippe Reichstul | √ | √ | | | | | √ |
| Geoffroy Roux de Bézieux | | √ | | √ | | | √ |
| Anne Valleron | | | √ | | √ | √ | |
| Florence Verzelen | | √ | √ | √ | | | |

This balanced membership ensures the quality of the debates and decisions taken by the Supervisory Board.

Please refer to Section 3.1 of the Registration Document for further developments about the Supervisory Board's composition (presentation of the members, membership developments in 2016, performed terms, statements on conflicts of interest, family ties, etc.).

## 3.2.1.2. PREPARATION AND ORGANISATION OF THE WORK OF THE SUPERVISORY BOARD

### 3.2.1.2.1. Role and operating procedures of the Supervisory Board

#### Internal Rules (excerpts)

**Role**

The internal rules of the Supervisory Board are available in full on the Group's website.

In accordance with the law, the Supervisory Board acts as the oversight body of the Company, which is administered and managed by the Managing Board.

Therefore, the role of the Supervisory Board is:

- to permanently monitor the management of the Company by the Managing Board, making the checks it deems necessary;
- to perform periodic checks on the Company's management: once a quarter for the Management Report which the Managing Board submits to it and within three months of the end of each financial year when the Managing Board submits the parent company financial statements, consolidated financial statements and the Management Report intended for the Shareholder Meeting for opinion and observation. Therefore, it also examines the half-year financial report, the quarterly financial information and the financial press releases to be published by the Company.

It is regularly kept up to date by the Managing Board on the Company's financial position, cash flow situation and commitments;

- to grant, in line with its powers pursuant to Article 9 of the By-laws, in addition to the preliminary legal obligations, its authorisation prior to the completion by the Managing Board of the following actions:

**a)** propose any amendment to the Company's By-laws (or any other decision whose purpose or effect would be to amend the By-laws),

**b)** conduct share issues (whether paid up in cash or by capitalising retained earnings) and capital reductions authorised by the Shareholders' Meeting,

**c)** issue any and all ordinary or convertible bonds authorised by the Shareholders' Meeting,

**d)** draft any merger agreements or agreements for partial business transfer,

**e)** sign or terminate any manufacturing or sales agreements representing a future commitment for the Company with companies whose corporate purpose is similar or related to that of the Company and generally the execution of any major transaction which substantially alters the scope of the business or the financial structure of the Company or the Group it controls or which are not part of the strategy announced by the Group,

**f)** purchase, sell, exchange or contribute any business property and/or goodwill in excess of the amounts determined by the Supervisory Board (currently €50 million),

**g)** purchase, take or dispose of any stake in other existing or future companies which represent directly or indirectly a capital expenditure, an expense (in corporate value) or a credit or liability guarantee, immediate or deferred, in excess of the amounts determined by the Supervisory Board (currently €50 million),

**h)** sign loan agreements, other than for bond issues, for a period or an amount in excess of the limits set by the Supervisory Board (currently €100 million),

**i)** grant or renew guarantees or sureties on behalf of the Company (excluding commitments to the tax and customs authorities), irrespective of the duration of the guaranteed commitments, for an amount per commitment in excess of the amount set by the Supervisory Board (currently €25 million), or for a total yearly amount in excess of the amount set by the Supervisory Board (currently €125 million),

**j)** issue any performance-based stock option or performance share plans,

**k)** buy-back shares under a programme authorised by the Shareholders' Meeting, and

**l)** enter into any transaction agreement or any commitment, as part of a legal dispute or arbitration procedure in excess of the amounts set by the Supervisory Board (currently €50 million).

All of these authorisations affect the transactions performed by the Company and, depending on the nature of the transaction, may also affect the transactions performed by the Group's subsidiaries, with the exception of Faurecia.

The Supervisory Board ensures that the strategy proposed and applied by the Managing Board fits with its long-term vision. Each year, it examines and approves the medium-term strategic plan, the capital expenditure plan and the budget. It is alerted by the Managing Board as soon as possible in the case of an external event or internal developments which significantly jeopardise the Company's outlook or the projections submitted to the Supervisory Board.

It is notified every year of the main priorities of the Group's human resources policy.

**Operating procedures**

The Supervisory Board's Internal Rules set out the following, notably:

- the minimum number of Board meetings that must be held per year (currently five), as well as the procedures to be applied when holding the meetings and preparing the agenda;
- the procedures for supplying information to members (a monthly presentation on the Group's business and results);
- the roles and responsibilities of Supervisory Board committees;
- the obligations of Supervisory Board members;
- minimum shareholding (1,000 shares), except for French government representatives, the employee representative and the employee shareholders representative, in accordance with the special legislative provisions applicable to them;
- rules for managing conflicts of interest: "any member of the Supervisory Board who finds him or herself, even potentially, either directly or *via* an intermediary, in a conflict of interest situation with regard to the corporate interest, must notify the Chairman of the Supervisory Board, or any person appointed by the Chairman. They shall refrain from taking part in decision-making on related issues, and as such may be asked not to take part in the vote".

### Assessment of the Board's performance

The Supervisory Board's Internal Rules set out the following: the Board regularly reviews its membership, organisation, functioning and the procedures used to exercise its control. The Board also works with the Managing Board to review the operating procedures between the two bodies.

This review has three aims:

- review the Board's operating procedures;
- check that important matters are properly prepared and discussed;
- measure the actual contribution of each member to the Board's work through their skills and involvement in the deliberations.

Therefore, the Supervisory Board dedicates debate on its operating procedures once a year.

At least once every three years, a formal evaluation takes place. It is performed by the Appointments, Compensation and Governance Committee, with the assistance of an external consultant if required. The shareholders are notified every year in the Annual Report of the evaluations and any follow-up measures. A meeting of the members of the Supervisory Board is held once a year to assess the performance of the Managing Board and reflect on its future.

In 2016, the annual assessment of the operating procedures of the Supervisory Board and its committees was conducted internally then debated by the Supervisory Board at its meeting of 13 December 2016, at which Managing Board members were not present. A summary of these discussions was submitted to the Chairman of the Managing Board by the Chairman of the Supervisory Board.

The members of the Supervisory Board began by noting a number of improvements made as a result of the recommendations of the external audit conducted in 2015. The major improvements were as follows: a meeting between the Chairman of the Board and each member to address the Board's operating procedures and the contribution of each Member now takes place once a year, strategic and other issues are discussed in greater depth at the strategic seminar of the Supervisory Board, the succession plan for the Managing Board is addressed annually during an Appointments, Compensation and Governance Committee meeting, committee reports are open to all members of the Board, the Finance and Audit Committee now presents more detailed reports to the members of the Supervisory Board, and it met three times during the year to address internal audit plans and risk management.

In 2016, the Chairman had discussions with each Member of the Supervisory Board regarding their contribution to the work of the Board.

To continue improvements to the operating procedures of the Supervisory Board, the members of the Board of Directors and of the Managing Board suggested that the following major actions take place in 2017: greater care will be taken to ensure that Board documents are made available in a timely manner, the documents made available to the committees and boards will have more explanations to accompany the tables, greater visibility for the planning of topics will be given to the members of the Board, more details will be given for strategic issues in order to further improve the quality of discussions, a few months after the start of new strategic activities approved by the Supervisory Board, a progress report will be given to members in order to assess the conditions of implementation of the projected business plan and human resource issues will be discussed in further depth.

### Stock Market Code of Ethics

The Stock Market Code of Ethics was updated in 2016 to take into account new market abuse regulations. It aims to define the preventive measures authorising members of the Supervisory Board, Managing Board, Executive Committee and/or Advisors to the Supervisory Board to intervene on Peugeot S.A. and Faurecia securities, in line with market integrity rules (reminder of confidentiality obligations and the obligation to refrain from such activity in the event of access to insider information and the applicable penalties, reporting obligations, blackout periods, inclusion on the insiders' trading list, etc.). It is available in full on the Group's website. All corporate directors have signed on to the charter. They are periodically reminded of these obligations by the Company.

## 3.2.1.2.2. Supervisory Board meetings in 2016

The Supervisory Board met nine times in 2016, compared with six times in 2015. The attendance rate of its members at the meetings was 89%.

The year 2016 was marked by the implementation of the "Push to Pass" strategic plan.

The Supervisory Board also approved the following items:

Business and finance:

- presentation of the consolidated financial statements and the parent company financial statements of Peugeot S.A. for 2015 by the Chief Financial Officer (hearing of the Statutory Auditors) and review of the financial communication relating to the consolidated and parent company financial statements;
- the preparation of the Shareholders' Meeting of 27 April 2016 and the approval of the reports presented to the Shareholders' Meeting;
- the major strategic guidelines as proposed by the Managing Board (such guidelines received a favourable opinion from the Works Council, which was made known to the Board);
- the human resources policy, with a particular focus on gender equality between men and women;
- the CSR (Corporate Social Responsibility) policy, which is now presented to the Board every year, with the understanding that the mapping of CSR issues given in the Registration Document is examined by the Board;
- publication of the quarterly revenues;
- the results and financial statements from the first half of 2016, the half-year financial report and related disclosure (hearing of the Statutory Auditors);
- the 2017 budget and the medium-term plan;
- strategic partnerships in Iran.

The Supervisory Board also approved the renewal of the annual authorisation to give sureties, endorsements and guarantees and the regulated agreements in effect during 2016.

Governance and compensation:

- compensation of members of the Managing Board;
- approval of a performance share plan;
- appointment of a new member to the Managing Board (Mr Picat), co-option of two new members to the Supervisory Board (Ms Bradley and Mr Azoulay), appointment of a new member to the Supervisory Board (Ms Kristoffersen).

A strategic seminar was also held in September 2016 and the Board held a meeting at the plant in Trnava (Slovakia) in October 2016.

### 3.2.1.2.3. Supervisory Board committees

The Supervisory Board draws on the preparatory work performed by its four committees:

- the Strategy Committee;
- the Appointments, Compensation and Governance Committee;
- the Finance and Audit Committee;
- the Asia Business Development Committee.

The role of these four committees is to prepare matters for discussion at Supervisory Board meetings. They issue proposals, recommendations and opinions on the areas falling within their terms of reference and submit them to the Supervisory Board at its meetings. Members attend Committee meetings in their own names and may not be represented by another party. The committees may call upon external experts when adhering to their objectivity and independence requirements.

#### The Strategy Committee

| Membership | Independent | Main roles | Principal tasks in 2016 |
|---|---|---|---|
| Robert PEUGEOT (Chairman) | | › Look at the long-term future and potential avenues for growth and suggest to the Supervisory Board the Group's general orientations:<br>- make recommendations on the long-term strategic plans, the medium-term plan and the investment plan presented by the Managing Board;<br>- ensure that the strategy proposed and applied by the Managing Board fits with the long-term vision which the Supervisory Board has defined.<br>› At the request of the Chairman of the Supervisory Board, examine any major project from an early stage.<br>› Examine any strategic (or non-strategic) project to be authorised by the Supervisory Board (point e above of the Internal Rules). | Four meetings in 2016 with an attendance rate of 88%.<br>The work of the Committee included:<br>› the new "Push to Pass" strategic plan;<br>› strategic partnerships in Iran;<br>› the Group's used vehicles strategy;<br>› the medium-term plan;<br>› the Latin America strategy and the medium-term plan. |
| Jack AZOULAY | | | |
| Louis GALLOIS | √ | | |
| Jean-François KONDRATIUK | | | |
| Helle KRISTOFFERSEN | √ | | |
| Henri Philippe REICHSTUL | √ | | |
| Yanfeng ZHU | | | |
| **Percentage of independent directors: 50%** | | | |

## The Appointments, Compensation and Governance Committee

| Membership | Independent | Main roles | Principal tasks in 2016 |
|---|---|---|---|
| Geoffroy ROUX de BÉZIEUX (Chairman) | √ | › Appointments:<br>- determining the criteria for selecting members of the Supervisory Board and the Managing Board, making proposals on the Senior Independent Member and conducting the selection process;<br>- formulating and following a succession plan for members of the Managing Board so that it can suggest to the Board succession solutions in the event of unforeseen departures.<br>The Committee is also notified of the succession plan and appointments to the Executive Committee (for members who do not sit on the Managing Board) and for key director positions within the Group. On this occasion, the Committee appoints the Chairman of the Managing Board.<br>› Governance:<br>- monitoring changes in French regulations on the governance of listed companies and recommendations by markets and issuer representatives to submit opinions;<br>- ensuring regular evaluations by the Supervisory Board and suggesting improvements;<br>- examining and giving its opinion to the Supervisory Board on any proposal to amend the Company's By-laws which require the advance permission of the Board.<br>› Compensation:<br>- suggesting compensation of corporate officers in all their components, as well as any benefits in kind and retirement plans which may be allocated to them;<br>- examining the general compensation policy for the members of the Managing Board. | Five meetings in 2016 with an attendance rate of 87.5%.<br>The work of the Committee included:<br>› the report of the Chairman on corporate governance and internal control procedures;<br>› appointment of a new member to the Managing Board (Mr Picat), co-option of two new members to the Supervisory Board (Ms Bradley and Mr Azoulay), appointment of a new member to the Supervisory Board (Ms Kristoffersen);<br>› the 2015 variable portion and 2016 fixed portion of the members of the Managing Board;<br>› a performance share plan;<br>› employee shareholder representation on the Board;<br>› "say on pay" resolutions submitted to the AGM;<br>› the Chairman and Management Board succession plan. |
| Jack AZOULAY | | | |
| Catherine BRADLEY | √ | | |
| Louis GALLOIS | √ | | |
| Pamela KNAPP | √ | | |
| Marie-Hélène PEUGEOT RONCORONI | | | |
| Anne VALLERON | | | |
| Yanfeng ZHU | | | |
| **Percentage of independent directors: 57%** | | | |

In accordance with the AFEP-MEDEF Code, the evaluation of the performance of the Chairman of the Managing Board and other members of the Managing Board, as well as reflections on the future of management, are conducted at meetings of the Appointments, Compensation and Governance Committee and Supervisory Board at which Managing Board members are not present.

### The Finance and Audit Committee

| Membership | Independent | Main roles | Principal tasks in 2016 |
|---|---|---|---|
| Catherine BRADLEY (Chairwoman) | √ | › Oversees:<br>- the process of preparing the financial information and the efficiency of internal control and risk management systems;<br>- statutory auditing of the Company's annual financial statements and the Group's consolidated financial statements by the Statutory Auditors;<br>- the independence of the Statutory Auditors.<br>In particular, overseeing the selection procedure for renewing the Statutory Auditors.<br>› Examining and giving its opinion to the Supervisory Board on off-balance-sheet commitments, any projects requiring advance authorisation from the Board to which it refers as outlined in the Internal Rules of the Supervisory Board and the proposals on the appropriation of profit and setting of the dividend submitted by the Managing Board.<br>› Periodically examining the Group's financial position and financing. | Five meetings in 2016 with an attendance rate of 98%.<br>The work of the Committee included:<br>› the 2015 consolidated and company and half-yearly financial statements (presentation by the Chief Financial Officer, conclusions by the Statutory Auditors on their mission and discussion of the selected accounting options with them);<br>› regular monitoring of changes in the Group's financial position and the financial ratings of Group companies;<br>› regular review of the medium-term plan, use of the yearly budget and analysis of any differences;<br>› the Group's various financial communication materials, draft resolutions to the Shareholders' Meeting under its area of expertise, the fees paid to external service providers and the Statutory Auditors and the exchange rate risk management policy;<br>› the plan to strengthen internal controls and compliance;<br>› Internal Audit operations, 2016 Audit Plan and Top Group Risk mapping (as defined in Section 2.4.1 below) and 2017 Audit Plan;<br>› renewing the term of the Statutory Auditors;<br>› the audit reform in Europe and France. |
| Pamela KNAPP | √ | | |
| Weidong LIU | | | |
| Robert PEUGEOT | | | |
| Geoffroy ROUX de BÉZIEUX | √ | | |
| Anne VALLERON | | | |
| Florence VERZELEN | | | |
| **Percentage of independent directors: 50%** | | | |

The internal rules of the Finance and Audit Committee were updated in 2016 to reflect the reforms that ensued after the audit.

In accordance with the French Commercial Code and the AFEP-MEDEF Code, members of the Finance and Audit Committee must have finance and accounting expertise. Therefore, the Supervisory Board considers that all members of the Committee have such expertise as proven by their experience, past careers and training as presented in Section 3.1 of the Registration Document. Patricia Barbizet is the Chairman of the Committee, and she has the required qualities, particularly as regards her role on the Board of the Financial Conduct Authority. Apart from some exceptional cases, the period given to the Committee to examine the financial statements must be no less than four calendar days before the financial statements are presented to the Supervisory Board. The yearly and half yearly consolidated financial statements and the Company financial statements are presented by the Chief Financial Officer to the Finance and Audit Committee, then the Supervisory Board along with a presentation by the Statutory Auditors on any significant weaknesses in internal control and the accounting options selected. When it takes note of the internal control and risk mapping system, particularly as regards major risks likely to have an impact on the financial and accounting information, it ensures a degree of maturity and management for these systems and examines the way they are implemented and the way any corrective measures are applied in the event of significant weaknesses or anomalies. To that end, it is kept informed of the main observations of the Statutory Auditors and the Audit and Risk Management Division. In formalising its opinion on the quality of the internal control systems, the Committee reviews the Internal Audit plan for the coming year and is informed of the findings of the audits performed by the Audit and Risk Management Department in accordance with the plan. The Finance and Audit Committee has access to all the information it requires. It also holds meetings with the Head of the Audit and Risk Management Department, the Head of Accounting, the Head of Cash Flow and the Statutory Auditors, with or without members of the Managing Board. In this latter case, it notifies the Chairman of the Managing Board and/or the Member of the Managing Board responsible for finances. To do this, the Committee relies on the internal rules of the Committee, which outline the committee's objectives, and the report by the AMF Audit Committee working group of 22 July 2010.

### The Asia Business Development Committee

| Membership | Independent | Main roles | Principal tasks in 2016 |
|---|---|---|---|
| Weidong LIU (Chairman) | | › Considering carefully the Group's long-term future in Asia, look at potential growth strategies in the Asian market and suggest to the Supervisory Board the Group's main growth strategies in Asia and consequently making its recommendations on the Group's long-term strategic plan in Asia and on the medium term plan submitted by the Managing Board for the Asia region.<br>› Ensuring that the strategy proposed and applied by the Managing Board fits with the long-term vision for the Asian market as defined by the Supervisory Board.<br>› Monitoring the implementation of the strategic and industrial partnership agreement between the PSA Group and the Dongfeng Group.<br>The Chairman of the Supervisory Board refers all major projects concerning the Asian market to the Committee from the outset. It stays informed of the projects' content, especially their business approach and their development.<br>The Committee meets when a project concerning the Asian market requires the advance authorisation of the Supervisory Board. | Two meetings in 2016 with an attendance rate of 93%.<br>The work of the Committee included:<br>The Chinese market:<br>› the Asia strategy and the medium-term plan;<br>› the associated action plans;<br>› results of the Chinese joint ventures;<br>› Mobility services in China. |
| Helle KRISTOFFERSEN | √ | | |
| Jean-François KONDRATIUK | | | |
| Marie-Hélène PEUGEOT RONCORONI | | | |
| Henri Philippe REICHSTUL | √ | | |
| Florence VERZELEN | | | |
| **Percentage of independent directors: 40%** | | | |

## 3.2.1.3. APPLICATION OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE

The table below summarises the recommendations of the AFEP-MEDEF Code which the Company has decided not to apply in light of its particular situation:

| Relevant recommendation | Explanation |
|---|---|
| Term of office of Supervisory Board members (Art. 14) | The term of office of Supervisory Board members is four years. The Shareholders' Meeting of 25 April 2012 amended the articles of association, shortening the terms of office from six to four years to be applied in future. Therefore, the term of office of Pamela Knapp, who was appointed in 2011, is still six years until her next renewal. |
| Representative part of independent members of the Finance and Audit Committee (Art. 16.1) | Fifty per cent of the members of the Finance and Audit Committee are independent (instead of the minimum of two thirds recommended by the Code).<br>The relatively large proportion of non-independent members is due to the presence of a representative of each of the three major shareholders, given the composition of the Group's share capital and its governance as a result of the capital increases in 2014. Reaching the threshold of two thirds would bring about an increase in the number of Committee members, which may hinder its effectiveness. Therefore there are no plans to reach this threshold to date. |

## 3.2.1.4. SUPERVISORY BOARD AND MANAGING BOARD COMPENSATION PRINCIPLES

The principles and rules decided on by the Supervisory Board to determine the compensation and benefits granted to corporate officers are presented in Section 3.4 of the Registration Document.

## 3.2.1.5. ATTENDANCE OF SHAREHOLDERS AT PEUGEOT S.A. GENERAL MEETINGS AND PUBLICATION OF INFORMATION WHICH MAY HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER FOR THE COMPANY'S SHARES

Information about shareholder attendance at General Meetings can be found in Chapter 7 of the Registration Document. Pursuant to Article L. 225-100-3 of the French Commercial Code, it should be noted that there is no agreement providing for compensation for members of the Supervisory Board or the Managing Board if their term ends due to a takeover bid. In accordance with Article L. 225-68 of the French Commercial Code paragraph 10, the other information referred to in Article L. 225-100-3 of the French Commercial Code is published in Chapter 7 of the Registration Document.

## 3.2.2. Risk management and internal control procedures

### 3.2.2.1. INTERNAL CONTROL OBJECTIVES FOR THE GROUP

To prevent and limit the effect of internal and external risks, the Group has implemented risk management and internal control systems to ensure:

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

PSA Group sets up effective internal audit mechanisms based on:

- engagement at the highest level;
- accountability of all actors at all levels of the organisation;
- reliance on self-assessments on compliance and deployment of processes;
- use of the results from self-assessments to improve the efficiency and compliance of the Group's activities.

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

### 3.2.2.2. REFERENCE FRAMEWORK

The Group's risk management and internal control system complies with and functions according to the rules of the eighth directive on Statutory Audits, the *Autorité des Marchés Financiers* (AMF) Reference Framework for Risk Management and Internal Control Systems issued in January 2007, and the report of the working group on Audit Committees published by the AMF on 22 July 2010. The Group's banking arm uses a specialised system for credit institutions that complies with Regulation 97-02 of the French Banking and Financial Regulations Committee concerning internal control in credit institutions.

Faurecia, whose shares are traded on a regulated market and that acts under the responsibility of its own Board of Directors, has a separate internal control system which it applies independently.

### 3.2.2.3. INTERNAL CONTROL PRINCIPLES

The Group internal control system was designed with the following goals in mind:

- comply with rules and regulations, set an example in terms of behaviour and ethics;
- take into account the Group's ambitions;
- involve all of the Group's companies in the process, manage risks and ensure internal control compliance in all of their operations;
- to have each division manage all the risks inherent in its business through internal control processes geared to its specific challenges;
- identify and monitor major risks ("Top Risks") to which the Group is exposed and perform reporting up to Executive Committee level;
- to make the system auditable based on quality indicators.

To do this, the Group's Executive Committee decided in 2016 to strengthen the internal controls by structuring their organisation and deployment as part of a process of continued improvement.

This mission was entrusted to the Audit and Risk Management Department, which is attached to the General Counsel, which developed and set up the METRIC programme (Management of Ethics, Risks, Internal Control & Compliance).

### 3.2.2.4. PARTICIPANTS AND PROCESSES

#### 3.2.2.4.1. At Group level and in the Automotive Division for risk management

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

**The Group's Organisation and Operating Procedures are decided by the Executive Committee, and defined in Reference Documents forming a Working Framework that each person follows.**

They include the Organisation Handbook and the Operating Procedures Handbook (hereinafter the "Operating Procedure") which describe the responsibilities, procedures to be followed and, more generally, the rules to be applied by everyone. In addition, each division has a reference manual which describes its own operating procedures.

These documents are available on the Group's intranet.

**The Risk Management System is deployed Group-wide.**

Each department is responsible, in accordance with the corresponding Operating Procedure, for identifying and checking the risks to which it is exposed and implementing the necessary action plans to deal with those risks.

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

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

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

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

**Specific Risk Management and Control Procedures cover particular Risks.**

The Group's Code of Ethics is directly available to all Group employees *via* the Intranet portal. All employees are required formally to accept the terms of the Code. An Ethics Committee chaired by the General Secretary meets on a quarterly basis. An international network of Chief Ethics Officers deploys the process in every host country and systematically reports to the Ethics Committee any local ethical issues or breaches of compliance. For further information on the Group's ethics policy, see Section 2.3.4 of this Registration Document.

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

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

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

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

Under Article 173 of Law No. 2015-992 of 17 August 2015 on energy transition for green growth, the financial risks associated with the effects of climate change and the measures taken by the Group to reduce them are detailed in **Section 1.4 "Risk factors"** and **Chapter 2 "Corporate responsibility: sustainable development initiatives"** of this document and in the Group's **CSR Report**.

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

The Audit and Risk Management Department checks through audit assignments that all of the Operating rules are being adhered to. The annual audit plan, which is defined independently, is based on the "Top Group Risks" and is subsequently submitted to Executive Management for approval and presented to the Supervisory Board's Finance and Audit Committee. The Audit and Risk Management Department is also responsible for assessing the degree of maturity of the risk management system and making recommendations for improving its effectiveness. A total of 90 audits were carried out in 2016 across the entire Group.

**The Supervisory Board's control and oversight role.**

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

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

### 3.2.2.4.2. At the Group and Automotive Division levels for internal controls

#### Audit environment

To better meet regulatory requirements and consumer expectations, the Group has appointed four compliance officers in the areas of competition, anti-corruption, personal data and approval to take care of and integrate these concerns internally.

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

As needed, they rely on a network of Internal Control and Risk Managers (ICRMs) established in 2016. These managers are responsible within their departments for leveraging the Group's rules and adapting them to their department's activities. The ICRMs identify the risks specific to their department and keep them under control. They oversee the drafting and maintenance of business line reference guides and major processes, and ensure they are consistent with the Group's rules (including compliance rules). They conduct self-assessments of their departments.

#### Control activities

Control activities are designed to ensure the application of the standards, procedures and recommendations from audits that ensure the implementation of the Executive Management's guidelines. All departments reporting to the Chairman of the Managing Board have annual self-assessment process:

- the tool supporting the METRIC programme allows departments to self-assess and evaluate their compliance with the Group's internal control rules. It also allows the necessary action plans to be followed when necessary;
- the departments' results from the METRIC self-assessment campaign are reported once a year to the Executive Committee. Appropriate action plans are put in place by the entities with the objective of continuous improvement and their proper implementation can be assessed later through internal audits.

#### Internal audit oversight

The Executive Committee initiated the internal control system. It's oversight is based on the following points:

- an annual review by the Department Committee that presents the results of the entity's self-assessment;
- an annual presentation to the Executive Committee of a summary of internal control activities that gives the Group's executive managers concise information on the degree of maturity of the internal controls;
- an annual presentation to the Audit and Finance Committee of the Supervisory Board detailing the major risks of the Group, the associated audit plan and the level of maturity of the Group regarding internal controls.

The ICRM network meets periodically. These meetings are supplemented, as needed, by the creation of working groups and the deployment of awareness-raising efforts and training.

### A continued improvement approach

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

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

### 3.2.2.4.3. Banque PSA Finance

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

### 3.2.2.4.4. Faurecia

Faurecia's risk management and internal control procedures are presented in its 2016 Registration Document, which can be found on its website (www.faurecia.com).

## 3.2.2.5. PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

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

### 3.2.2.5.1. Accounting and financial organisation

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

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

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

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

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

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

### 3.2.2.5.2. Procedures for producing and processing accounting and financial information

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

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

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

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

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

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

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

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

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

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

### 3.2.2.6. EXAMINATION OF INTERNAL CONTROL PROCEDURES FOR THE PREPARATION OF THIS REPORT

This report was based on the following main procedures:

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

# 3.3. STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF PEUGEOT S.A.



*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.*

To the Shareholders,

In our capacity as statutory auditors of Peugeot S.A., and in accordance with article L. 225-235 of the French commercial code (*Code de commerce*), we hereby report on the report prepared by the chairman of your company in accordance with article L. 225-68 of the French commercial code (*Code de commerce*) for the year ended December 31, 2016.

It is the chairman's responsibility to prepare and submit for the supervisory board's approval a report on the internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-68 of the French commercial code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- confirm that the report also includes the other information required by article L. 225-68 of the French commercial code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

## Information on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairman of the supervisory board in accordance with article L. 225-68 of the French commercial code (*Code de commerce*).

## Other information

We confirm that the report prepared by the chairman of the supervisory board also contains the other information required by article L. 225-68 of the French commercial code (*Code de commerce*).

Courbevoie and Paris-La Défense, February 23, 2017

The statutory auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Jean-François Bélorgey |

# 3.4. COMPENSATION OF CORPORATE OFFICERS

This chapter was drawn up with the support of the Appointments, Compensation and Governance Committee, which takes care to adhere to the recommendations of the AFEP-MEDEF Code according to its version of November 2016 in its analysis and proposals to the Board. It was approved by the Supervisory Board on 22 February 2017.

Sections 3.4.1.1 and 3.4.2.1 of this chapter include the report on the criteria and principles used for determining, distributing and allocating the components which make up the overall compensation and fringe benefits attributable to the Chairman of the Managing Board, the members of the Managing Board and the members of the Supervisory Board which are subject to the approval of the Shareholders' Meeting of 10 May 2017 (16th, 17th and 18th Resolutions) in accordance with the provisions of Article L. 225-82-2 of the French Commercial Code as derived from the Sapin 2 Law. These principles and criteria are applicable for 2017.

The draft resolution submitted to the Shareholders' Meeting is presented in Section 8.1.

## 3.4.1. Members of the Managing Board

### 3.4.1.1. PRINCIPLES AND CRITERIA APPLICABLE TO THE MEMBERS OF THE MANAGING BOARD

The compensation policy takes into account principles of completeness, balance, comparability, consistency, and readability of measurement rules.

All components of compensation and all benefits for each Member of the Management Board are reviewed each year to assess the overall compensation of each one.

The compensation structure encourages the attainment of short and long term targets with a view to streamlining and aligning the interests of Managing Board members with those of the Company and its shareholders.

It consists of three elements:

- an annual fixed part;
- an annual variable part;
- a long-term compensation plan (performance shares).

Benchmark studies of companies listed on the CAC 40 and comparable European companies were prepared by an independent firm based on public information concerning the fixed compensation, variable compensation and long-term performance plan.

#### Fixed compensation

The fixed annual compensation paid to the Chairman of the Managing Board and members of the Managing Board reflects their responsibilities. It has not changed since 2009.

The annual fixed compensation paid to the Chairman of the Managing Board is €1,300,000. The other members of the Managing Board are paid €618,000. If they hold their position abroad, members of the Managing Board may receive an expatriation allowance in line with the Group's policy in this area.

#### Annual variable compensation

It is designed to align the compensation paid to members of the Managing Board with the Group's annual performance and to contribute year on year to the implementation of its strategy.

It is expressed as a percentage of fixed yearly compensation.

The Chairman of the Managing Board is entitled to an annual variable compensation representing up to 170% of his annual base compensation. For the other members of the Managing Board, it may represent up to 125% of their annual base salary.

In order to have a variable compensation structure consistent with the practices of a large majority of the market and leverage outperformance (*i.e.*, exceeding of targets), compensation for exceeding targets has been introduced. From 2017, the outperformance rate for the Chairman of the Managing Board and for the other members of the Managing Board are aligned, with compensation of up to 122% for collective Group targets. Consequently, in the event all collective Group targets are exceeded, additional compensation may be granted. This would bring the maximum variable compensation from 170% to 200% for the Chairman of the Managing Board (compared with 180% in 2016) and from 125% to 147% for its other members (compared with 130% in 2016).

On the proposal of the Appointments, Compensation and Governance Committee, the Supervisory Board determines at the beginning of the year the specific, ambitious qualitative and quantitative objectives for the year.

#### Precise, pre-established, ambitious objectives

Targets for the Managing Board as a whole and individual objectives are assigned to them.

As for all Group employees who receive variable compensation, a double trigger threshold based on operating free cash flow and Automotive Division recurring operating income for the upcoming year determines the payment of individual and collective targets.

Collective Group targets, of which there are at least two, represent 80% of the maximum variable part. They consist of at least one economic performance and at least one quality-related criterion. A trigger threshold determines their payment.

Targets specific to each Executive Director represent 20% of the maximum variable part. They are established in relation to the respective executive functions of the members of the Managing Board, and there are at least two of them. They consist of economic performance, with the understanding that at least one corporate social responsibility criterion is assigned to the Chairman of the Managing Board.

Quantifiable targets take precedence over qualitative targets. The criteria are defined in a precise manner.

The trigger threshold and the level of achievement required for each of these criteria are established precisely in relation to the corresponding items in the budget.

Each year, the Registration Document includes information on the description and nature of each target, the percentage of the maximum variable part it represents, the trigger threshold, the percentage of achievement of each assigned goal and the overall percentage of achievement by each Member of the Managing Board.

In accordance with the provisions of the Sapin 2 Law, the payment of the variable compensation for 2017 and subsequent years will be conditioned by the approval of the Ordinary Shareholders' Meeting for the compensation for each Member of the Managing Board.

## Long-term compensation plan (performance shares)

Performance share grants are set up each year to encourage members of the Managing Board to think about the long-term consequences of their actions, maintain their loyalty and encourage the alignment of their interests with corporate interests and the interests of the shareholders. This is part of an overall plan for hundreds of the Group's senior managers and executives, in accordance with the authorisation of the Shareholders' Meeting.

The number of shares that may be attributed to the members of the Managing Board may not represent over 26 months more than 0.15% of share capital, as recorded on the day of the decision to grant by the Managing Board. Note that this total amount is included in the 0.85% of the share capital which may be allocated by way of performance share grants, as authorised by the Shareholders' Meeting of 27 April 2016 (14th Resolution).

The performance shares granted to their beneficiaries vest upon completion of a period set by the Managing Board that may not be less than three years, and the final number of shares that vest is determined over a performance period of three consecutive years. The Managing Board is free to decide whether or not to set a lock-up period.

Vesting is subject to at least two performance conditions set by reference to targets internal and/or external to the Group in connection with the Group's strategic plan. None, some or all of the shares will vest, depending on the degree to which the performance objectives defined under the performance share grant are met.

The Registration Document includes, for each plan, information on vested shares and information on zero, partial or total achievement for each performance condition.

The performance share grant targets are consistent with their contribution to the Group's strategic objectives over the performance measurement period.

Each grant will include, for each member of the Managing Board:

- an obligation to keep, in registered form and until the cessation of their role, at least 25% of the number of vested shares (subject to the performance conditions being met) at the end of the vesting period;
- a commitment not to carry out transactions to hedge their risk on the awarded shares.

The lock-up condition mentioned above, applicable to each member of the Managing Board, will cease to apply when a member holds a number of registered shares that is equal to more than two years of his gross salary. However, the conditions shall automatically re-apply if the number of said shares falls below the target level. The calculation will take into account the price of the share on the vesting date of the performance shares.

The Supervisory Board may, when they are granted, include a provision authorising it to decide whether or not to maintain the shares not yet vested on the departure of the beneficiary.

## Pension scheme

A new annual defined-contribution plan pension system has been in place since 1 January 2016, for Executive Directors and members of the Executive Committee of the Group. It replaces the defined-benefit plan that was terminated effective as from 31 December 2015. It is described in detail on page 134. The entire plan was authorised by the Supervisory Board in accordance with the procedure for regulated agreements and commitments and was submitted, based on the Statutory Auditors' Special Report, for the approval of the Shareholders' Meeting of 27 April 2016 (4th Resolution). No changes were made since approval was given. In light of the renewal of the members of the Managing Board in 2017, it will be submitted again for shareholder approval, as part of the regulated commitments, based on the Statutory Auditors' Special Report, at the Shareholders' Meeting of 10 May 2017 (4th Resolution).

## Employment contract

No member of the Managing Board has a salaried position within the Group; the employment contracts of Jean-Baptiste Chasseloup de Chatillon, Maxime Picat and Jean-Christophe Quémard have been suspended. This suspension was justified by their considerable length of service as employees. Carlos Tavares does not hold an employment contract.

## Other compensation or benefits

The only benefits in kind provided to Managing Board members are a company car and medical insurance.

There is no other compensation or fringe benefits other than those stated above. There is no particular commitment to the members of the Managing Board, past or present, concerning benefits due upon the completion of their term (including end-of-term or non-compete indemnities).

Should a member of the Managing Board be appointed after the Shareholders' Meeting, his or her compensation will be determined by the Supervisory Board, in accordance with the principles and criteria approved by the Shareholders' Meeting or in accordance with current practices for the exercise of similar functions, adapted as appropriate when such person is performing new functions or a new term of office with no equivalent in the previous year.

### 3.4.1.2 2016 COMPENSATION AND FRINGE BENEFITS

The amounts corresponding to compensation, commitments and fringe benefits for their terms of office for 2016 are shown in the tables on page 126 and following.

Note that Grégoire Olivier was appointed to head the new Mobility Services Department and left the Managing Board on 31 August 2016. The compensation he received as a member of the Managing Board until that date is shown in the above-mentioned tables. In view of the fact that his position was based in China, he received an expatriation allowance representing 35% of his fixed compensation in 2016. Grégoire Olivier's employment contract, which had been suspended, is once again in effect. He receives employee compensation for his new position within the Group.

The compensation packages and fringe benefits due or awarded in respect of 2016 to the members of the Managing Board which will be submitted to advisory vote during the Shareholders' Meeting of 27 April 2016 pursuant to the recommendations of the AFEP-MEDEF Corporate Governance Code applicable to listed companies (paragraph 24.3), are presented in Section 8.1.

## 3.4.1.3 2017 COMPENSATION AND FRINGE BENEFITS

On 22 February 2017, the Supervisory Board determined, following the proposal of the Managing Board and the recommendation of the Appointments, Compensation and Governance Committee, the compensation and fringe benefits for the members of the Managing Board in respect of 2017, in accordance with the criteria and principles set out in Section 3.4.1.1.

In that context, targets were pre-established for the members of the Managing Board for 2017:

The structure of the targets for the variable part is as follows:

| Threshold/target distribution | Thresholds/targets | Type of criterion |
|---|---|---|
| Double trigger threshold | Recurring Operating Income of Automotive Division greater than a positive figure | Economic performance |
| | 2017 operating free cash flow of manufacturing and commercial companies (excluding restructuring plans and non-recurring items) greater than a positive figure | Economic performance |

| Threshold/target distribution | Thresholds/targets | Type of criterion | Percentage of maximum variable part |
|---|---|---|---|
| **Collective targets representing 80% of the maximum variable part** | Automotive Division Operating Margin (40% of the collective target) | Economic performance | 32% |
| | Revenue growth in the Automotive Division at constant exchange rates (40% of the collective target) | Economic performance | 32% |
| | Vehicle quality (10% of the collective target) | Performance | 8% |
| | Quality of service on vehicle sales and after-sales (10% of the collective target) | Performance | 8% |

| Threshold/target distribution | Thresholds/targets | Type of criterion | Percentage of maximum variable part |
|---|---|---|---|
| **Targets specific to each Executive Director representing 20% of the maximum variable part** | | | |
| Carlos Tavares, Chairman of the Managing Board: | › Group Recurring Operating Income (+100% BPF +50% China JV) | Economic performance | 10% |
| | › Workplace safety | Corporate social responsibility | 10% |
| Jean-Baptiste Chasseloup de Chatillon: | › Results from Parts and Services | Economic performance | 10% |
| | › Results from used vehicle activity | Economic performance | 10% |
| Jean-Christophe Quémard: | › Africa Middle East Region Recurring Operating Income | Economic performance | 10% |
| | › Africa Middle East Region worldwide sales volume | Economic performance | 10% |
| Maxime Picat: | › Europe Region Recurring Operating Income | Economic performance | 10% |
| | › Market share<br>› Europe registrations | Economic performance | 10% |

The figures are not made public for confidentiality reasons.

### 2017 proposed performance share grants

Following its decision on 22 February 2017, the Supervisory Board decided to grant performance shares to members of the Managing Board in accordance with the authorisations of the Shareholders' Meeting on 27 April 2016.

The Chairman of the Managing Board is allocated 130,000 performance shares, and the other members of the Managing Board 60,000 performance shares. These allocations are part of an overall grant covering several hundred senior managers and executives of the Group, for a total of 2,700,000 shares (representing 0.31% of the share capital at 31 December 2016).

The vesting period is divided into two stages: 50% of the shares initially allocated will be subject to a vesting period of three years while the remaining 50% will be subject to a vesting period of four years.

The final number of shares that vest at the end of each vesting period will be determined over a performance period of three consecutive years (2017-2019).

The performance shares will vest subject to two performance conditions:

| Fractions of shares of each vesting period *(each fraction = 50% of shares of the vesting period)* | Type of performance objective | Trigger threshold | Attainment |
|---|---|---|---|
| Fraction 1 | Average Recurring Operating Margin Automotive Division 2017-2019 | Principle: trigger threshold equal to the initial target of the "Push to Pass" strategic plan.<br>If the trigger threshold is reached, 50% of the shares corresponding to the fraction will vest.<br>If the trigger threshold is not reached, neither shares in this Fraction nor in the Fraction 2 will vest. | Principle: attainment exceeds the Recurring Operating Margin of "Push to Pass" strategic plan.<br>Beyond the trigger threshold, the number of shares that will vest will vary on a linear basis up to 100% of the shares corresponding to the fraction if this target is met. |
| Fraction 2 | Growth in Group revenue in 2019 versus 2016 (at constant exchange rates) | Principle: threshold near the growth curve of the "Push to Pass" strategic plan.<br>If the trigger threshold is reached, 50% of the shares corresponding to the fraction will vest.<br>If the trigger threshold is not reached, no shares in the Fraction 2 will vest. | Principle: attainment exceeds the growth curve announced in the "Push to Pass" strategic plan.<br>Beyond the trigger threshold, the number of shares that will vest will vary on a linear basis up to 100% of the shares corresponding to the fraction if this target is met. |

This plan does not include a lock-up period.

This grant includes, for each member of the Managing Board:

- to keep, in registered form and until the cessation of their role, at least 25% of the number of vested shares (subject to the performance conditions being met) at the end of the vesting period;
- to refrain from carrying out transactions to hedge their risk on the awarded shares.

The lock-up condition mentioned above, applicable to each member of the Managing Board, will cease to apply when a member holds a number of registered shares that is equal to more than two years of his gross salary. However, the conditions shall automatically re-apply if the number of said shares falls below the target level. The calculation will take into account the price of the share on the vesting date of the performance shares.

## 3.4.2. Members of the Supervisory Board

### 3.4.2.1. PRINCIPLES AND CRITERIA APPLICABLE TO THE MEMBERS OF THE SUPERVISORY BOARD

**Compensation of the Chairman and Vice-Chairmen**

The compensation of the Chairman of the Supervisory Board (which Mr Gallois has waived up until now) is €300,000 and the compensation of the Vice-Chairmen is €40,000. This compensation is not deducted from the annual total amount of attendance fees.

**Attendance fees of members of the Supervisory Board**

Supervisory Board members and the Advisor receive annual attendance fees of an overall amount determined in advance by the Shareholders' Meeting. Pursuant to the decision of Peugeot S.A.'s Shareholders' Meeting of 27 April 2016, this amount has been set at €1.1 million until further notice.

Since 2016, the Supervisory Board has introduced a controlling variable part for attendance fees that will be distributed as follows:

| For attendance at Board meetings: | For attendance at Committee meetings: | Chairmanship of a Committee: | For Advisors to the Supervisory Board: |
|---|---|---|---|
| › fixed part: €16,000;<br>› variable part: €24,000, if 100% of meetings are attended*, prorated for absences. | › fixed part: €6,000;<br>› variable part: €9,000, if 100% of meetings are attended*, prorated for absences. | Chairmanship of the Finance and Audit Committee:<br>› fixed part: €12,000;<br>› variable part: €18,000, if 100% of meetings are attended*, prorated for absences.<br>Chairmanship of other committees:<br>› fixed part: €8,000;<br>› variable part: €12,000, if 100% of meetings are attended*, prorated for absences. | › fixed part of €8,000;<br>› variable part: €12,000, if 100% of meetings are attended*, prorated for absences. |

* *Including by audio-conference or video conference.*

For terms which have ended or took effect during the year, the fixed part of the attendance fees due shall be prorated. Should there be a risk of exceeding the total amount of €1.1 million during a year, a reduction coefficient may be applied to the amount of the attendance fees attributable to members and advisory members.

Anne Valleron (employee shareholder representative) waived her attendance fees, as she does every year.

The director's fees of Bruno Bézard, Jack Azoulay and Aymeric Ducroq are paid to the French government (the Public Treasury), those of Florence Verzelen to SOGEPA, and those of Zhu Yanfeng, Weidong Liu and Wei Wenqing to Dongfeng.

Apart from the above-mentioned compensation and director's fees, no other compensation is paid to the members of the Supervisory Board.

No benefits in kind have been awarded to Supervisory Board members, with the exception of a company car provided for the Chairman. The Company reimburses the members of the Supervisory Board the expenses incurred for the performance of their duties.

### 3.4.2.2. 2016 SUPERVISORY BOARD COMPENSATION AND FRINGE BENEFITS

The amounts corresponding to compensation, director's fees, commitments and fringe benefits of the members of the Supervisory Board for their service in 2016 are shown in the table on page 129.

## 3.4.3. Compensation and benefits

### SUMMARY TABLE – COMPENSATION, OPTIONS AND PERFORMANCE SHARES ALLOCATED TO EACH EXECUTIVE DIRECTOR

| **Carlos TAVARES**<br>**Chairman of the Managing Board** | **2015 financial year** | **2016 financial year** |
|---|---|---|
| Compensation owed for the year (details in the table below) | 3,234,184 | 3,320,580 |
| Sub-total (annual compensation) | 3,234,184 | 3,320,580 |
| Value of options allocated during the year | Not applicable | Not applicable |
| Value of performance shares granted during the year (details in the following table page 133) | 130,000 shares valued at €2,011,100* (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements) | 130,000 shares valued at €1,385,800 (fair value estimated according to IFRS applied for the preparation of the consolidated financial statements) |
| Sub-total (performance shares) | 2,011,100* | 1,385,800* |
| Value of other long-term compensation plans | Not applicable | Not applicable |
| **TOTAL** | **5,245,284** | **4,706,380** |

* *Historical value at the grant date, calculated for accounting purposes. This value does not represent a current market value or an updated valuation for the shares when they were vested (if they are vested). It does not correspond to compensation actually received during the year.*

| **Jean-Baptiste CHASSELOUP de CHATILLON**<br>**Member of the Managing Board**<br>**Chief Financial Officer**<br>**Executive Vice-President, Information Systems** | **2015 financial year** | **2016 financial year** |
|---|---|---|
| Compensation owed for the year (details in the table below) | 1,301,484 | 1,320,198 |
| Sub-total (annual compensation) | 1,301,484 | 1,320,198 |
| Value of options granted during the year | Not applicable | Not applicable |
| Value of performance shares granted during the year (details in the following table page 133) | 65,000 shares valued at €1,005,550* (fair value estimated under IFRS applied for the preparation of the consolidated financial statements) | 60,000 shares valued at €639,600* (fair value estimated under IFRS applied for the preparation of the consolidated financial statements) |
| Sub-total (performance shares) | 1,005,550* | 639,600* |
| Value of other long-term compensation plans | Not applicable | Not applicable |
| **TOTAL** | **2,307,034** | **1,959,798** |

* *Historical value at the grant date, calculated for accounting purposes. This value does not represent a current market value or an updated valuation for the shares when they were vested (if they are vested). It does not correspond to compensation actually received during the year.*

| **Jean-Christophe QUÉMARD**<br>**Member of the Managing Board**<br>**Middle East and Africa Director** | **2015 financial year** | **2016 financial year** |
|---|---|---|
| Compensation owed for the year (details in the table below) | 1,301,484 | 1,340,592 |
| Sub-total (annual compensation) | 1,301,484 | 1,340,592 |
| Value of options granted during the year | Not applicable | Not applicable |
| Value of performance shares granted during the year (details in the following table page 133) | 65,000 shares valued at €1,005,550* (fair value estimated under IFRS applied for the preparation of the consolidated financial statements) | 60,000 shares valued at €639,600* (fair value estimated under IFRS applied for the preparation of the consolidated financial statements) |
| Sub-total (performance shares) | 1,005,550* | 639,600* |
| Value of other long-term compensation plans | Not applicable | Not applicable |
| **TOTAL** | **2,307,034** | **1,980,192** |

* *Historical value at the grant date, calculated for accounting purposes. This value does not represent a current market value or an updated valuation for the shares when they were vested (if they are vested). It does not correspond to compensation actually received during the year.*

| **Maxime PICAT**<br>**Member of the Managing Board**<br>**Since 1 September 2016**<br>**Chief Operating Officer Europe** | **2015 financial year** | **2016 financial year** |
|---|---|---|
| Compensation owed for the year (details in the table below) | Not applicable | 432,626 |
| Sub-total (annual compensation) | Not applicable | 432,626 |
| Value of options granted during the year | Not applicable | Not applicable |
| Value of performance shares granted during the year (details in the following table page 133) | Not applicable | 40,000 shares valued at €476,000* (fair value estimated under IFRS applied for the preparation of the consolidated financial statements) |
| Sub-total (performance shares) | | 476,000* |
| Value of other long-term compensation plans | Not applicable | Not applicable |
| **TOTAL** | **NOT APPLICABLE** | **908,626*** |

* *Historical value at the grant date, calculated for accounting purposes. This value does not represent a current market value or an updated valuation for the shares when they were vested (if they are vested). It does not correspond to compensation actually received during the year.*

| **Grégoire OLIVIER**<br>**Member of the Managing Board**<br>**Until 31 August 2016** | **2015 financial year** | **2016 financial year** |
|---|---|---|
| Compensation owed for the year (details in the table below) | 1,436,208 | 955,574 |
| Sub-total (annual compensation) | 1,436,208 | 955,574 |
| Value of options granted during the year | Not applicable | Not applicable |
| Value of performance shares granted during the year (details in the following table page 133) | 65,000 shares valued at €876,850* (fair value estimated under IFRS applied for the preparation of the consolidated financial statements) | 60,000 shares valued at €639,600* (fair value estimated under IFRS applied for the preparation of the consolidated financial statements) |
| Sub-total (performance shares) | 876,850* | 639,600* |
| Value of other long-term compensation plans | Not applicable | Not applicable |
| **TOTAL** | **2,313,058** | **1,613,199** |

* *Historical value at the grant date, calculated for accounting purposes. This value does not represent a current market value or an updated valuation for the shares when they were vested (if they are vested). It does not correspond to compensation actually received during the year.*

## Summary table of compensation of members of the Managing Board

| Carlos TAVARES<br>Chairman of the Managing Board | Amounts for financial year 2015 | | Amounts for financial year 2016 | |
|---|---|---|---|---|
| | Due | Paid in 2015 | Due | Paid in 2016 |
| Fixed compensation | 1,300,000 | 1,300,000 | 1,300,000 | 1,300,000 |
| Variable compensation | 1,930,500 | 1,462,500 | 2,016,618 | 1,930,500 |
| Company car | 2,880 | 2,880 | 2,796 | 2,796 |
| Medical insurance benefit | 804* | 804* | 1,166 | 1,166 |
| **TOTAL** | **3,234,184** | **2,919,603** | **3,320,580** | **3,234,462** |

* *Employer contributions included in gross compensation pursuant to law No. 2013-1278 of 20 December 2013.*

| Jean-Baptiste CHASSELOUP de CHATILLON<br>Member of the Managing Board<br>Chief Financial Officer<br>Executive Vice-President, Information Systems | Amounts for financial year 2015 | | Amounts for financial year 2016 | |
|---|---|---|---|---|
| | Due | Paid in 2015 | Due | Paid in 2016 |
| Fixed compensation | 618,000 | 618,000 | 618,000 | 618,000 |
| Variable compensation | 679,800 | 621,473 | 698,236 | 679,800 |
| Company car | 2,880 | 2,880 | 2,796 | 2,796 |
| Medical insurance benefit | 804* | 804* | 1,166 | 1,166 |
| **TOTAL** | **1,301,484** | **1,243,157** | **1,320,198** | **1,301,762** |

* *Employer contributions included in gross compensation pursuant to law No. 2013-1278 of 20 December 2013.*

| Jean-Christophe QUÉMARD<br>Member of the Managing Board<br>Middle East and Africa Director | Amounts for financial year 2015 | | Amounts for financial year 2016 | |
|---|---|---|---|---|
| | Due | Paid in 2015 | Due | Paid in 2016 |
| Fixed compensation | 618,000 | 618,000 | 618,000 | 618,000 |
| Variable compensation | 679,800 | 621,473 | 718,630 | 679,800 |
| Company car | 2,880 | 2,880 | 2,796 | 2,796 |
| Medical insurance benefit | 804* | 804* | 1,166 | 1,166 |
| **TOTAL** | **1,301,484** | **1,243,157** | **1,340,592** | **1,301,762** |

* *Employer contributions included in gross compensation pursuant to law No. 2013-1278 of 20 December 2013.*

| Maxime PICAT<br>Member of the Managing Board<br>Since 1 September 2016<br>Chief Operating Officer Europe | Amounts for financial year 2015 | | Amounts for financial year 2016 | |
|---|---|---|---|---|
| | Due | Paid in 2015 | Due | Paid in 2016 |
| Fixed compensation | | Not applicable | 206,000 | 206,000 |
| Variable compensation | | Not applicable | 225,489 | |
| Company car | | Not applicable | 932 | 932 |
| Medical insurance benefit | | Not applicable | 205 | 205 |
| **TOTAL** | | **NOT APPLICABLE** | **432,626** | **207,137** |

* *Employer contributions included in gross compensation pursuant to law No. 2013-1278 of 20 December 2013.*

Maxime Picat also received employee compensation until 31 August 2016 as a Manager of the Peugeot brand.

| Grégoire OLIVIER Member of the Managing Board Until 31 August 2016 | Amounts for financial year 2015 | | Amounts for financial year 2016 | |
|---|---|---|---|---|
| | Due | Paid in 2015 | Due | Paid in 2016 |
| Fixed compensation | 618,000 | 618,000 | 412,000 | 412,000 |
| Variable compensation | 598,224 | 621,473 | 397,510 | 598,224 |
| Expatriation allowance | 216,300 | 216,300 | 144,200 | 144,200 |
| Company car | 2,880 | 2,880 | 1,864 | 1,864 |
| Medical insurance benefit | 804* | 804* | | |
| **TOTAL** | **1,436,208** | **1,459,457** | **955,574** | **1,156,288** |

* *Employer contributions included in gross compensation pursuant to law No. 2013-1278 of 20 December 2013.*

Grégoire Olivier also received employee compensation starting 1 September 2016 for serving as the Head of the new Mobility Services Department.

Carlos Tavares and Jean-Baptiste Chasseloup de Chatillon did not receive attendance fees for their terms as directors of Faurecia.

## Variable part and level of achievement of targets in 2016

On 22 February, the Supervisory Board discussed, on the basis of the recommendations of the Appointments, Compensation and Governance Committee, the performance of the members of the Managing Board, in their absence.

Achievement of trigger thresholds and targets:

| Target/threshold distribution | Thresholds/targets | Type of criterion | Trigger threshold |
|---|---|---|---|
| **Double trigger threshold** | Recurring operating income of Automotive Division greater than a positive number* | Economic performance | Attained |
| | 2016 operating free cash flow of manufacturing and commercial companies (excluding restructuring plans and non-recurring items) greater than a positive number | Economic performance | Attained |

* *This trigger threshold is common to all Group employees who receive a variable part.*

| Threshold/target distribution | Thresholds/targets | Type of criterion | Percentage of maximum variable part | Trigger threshold | Percentage of target met |
|---|---|---|---|---|---|
| **Collective targets representing 80% of the maximum variable part** | Automotive Division operating margin (40% of the collective target) | Economic performance | 32% | Very high (over ¾ of target): Attained | 125% for Mr Tavares 123% for the other members of the Managing Board |
| | Automotive Division revenue growth (40% of the collective target) | Economic performance | 32% | - | 117.50% for Mr Tavares 116.10% for the other members of the Managing Board |
| | Vehicle quality (20% of the collective target) | Corporate social responsibility | 16% | 2015 achieved: Attained | 70.67% |

| Threshold/target distribution | Thresholds/targets | Type of criterion | Percentage of maximum variable part | Trigger threshold | Percentage of target met |
|---|---|---|---|---|---|
| **Targets specific to each Executive Director representing 20% of the maximum variable part** | | | | | |
| Carlos Tavares (Chairman of the Managing Board): | › Group recurring operating income (+100% BPF +50% China JV) | Economic performance | 10% | Achieved 2015: Attained | 70.10% |
| | › Workplace safety<br>› Sustainable mobility issues: CO2 emissions (corporate average fuel efficiency 50% Europe, 50% China) | Corporate social responsibility | 10% | Achieved 2015: Attained | 75% |
| Jean-Baptiste Chasseloup de Chatillon | › Results from Parts and Services | Economic performance | 10% | Achieved 2015: Attained | 50% |
| | › PSA Retail recurring operating income | Economic performance | 5% | Achieved 2015: Attained | 100% |
| | › Banque PSA Finance profit | Economic performance | 5% | Achieved 2015: Attained | 100% |
| Grégoire Olivier: | › DPCA sales volume<br>› DPCA profit | Economic performance | 15% | Achieved 2015: Not attained | 0% |
| | › CAPSA recurring operating income<br>› CAPSA sales volume | Economic performance | 5% | Achieved 2015: Not attained | 0% |
| Jean-Christophe Quémard: | › Africa Middle East Region recurring operating income | Economic performance | 10% | Achieved 2015: Attained | 80% |
| | › Africa Middle East Region worldwide sales volume | Economic performance | 10% | Achieved 2015: Attained | 100% |
| Maxime Picat: | › Europe region recurring operating income | Economic performance | 16% | Achieved 2015: Attained | 74% |
| | › Market share<br>› Europe registrations | Economic performance | 4% | Achieved 2015: Not attained | 0% |

The figures are not made public for confidentiality reasons.

The variable compensation of the past financial year was set by the Supervisory Board meeting of 22 February 2017 in line with the degree of attainment of the targets that had been set:

| | Percentage of target achievement | Amount of variable part attributed | Variable compensation achieved (as a percentage of fixed compensation): | Maximum variable compensation (as a percentage of fixed compensation): |
|---|---|---|---|---|
| Carlos Tavares, Chairman of the Managing Board | 103.42% | €2,016,618 | 155% | 180% |
| Jean-Baptiste Chasseloup de Chatillon | 102.71% | €698,236 | 113% | 130% |
| Grégoire Olivier | 87.71% | €397,510 | 96% | 130% |
| Jean-Christophe Quémard | 105.71% | €718,630 | 116% | 130% |
| Maxime Picat | 99.51% | €225,489 | 109% | 130% |

The variable compensation of Grégoire Olivier and Maxime Picat was prorated (period from 1 January to 31 August 2016 for Mr Olivier; period from 1 September 2016 to 31 December 2016 for Mr Picat).

## ATTENDANCE FEES AND OTHER COMPENSATION PAID TO NON-EXECUTIVE DIRECTORS

| Supervisory Board members | Amounts paid during 2015 | Amounts paid during 2016 |
|---|---|---|
| **Louis GALLOIS**[1]<br>Chairman and member of the Supervisory Board | | |
| Attendance fees, other compensation | 0[1] | 0[1] |
| **Bruno BÉZARD**<br>Vice-Chairman and member of the Supervisory Board until 30 June 2016 | | |
| Attendance fees | 36,000 | 16,000 |
| Attendance fees for members of Board committees | 30,000 | 8,250 |
| Other compensation (as Vice-Chairwoman of the Supervisory Board) | 40,000 | 20,000 |
| **Marie-Hélène PEUGEOT RONCORONI**<br>Vice-Chairman of the Supervisory Board;<br>Permanent Representative of EPF on the Supervisory Board | | |
| Attendance fees | 40,000 | 40,000 |
| Attendance fees for members of Board committees | 30,000 | 28,200 |
| Other compensation (as Vice-Chairwoman of the Supervisory Board) | 40,000 | 40,000 |
| **Jack AZOULAY**<br>Vice-Chairman of the Supervisory Board since 23 September 2016 | | |
| Attendance fees | | 9,333 |
| Attendance fees for members of Board committees | | 8,850 |
| Other compensation (as Vice-Chairwoman of the Supervisory Board) | | 10,000 |
| **Yanfeng ZHU**<br>Vice-Chairman of the Supervisory Board;<br>Permanent Representative of DMHK | | |
| Attendance fees | 23,666 | 26,667 |
| Attendance fees for members of Board committees | 17,500 | 25,500 |
| Other compensation (as Vice-Chairwoman of the Supervisory Board) | 23,333 | 40,000 |
| **Patricia BARBIZET**<br>Member of the Supervisory Board until 27 April 2016 | | |
| Attendance fees | 40,000 | 10,667 |
| Attendance fees for members of Board committees | 45,000 | 17,700 |
| **Catherine BRADLEY**<br>Member of the Supervisory Board since 23 February 2016 | | |
| Attendance fees | | 30,667 |
| Attendance fees for members of Board committees | | 35,100 |
| **Pamela KNAPP**<br>Member of the Supervisory Board | | |
| Attendance fees | 40,000 | 40,000 |
| Attendance fees for members of Board committees | 30,000 | 30,000 |
| **Jean-François KONDRATIUK**<br>Member of the Supervisory Board | | |
| Attendance fees | 40,000 | 40,000 |
| Attendance fees for members of Board committees | 30,000 | 30,000 |
| **Helle KRISTOFFERSEN**<br>Member of the Supervisory Board since 27 April 2016 | | |
| Attendance fees | | 24,000 |
| Attendance fees for members of Board committees | | 19,250 |
| **Weidong LIU**<br>Member of the Supervisory Board | | |
| Attendance fees | 40,000 | 37,333 |
| Attendance fees for members of Board committees | 35,000 | 35,000 |

| Supervisory Board members | Amounts paid during 2015 | Amounts paid during 2016 |
|---|---|---|
| **Robert PEUGEOT**[2]<br>Permanent Representative of FFP on the Supervisory Board | | |
| Attendance fees | 40,000 | 40,000 |
| Attendance fees for members of Board committees | 35,000 | 35,000 |
| **Henri Philippe REICHSTUL**<br>Member of the Supervisory Board | | |
| Attendance fees | 40,000 | 37,333 |
| Attendance fees for members of Board committees | 30,000 | 25,500 |
| **Geoffroy ROUX de BÉZIEUX**<br>Senior Independent Member of the Supervisory Board | | |
| Attendance fees | 40,000 | 37,333 |
| Attendance fees for members of Board committees | 35,000 | 33,200 |
| **Anne VALLERON**[1]<br>Member of the Supervisory Board | | |
| Attendance fees | 0[1] | 0[1] |
| **Florence VERZELEN**<br>Permanent representative of SOGEPA | | |
| Attendance fees | 40,000 | 40,000 |
| Attendance fees for members of Board committees | 30,000 | 30,000 |
| **Frédéric BANZET**<br>Non-voting advisor | | |
| Attendance fees | 20,000 | 20,000 |
| Attendance fees | | |
| **Aymeric DUCROCQ**<br>Non-voting advisor | | |
| Attendance fees | 9,000 | 16,000 |
| **Wenqing WEI**<br>Non-voting advisor | | |
| Attendance fees | 9,000 | 20,000 |
| **TOTAL** | **908,499**[3] | **956,883** |

*(1) Louis Gallois waived his compensation as Chairman of the Supervisory Board and the attendance fees due to him, as he did in 2015. Anne Valleron (employee shareholders representative) also wanted to waive her attendance fees, as she did in 2015.*

*(2) Robert Peugeot also received €42,000 from Faurecia for 2015 and €49,500 for 2016 for his appointment as a director of that company. As a former executive of the Group, he receives an additional pension of €160,030 per year (former Article 39 scheme) paid by Axa.*

*(3) The total amount paid in 2015 to the non-Executive Directors was €1,020,000, including Xu Ping and Dominique Reiniche, whose terms ended in 2015 and who were not paid director's fees in 2016.*

## SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED DURING THE FINANCIAL YEAR TO EACH EXECUTIVE DIRECTOR

| Name of Executive Director | No. and date of plan | Type of option (purchase or subscription) | Value of the options based on the method used in the consolidated financial statements | Number of options granted during the year | Exercise price | Exercise period |
|---|---|---|---|---|---|---|
| | | | None | | | |

No stock option plan was in effect at 31 December 2016.

## SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH EXECUTIVE DIRECTOR

No option was exercised by corporate officers in 2016.

## PERFORMANCE SHARES GRANTED DURING THE YEAR TO EACH EXECUTIVE DIRECTOR BY THE COMPANY AND ANY COMPANY IN THE GROUP

| (list of names) | No. and date of the plan | Number of shares granted during the year | Value of the options based on the method used in the consolidated financial statements | Vesting date | Availability date | Performance conditions |
|---|---|---|---|---|---|---|
| Carlos TAVARES | 2016 | 130,000 | 1,385,800 | 16/06/2016 | 16/06/2020 | (1) |
| Jean-Baptiste CHASSELOUP DE CHATILLON | 2016 | 60,000 | 639,600 | 16/06/2016 | 16/06/2020 | (1) |
| Grégoire OLIVIER (on the Managing Board until 31/08/2016) | 2016 | 60,000 | 639,600 | 16/06/2016 | 16/06/2020 | (1) |
| Maxime PICAT (on the Managing Board since 01/09/2014) | 2016 | 40,000 | 476,000 | 03/06/2016 | 03/06/2020 | (1) |
| Jean Christophe QUÉMARD | 2016 | 60,000 | 639,600 | 16/06/2016 | 16/06/2020 | (1) |

**(1) Information on the 2016 performance share grant:**

The Supervisory Board, at its meeting of 27 April 2016 decided to award performance shares to the members of the Managing Board, in accordance with the authorisation of the Shareholders' Meeting of 27 April 2016 (*i.e.* Shareholders' Meeting held after the Macron Law of 6 August 2015).

The Chairman of the Managing Board was allocated 130,000 performance shares, and the other members of the Managing Board 60,000 performance shares. The performance share awards are part of an overall plan encompassing several hundreds of senior managers and executives, for a total of 2,200,000 shares (representing 0.27% of the share capital).

The vesting period is divided into two stages: 50% of the shares initially allocated will be subject to a vesting period of three years while the remaining 50% will be subject to a vesting period of four years.

The final number of shares that vest at the end of each vesting period will be determined over a performance period of three consecutive years (2016-2018).

The vesting is subject to the two performance conditions of the Group's "Push to Pass" strategic plan:

| **Fractions of shares of each vesting period** *(each fraction = 50% of shares of the vesting period)* | Type of performance objective | Trigger threshold | Attainment |
|---|---|---|---|
| Fraction 1 | Recurring Operating Margin Automotive Division 2016-2018 | Principle: trigger threshold equal to initial target (4%). If the trigger threshold is reached, 50% of the shares corresponding to the fraction will vest. If the trigger threshold is not reached, neither shares in this Fraction nor in the Fraction 2 will vest. | Principle: attainment exceeds target Beyond the trigger threshold, the number of shares that will vest will vary on a linear basis up to 100% of the shares corresponding to the fraction if this target is met. |
| Fraction 2 | Growth in Group revenue between 2015 and 2018 (at constant exchange rates) | Principle: trigger threshold close to target of 10%. If the trigger threshold is reached, 50% of the shares corresponding to the fraction will vest. If the trigger threshold is not reached, no shares in the Fraction 2 will vest. | Principle: attainment exceeds target Beyond the trigger threshold, the number of shares that will vest will vary on a linear basis up to 100% of the shares corresponding to the fraction if this target is met. |

This plan does not include a lock-up period.

This grant includes, for each member of the Managing Board:

- members of the Managing Board keep, in registered form and until the cessation of their role, at least 25% of the number of vested shares (subject to the performance conditions being met) at the end of the vesting period;
- members of the Managing Board acquire, on the availability date of the awarded shares, a number of shares equivalent to 5% of the number of vested shares (subject to the performance conditions being met) at the end of the vesting period; and
- members of the Managing Board refrain from carrying out transactions to hedge their risk on the awarded shares.

These vesting and lock-up conditions, applicable to each member of the Managing Board, will cease to apply when a member holds a number of registered shares that is equal to more than two years of his gross salary. However, the conditions shall automatically re-apply if the number of said shares falls below the target level. The calculation will take into account the price of the share on the vesting date of the performance shares.

## PERFORMANCE SHARES VESTING DURING THE YEAR FOR EACH EXECUTIVE DIRECTOR

None.

## RECORD OF GRANTED PERFORMANCE SHARE

| | Plan No. 2015 |
|---|---|
| Date of Shareholders' Meeting | 24/04/2013 |
| Managing Board meeting date | 27/02/2015 |
| Total number of shares granted, including the number granted to: | 2,465,000 |
| The corporate officers(1) | |
| Carlos TAVARES | 130,000 |
| Jean-Baptiste CHASSELOUP de CHATILLON | 65,000 |
| Grégoire OLIVIER (on the Managing Board until 31/08/2016) | 65,000 |
| Maxime PICAT (on the Managing Board since 01/09/2014) | 40,000 |
| Jean Christophe QUÉMARD | 65,000 |
| Vesting date of shares | 31/03/2017 for French tax residents<br>31/03/2019 for non-French tax residents |
| End date of lock-up period | 31/03/2019 |
| Performance conditions | (2) |
| Number of shares vested on 31/12/2016 (most recent date) | 0 |
| Number of options cancelled, expired or forfeited | 27,000 |
| Number of performance shares outstanding at year-end | 2,438,000 |

*(1) List of names of corporate officers (executive and non-Executive Directors).*
*(2) Performance conditions are defined in Section 3.4.1.*

**Attainment of the performance conditions of the 2015 performance share plan:**

The Supervisory Board, at its meeting of 22 February 2017 noted the level of attainment of the conditions of the 2015 performance share grant as follows:

| Fractions of shares originally granted *(each fraction = 1/3 of shares)* | Type of performance objective | Level achieved | Trigger threshold | Attainment (linear vesting of shares) |
|---|---|---|---|---|
| Fraction 1 | Cumulative operating free cash flow of manufacturing and sales companies at the end of financial years 2014 to 2016 | €8.1 billion | **Attained*** | **Total attained: 100% of Fraction 1 shares vested** |
| Fraction 2 | Net financial position of manufacturing and commercial companies at 31 December 2016 | €6,813 million | **Attained*** | **Total attained: 100% of Fraction 2 shares vested** |
| Fraction 3 | Automotive recurring operating income for 2016 | €2,225 million | | **Attained** The vesting of 100% of the shares in Fraction 3 was contingent on the achievement of the Fraction 3 performance objective. If this performance objective was not attained, no shares in Fraction 3 will vest. |

* *This threshold, which has a high level, was contingent on the vesting of 25% of the shares of the fraction. If this trigger threshold was not attained, no shares in the relevant fraction will vest.*

The trigger thresholds and the targets are not made public for confidentiality reasons.

The Supervisory Board noted the vesting of the shares awarded to each member of the Managing Board: 130,000 shares for Mr Tavares, 65,000 shares for Mr de Chatillon, 65,000 shares for Mr Olivier (member of the Managing Board until 31 August 2016), 40,000 shares for Mr Picat (member of the Managing Board since 1 September 2016) and 65,000 shares for Mr Quémard.

For the record, this share grant included, for each member of the Managing Board:

- an obligation to keep, in registered form and until the cessation of their role, at least 50% of the number of vested shares (depending on the performance conditions being attained);
- an obligation to acquire, on the availability date of the allocated shares, a number of shares equivalent to 5% of the number of vested shares (subject to the performance conditions being attained); and
- a commitment not to carry out transactions to hedge their risk on the allocated shares, until the end of the lock-in period applicable to the shares allocated to them.

## RECORD OF STOCK OPTION PLANS INFORMATION ON STOCK OPTIONS

No stock options were granted since 2008.

## SUMMARY TABLE OF MULTI-YEAR COMPENSATION OF EXECUTIVE DIRECTORS

None.

## TABLE OF COMMITMENTS CONCERNING MEMBERS OF THE MANAGING BOARD

| | Employment contract | | Supplementary pension benefits* | | Compensation or benefits due or that may be due on termination or change in position | | Non-compete indemnity | | Commitments under the executive pension plan at 31/12/2016* | |
|---|---|---|---|---|---|---|---|---|---|---|
| Executive Directors | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No |
| Carlos TAVARES<br>Chairman of the Managing Board since 31/03/2014 | | √ | √ | | | √ | | √ | | √ |
| Jean-Baptiste CHASSELOUP DE CHATILLON<br>Member of the Managing Board since 13/03/2012 | √(1) | | √ | | | √ | | √ | | √ |
| Grégoire OLIVIER<br>Member of the Managing Board since 16/02/2007 until 31/08/2016 | √(1) | | √ | | | √ | | √ | | √ |
| Maxime PICAT<br>Member of the Managing Board since 01/09/2016 | √(1) | | √ | | | √ | | √ | | √ |
| Jean-Christophe QUÉMARD<br>Member of the Managing Board since 13/03/2012 | √(1) | | √ | | | √ | | √ | | √ |

(1) *Suspended employment contract at the time of their appointment.*

* **Pension scheme:**

*A new pension system has been in place since 1 January 2016, for Executive Directors and members of the Executive Committee of the Group. It replaces the defined-benefit plan that was terminated effective 31 December 2015. The expense recorded in 2015 for services rendered to the former defined-benefit pension plan for members of the Managing Board and members of the Executive Committee amounted to €5.6 million, before reversal of the provision related to the termination of the plan. Elimination of the plan generated a reversal of provision of €34 million in the 2015 consolidated financial statements, net of the cost of changing from one plan to another. The Managing Board redistributed to all employees the savings from the executive pension plan. This redistribution was in addition to the previous Group compensation and profit-sharing plans and was recognised as an expense in 2015.*

*The Company no longer offers guaranteed levels of retirement income, but pays out an annual benefit that is directly tied to the Group's results and performance. The new system provides for the payment of an annual top-up contribution, of which half in the form of contributions to an external fund as part of an optional defined contribution pension plan (Article 82), and the other half in cash (based on a system of upfront taxation).*

*The contribution is equivalent to 25% of the amount represented by the executive's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance. The combined value of the annual top-up contributions and the vested benefits described below may not exceed an amount equal to eight times the ceiling for Social Security contributions multiplied by 23 (multiplier determined by the actuaries as corresponding to the average number of years over which benefits are expected to be paid). For 2016, the annual top-up contribution paid to the members of the Managing Board in respect of their office is equal to €829,155 for Mr Tavares, €329,059 for Mr de Chatillon, €202,378 for Mr Olivier (member of the Managing Board until 31 August 2016), €107,872 for Mr Picat (member of the Managing Board since 1 September 2016) and €334,157 for Mr Quémard (these amounts are subject to payroll taxes and income tax, and the net payment will be around 50% of the amounts shown).*

*The charge recorded in 2016 in relation to the contribution to the new defined-contribution pension plan for members of the Managing Board and the other Executive Committee members amounted to €4.2 million, comprised of €2.1 million paid to a pension fund and €2.1 million paid in cash to grantees (taking into account a scheme based on taxation upon first deposit).*

*In light of the rights related to the characteristics of the defined-benefit pension plan which was terminated and accumulated by the beneficiaries in late 2015, the remainder of said rights were granted to the beneficiaries. A discount is applied to the rights thus acquired based on age and number of years in the plan and in the Group. Based on these criteria, the balance of rights represents for the members of the Managing Board between 5% and 30% of the projected amounts of the individual rights attached to the former pension plan. It is comprised 50% of contributions to a third-party organisation frozen until the liquidation of the concerned party's pension rights, and 50% cash. Contribution will be spread over three years, hence yearly for the Managing Board members: €470,000 for Mr Tavares, €332,000 for Mr de Chatillon, €486,667 for Mr Olivier (member of the Managing Board until 31 August 2016), €39,000 for Mr Picat (member of the Managing Board since 1 September 2016) and €510,000 for Mr Quémard (amounts subject to taxes, net amounts are around 50% of the above amount). These payments will be subject to presence in the Company at the end of each of the relevant years. The first payment will take place for 2016.*

*It is comprised 50% of contributions to a third-party organisation frozen until the liquidation of the concerned party's pension rights, and 50% cash. Contribution will be spread over three years (2016, 2017 and 2018). Each payment is conditional on the individuals concerned continuing to be employed by the Group at the end of each of the years concerned.*

*Consulted prior to the implementation of the plan, the AFEP-MEDEF high committee on corporate governance ruled that this plan complied with the recommendations set out in the AFEP-MEDEF Corporate Governance Code for listed companies. In addition, the Peugeot S.A. Works Council issued an unanimously favourable opinion on this system.*

*After these opinions were issued, the entire plan was authorised by the Supervisory Board in accordance with the procedure for regulated agreements and commitments and was submitted, based on the Statutory Auditors' Special Report, for the approval of the Shareholders' Meeting of 27 April 2016 (4th Resolution). No changes were made since approval was given. In light of the renewal of the members of the Managing Board in 2017, it will be submitted again for shareholder approval, as part of the regulated commitments, based on the Statutory Auditors' Special Report, at the Shareholders' Meeting of 10 May 2017 (4th Resolution).*

# ANALYSIS OF THE BUSINESS AND GROUP OPERATING RESULTS IN 2016 AND OUTLOOK

4

# 4.1. ANALYSIS OF THE BUSINESS AND CONSOLIDATED OPERATING RESULTS

The Group's operations are organised around three main business segments described in Note 3 to the consolidated financial statements at 31 December 2016. Subsequent events are presented in Note 18 to the financial statements.

## 4.1.1. Group profit (loss) for the period

| *(in million euros)* | 31 December 2015 | 31 December 2016 | Change |
|---|---|---|---|
| Revenue | 54,676 | 54,030 | (646) |
| **Recurring operating income** | **2,733** | **3,235** | **502** |
| As a percentage of revenue | 5.0% | 6.0% | |
| Non-recurring operating income and expenses | (757) | (624) | 133 |
| Operating income | 1,976 | 2,611 | 635 |
| Net financial income (loss) | (642) | (268) | 374 |
| Income taxes | (706) | (517) | 189 |
| Share in net earnings of companies at equity | 437 | 128 | (309) |
| Profit (loss) from operations held for sale or to be continued in partnership* | 137 | 195 | 58 |
| **Consolidated profit (loss) for the period** | **1,202** | **2,149** | **947** |
| **PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT** | **899** | **1,730** | **831** |

* *Including "Other expenses related to the non-transferred financing of operations to be continued in partnership".*

## 4.1.2. Group revenue

The table below shows consolidated revenue by division:

| *(in million euros)* | 31 December 2015 | 31 December 2016 | Change |
|---|---|---|---|
| Automotive | 37,514 | 37,066 | (448) |
| Faurecia | 18,770 | 18,710 | (60) |
| Other businesses and eliminations* | (1,608) | (1,746) | (138) |
| **REVENUE** | **54,676** | **54,030** | **(646)** |

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

**Automotive revenues** were down 1.2% compared to 2015, mainly due to adverse exchange rate changes (-3.8%) and a decrease in sales to partners (-1.5%). Higher volumes (+2.3%) and improved net prices (+2.0%) partly offset this decline.

At constant exchange rates, **Group revenues** were up 2.1% compared to 2015, while Automotive revenues rose 2.7%.

## 4.1.3. Group Recurring Operating Income

The table below shows Recurring Operating Income (loss) by business segment:

| *(in million euros)* | 31 December 2015 | 31 December 2016 | Change |
|---|---|---|---|
| Automotive | 1,871 | 2,225 | 354 |
| Faurecia | 830 | 970 | 140 |
| Other businesses and eliminations* | 32 | 40 | 8 |
| **RECURRING OPERATING INCOME** | **2,733** | **3,235** | **502** |

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

In 2016, the **Automotive recurring operating margin**, which corresponds to the ratio of the Automotive recurring operating income to the Automotive revenues, stood at 6% compared to 5% in 2015. **Group recurring operating margin** stood at 6% as well compared to 5% in 2015.

The 19% increase in the **Automotive recurring operating income** was due to the company's improved performance (+€802 million), despite an unfavourable operating environment (-€448 million):

- the negative effect of the **Automotive Division's operating environment** stemmed from a €(838) million effect of "foreign exchange and others", associated essentially with the weakening of the pound sterling and of the Argentinian peso. These effects were partially offset by stronger markets totalling +€331 million, primarily in Europe, and lower raw material and other external costs amounting to +€59 million;
- the improved **performance of the Automotive business** was due to lower production and fixed costs amounting to +€863 million, as well as the price and product enrichment effect of +€365 million and the positive product mix effect amounting to +€89 million. These effects were partially offset by changes in market share and country mix (-€255 million), as well as the effect of capitalising research and development expenses (-€51 million) and other effects (-€209 million).

**Faurecia's recurring operating income** was €970 million, up €140 million.

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

**Non-recurring operating income and expenses** represented a net expense of €(624) million compared to €(757) million in 2015. They primarily included Automotive Division restructuring costs totalling €(456) million – mainly in Europe for €(408) million and Latin America for €(37) million – and of Faurecia Group for €(90) million.

**Net financial income and expenses** amounted to €(268) million, an improvement of €374 million versus 2015. See Note 11 to the consolidated financial statements at 31 December 2016.

The **income tax expenses** amounted to €(517) million in 2016 compared to €(706) million in 2015. See Note 13 to the Consolidated Financial Statements at 31 December 2016.

The **share in net earnings of companies at equity** totalled €128 million in 2016, compared to €437 million in 2015.

The contribution of the Dongfeng joint ventures (DPCA and DPCS) represented €242 million, down €108 million. Changan PSA Automobiles Co., Ltd (CAPSA) made a negative contribution of €(292) million in 2016 compared to €(50) million in 2015. This decrease included the recognition in 2016 of an €87 million impairment of the securities of this equity-accounted company, a €27 million impairment of the loan granted by the Group, and the recognition of a €149 million provision. See Note 10.3 to the consolidated financial statements at 31 December 2016.

The contribution of the joint ventures under the partnership between Banque PSA Finance and Santander Consumer Finance amounted to €181 million, up €69 million. See Note 10.3 to the consolidated financial statements at 31 December 2016.

The **profit from operations held for sale or to be continued in partnership**, including "Other expenses related to the non-transferred financing of operations to be continued in partnership", amounted to €195 million. This mainly consisted of the €174 million profit of Faurecia's Automotive Exteriors business up to its disposal.

The net **income, Group share,** of €1,730 million was up €831 million. **Basic earnings per share** were €2.16 versus €1.14 in 2015. And **diluted earnings per share** were €1.93 up from €0.96 in 2015.

A **dividend** of €0.48 per share will be submitted for approval at the next Shareholders' Meeting with an ex-dividend date considered to be on 15 May 2017, and the payment date on 17 May 2017.

### 4.1.5. Banque PSA Finance

The results (at 100%) of finance companies are presented below.

| *(in million euros)* | 31 December 2015 | 31 December 2016 | Change |
|---|---|---|---|
| Revenue | 1,601 | 1,405 | (196) |
| Net banking revenue | 1,065 | 1,026 | (39) |
| Cost of risk* | 0.33% | 0.24% | -0.09 pt |
| **Recurring operating income** | **514** | **571** | **57** |
| Penetration rate | 29.9% | 30.8% | 0.9 pt |
| Number of new contracts (leasing and financing) | 731,701 | 767,848 | 36,147 |

* *As a percentage of average net loans and receivables.*

### 4.1.6. Faurecia

| *(in million euros)* | 31 December 2015 | 31 December 2016 | Change |
|---|---|---|---|
| Revenue | 18,770 | 18,710 | (60) |
| **Recurring operating income** | **830** | **970** | **140** |
| As a % of revenue | 4.4% | 5.2% | |
| **Operating income** | **765** | **864** | **99** |
| Net financial income (expense) | (150) | (163) | (13) |
| **Consolidated profit (loss) for the period** | **503** | **706** | **203** |
| *Free cash flow* | 191 | 1,011 | 820 |
| Net financial position | (1,026) | (475) | 551 |

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

## 4.2. FINANCIAL POSITION AND CASH

### 4.2.1. Net financial position and financial security of manufacturing and sales companies

The net financial position of manufacturing and sales companies are set out and described in Note 11 to the Group's consolidated financial statements at 31 December 2016.

The **net financial position of manufacturing and sales companies** at 31 December 2016 was a net cash position of €6,813 million, up €2,253 million compared with 31 December 2015. Within this positive net financial position, Faurecia had €475 million in net debt at 31 December 2016, compared to €1,026 million in net debt at end-December 2015.

The Group continued to actively manage its debt in 2016, with in particular partial redemptions of bonds by Peugeot S.A. in June 2016 in the amount of €496 million, along with the early repayment by Faurecia of a loan maturing in December 2016 in the amount of €490 million. In addition, Peugeot S.A. issued €500 million in bonds maturing in April 2023. Faurecia likewise issued bonds, for a total of €700 million maturing in June 2023.

The **financial security** of the manufacturing and sales companies at 31 December 2016 stood at €16,974 million compared to €15,552 million at 31 December 2015, with €12,774 million in cash and equivalent, financial investments, current and non-current financial assets and €4,200 million in undrawn credit lines (See Note 11.4 to the consolidated financial statements at 31 December 2016).

## 4.2.2. Detail of Free Cash Flow of manufacturing and sales companies

The Free Cash Flow of manufacturing and sales companies is defined in Note 15 to the consolidated financial statements at 31 December 2016.

The **Free Cash Flow** generated over the period amounted to €2,698 million, including a €1,011 million contribution from Faurecia. The Free Cash Flow over the period mainly stemmed from:

- €5,097 million in cash flows generated by recurring operations;
- €(631) million in cash flows related to restructuring plans;
- €471 million improvement in the working capital requirement, including €389 million in trade payables, €291 million in trade receivables, and €(365) million in inventories. New vehicle inventory levels are presented below;
- €(2,673) million in capitalised capital expenditure and research & development including €604 million generated by the sale by Faurecia of its Automotive Exteriors branch versus €(2,692) in 2015. Total research and development expenses incurred were up in 2016 compared with 2015 and are presented in Note 4.3 to the consolidated financial statements at 31 December 2016;
- €434 million in dividends from finance companies.

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

| *(in thousands of new vehicles)* | 31 December 2016 | 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| Group | 99 | 107 | 107 |
| Independent dealer network | 307 | 243 | 232 |
| **TOTAL** | **406** | **350** | **339** |

Other than Free Cash Flow, changes in the net financial position totalled €(445) million. They mainly comprise the effect of changes in exchange rates totalling €(196) million, dividends paid to minority interests in Faurecia totalling €(123) million as well as cash flows from operations held for sale amounting to €(255) million. Lastly, at year-end the exercise of equity warrants made a positive contribution of €330 million to the net financial position.

## 4.2.3. Liquidity and funding of finance companies

The liquidity and funding of finance companies are discussed in Notes 12.4 and 12.5 to the consolidated financial statements at 31 December 2016.

## 4.2.4. Provisions for warranties

Please refer to Note 9 to the consolidated financial statements at 31 December 2016.

## 4.2.5. Pensions and other post-employment benefits

Please refer to Note 6.1 to the consolidated financial statements at 31 December 2016.

## 4.2.6. Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, the Company's operations

Please refer to Note 14.1 to the consolidated financial statements at 31 December 2016.

## 4.2.7. Information regarding the anticipated sources of funds needed to fulfil certain commitments

Please refer to Section 4.2.4 above.

# 4.3. EXECUTIVE MANAGEMENT STATEMENT

Peugeot S.A. performs senior management, oversight and supervisory functions and provides services for which it receives a flat fee.

Peugeot S.A.'s assets mainly correspond to:

- equity investments in direct subsidiaries;
- the proceeds from borrowings that are lent to GIE PSA Trésorerie to meet the Automotive Division subsidiaries' financing needs;
- treasury shares, that are recorded in non-current assets ("Other investments") or in current assets ("Marketable securities") depending on the purpose for which they are being held.

Peugeot S.A. is also head of a tax group set up with its more than 95%-owned subsidiaries in France.

It is specified that, in accordance with the final paragraph of Article L. 225-102-1 of the French Commercial Code, agreements entered into in 2016 between a subsidiary owned by Peugeot S.A. and a shareholder owning more than 10% of its voting rights, were technical cooperation agreements between entities of the PSA Group and the Dongfeng Group.

## Results

### OPERATING RESULTS

Operating income – which primarily comprises management fees received from the main subsidiaries as well as rental income – amounted to €244 million in 2016, versus €182 million in 2015.

The management fees are calculated as a percentage of the operating divisions' revenue and cover the operating expenses incurred by the Company for its corporate functions and amounted to €112 million versus €110 million in 2015. These fees are invoiced to direct Peugeot S.A. subsidiaries based on the consolidated revenue of the division concerned.

Operating expenses amounted to €258 million in 2016, versus €196 million in 2015, and mainly corresponded to payroll costs and other purchases and external charges.

Thus, the Company ended the year with negative net operating income of €14 million, the same figure as for 2015.

### NET FINANCIAL INCOME (LOSS)

Financial income consists largely of income from shares in subsidiaries and affiliates.

Income from investments in subsidiaries and affiliates and interest on loans granted to the GIE PSA Trésorerie amounted to €676 million, versus €1,114 million in 2015. The figure includes mainly the dividends of Peugeot S.A. subsidiaries.

Other Financial Income was €5 million versus €14 million in 2015, due to interest rates on short-term investments. Reversals on provisions for impairment in value of equity investments and treasury shares totalled €1,071 million (of which €972 million was for shares in automotive subsidiaries), versus €2,396 million in 2015.

Financial expense for depreciation, amortisation and provisions amounted to €104 million versus €5 million in 2015.

Interest expense amounted to €151 million versus €250 million in 2015.

After taking these items into account, net financial income for the year was positive at €1,497 million versus a gain of €3,269 million in 2015.

### NET NON-RECURRING INCOME (EXPENSE)

Non-recurring income (see Note 22) of negative €22 million in 2016 primarily relates to provisions for contingencies.

### BASIC EARNINGS

Taking into account the net income tax benefit of €150 million, determined in accordance with the rules governing the tax consolidation of Peugeot S.A. and its 95% or more controlled subsidiaries, Peugeot S.A. reported €1,611 million in net profit, compared with €3,315 million for 2015.

## Balance sheets

### ASSETS

Investments in and advances to equity affiliates make up the majority of the Company's non-current assets.

Before deducting provisions, the gross value of equity investments was €16,583 million at 31 December 2016, an increase of €17 million over 2015. Impairments of equity investments totalled €644 million at 31 December 2016 versus €1,612 million in 2015. These movements are described in Note 5 to the Company financial statements.

After deducting provisions, the net value of equity investments was €15,939 million at 31 December 2016 (€14,954 million at 31 December 2015).

Advances to subsidiaries and affiliates amounted to €1,364 million net of provisions, compared to €3,148 million at 31 December 2015 (see Note 6).

Current assets primarily correspond to (i) cash equivalents for €3,271 million at 31 December 2016 against €1,622 million at 31 December 2015 (see Note 12 to the Company financial statements) and (ii) marketable securities (including treasury shares) which totalled €178 million net of provisions at 31 December 2016 (see Note 10).

The 9,113,263 treasury shares held at 31 December 2016 are categorised as marketable securities (4,665,000 of these are allocated to performance share grants and 4,448,263 to future grants) (see Note 11.A).

### LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' equity at 31 December 2016 was €18,831 million versus €16,890 million at 31 December 2015. This increase was principally due to the exercise of equity warrants. As 2016 was the final year of the rebuilding of the Group's financial fundamentals, the Supervisory Board approved the Managing Board's proposal to pay a dividend for this financial year.

During 2016, Peugeot S.A. did not buy-back any of its own shares. No stock options were granted in 2016 and no options were exercised (see Note 11.C). A performance share grant was established during 2016 (see Note 11.B).

Provisions for contingencies and charges totalled €167 million at 31 December 2016 versus €89 million in 2015. More detailed information can be found in Note 13 to the Financial Statements.

Long and short-term debt came to €1,870 million versus €3,152 million in 2015. 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. Since 8 April 2014 Peugeot S.A. and GIE PSA Trésorerie have had a new syndicated credit facility in the amount of €3.0 billion. In accordance with the amendment to the contract signed on 8 November 2016, tranche B of the syndicated credit facility was extended to 8 November 2019 (see Note 16).

In 2016, Peugeot S.A. redeemed maturing bonds for a total amount of €1,235 million (see Note 16). On 15 April 2016, Peugeot S.A. issued €500 million in fixed-rate 2.375% bonds maturing in April 2023. On 22 June 2016 Peugeot S.A. effected a partial buy-back of bonds for €496 million.

Of the €62 million due to suppliers of fixed assets, €57 million corresponds to the uncalled portion of the commitment to the FAA fund set up to support automotive equipment suppliers (see Note 17).

In as much as Peugeot S.A. is a holding company, the trade payables are not significant. Trade payables and related accounts amounted to €38 million.

Peugeot S.A. settles payments to suppliers 30 days end of month from invoice date, in compliance with the provisions of France's LME Act.

On 28 September 2016, at the time PSA-Ventures was created, Peugeot S.A. subscribed to all of its equity for €20 million.

### BREAKDOWN BY SCHEDULE OF PAYMENTS TO SUPPLIERS

At 31 December 2016, payments due to suppliers represented €0.8 million and broke down as follows in the financial statements:

- trade payables and related accounts recorded under liabilities: €38.4 million;
- less: deferred expenses: €37.6 million.

i.e.: €0.8 million.

This amount is payable according to the following schedule:

| | Due | | 0 to 30 days | | 30 to 60 days | | over 60 days | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | 31/12/2016 | 31/12/2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Supplier invoices** | | | | | | | | | | |
| From third parties | 100 | 48 | - | - | 2 | - | - | - | 102 | 48 |
| The Group | (103) | (14) | - | - | 770 | 220 | - | - | 667 | 206 |
| **TOTAL PEUGEOT S.A.** | **(3)** | **34** | **-** | **-** | **772** | **220** | **-** | **-** | **769** | **254** |

# 4.4. MAJOR CONTRACTS

## 4.4.1. Agreement for the acquisition of General Motors' Opel/Vauxhall subsidiary and of GM Financial's European operations, and the strategic partnership with the BNP Paribas Group

In a press release dated 6 March 2017 (see Section [4.4.2] of this Registration Document), the Company announced the proposed acquisition of General Motors' Opel/Vauxhall subsidiary and the creation of a car finance joint venture with BNP Paribas, to support the development of the Opel and Vauxhall brands (the "**Transaction**").

The Transaction includes all the car manufacturing activities of Opel/Vauxhall, which comprise the Opel and Vauxhall brands, six assembly plants and five part production plants, an engineering centre (Rüsselsheim, Germany) and about 40,000 employees.

The Transaction should enable the Group to strengthen its position on European markets and thus provide a foundation for its growth internationally and in the new modes of mobility.

### I) PRESENTATION OF OPEL/VAUXHALL

As a company with a rich history dating back to its creation in 1862, Opel, whose vehicles are marketed in the United Kingdom under the Vauxhall brand, currently has revenue of €17.7 billion (1), an increase of 8.2% since 2014, with a negative EBIT (2) of -€0.3 billion (1), an increase of €0.6 billion since 2014.

In 2016, about 1.2 million (3) under the Opel/Vauxhall vehicles were sold, about 60% of which were new models launched in the last two years (Adam, Mokka and the Opel Astra, voted European Car of the Year 2016). Opel also offers an electric car, the Ampera-e model.

Opel/Vauxhall's finance businesses satisfy the financing requirements of nearly 1,800 concessionaires in 11 European countries, and represented outstanding earning assets of about €9.6 billion at the end of 2016. They posted a return on equity of about 9% in 2016.

The Opel Group is based in Rüsselsheim in Germany, and since 2013 has been led by Karl-Thomas Neumann.

*(1) Source: data provided by General Motors - 2016 data matching the scope of the acquisition.*

*(2) Defined as recurring operating income after deduction of non-recurring costs.*

*(3) Source: data provided by General Motors.*

## II) THE PURPOSE OF THE TRANSACTION

In particular, the Company's acquisition of Opel/Vauxhall should allow the following objectives to be achieved:

- to strengthen the Group's position on certain European markets where its presence was historically weaker, such as Germany and the United Kingdom, due to the geographical complementarity of the PSA Group and Opel/Vauxhall;
- to raise the Company to the rank of second largest European car manufacturer, with 3 million vehicles per year and a market share of 17% (1);
- to achieve substantial economies of scale and synergies in the area of purchasing, production and R&D; thus, synergies of €1.7 billion per year are expected between now and 2026, a significant proportion of which should materialise between now and 2020;
- the achievement by Opel/Vauxhall of a recurring operating margin (2) of 2% between now and 2020 and of 6% by 2026, and the generation of positive operational free cash flow (3) by 2020.

The key objectives of the strategic partnership with BNP Paribas are, mainly:

- to support sales of Opel/Vauxhall vehicles and to develop the network of concessionaires;
- to develop Opel/Vauxhall's financing business using the combined expertise of BNP Paribas Personal Finance and Banque PSA Finance.

More details of the expected objectives and results of the Transaction appear in the presentation "PSA & Opel/Vauxhall Alliance: Driving Towards A Better Future" included in Section 4.4.2 of this Registration Document.

## III) FINANCIAL CONDITIONS

Opel/Vauxhall's car manufacturing activities will be acquired by the Company for €1.3 billion, subject to adjustments of net debt and working capital requirements. GM's European financing activities will be jointly acquired (50/50) by the Company and BNP Paribas at a price equal to 0.8 times their pro forma equity capital at the close of the Transaction, which the Company expects will be €0.9 billion. The total price of the Transaction for the Company is thus estimated to be €1.8 billion.

It is anticipated that €1.13 billion of the above price will be financed by the Company's available cash, and that the remaining amount of €650 million will be paid by the issue by the Company of equity warrants (the "**Warrants**") to General Motors group companies. These Warrants will be exercisable between the 5th and 9th years following their issue. They will carry entitlement to adjustments intended to protect the financial rights of the holders, including a cash payment equal to the dividends received by shareholders until the Warrants are exercised. General Motors will not have any governance or voting rights in respect of these Warrants, and must, within a period of 35 days from the date of exercising them, sell the PSA shares received. This issue will be subject to the authorisation of the Company's Shareholders' Meeting on 10 May 2017, on the understanding that in the event that the issue is not approved, the Company would then pay the €650 million in cash over the next five years.

More details of the terms and conditions of the equity warrants appear in the report of the Managing Board to the Shareholders' Meeting (see Section 8.1 of this Registration Document – 31st resolution).

## IV) PRESENTATION OF THE TRANSACTION'S CONTRACTUAL FRAMEWORK

On 5 March 2017, two principal agreements were concluded: the master agreement for the acquisition of Opel/Vauxhall between the Company and General Motors Holdings LLC (a wholly-owned subsidiary of General Motors Company) (the "***Master Agreement***"), and the partnership agreement between the Company and BNP Paribas. In addition to those two agreements, a certain number of additional agreements will have to be signed on the closing date of the Transaction, in order to organise the technical, operational and IT aspects of the separation of Opel/Vauxhall and General Motors and the industrial collaborations arising from the Transaction.

The principal terms of these two agreements are described below.

### 1 – The agreement for the acquisition of Opel/Vauxhall

The Master Agreement governs all the proposed acquisitions by the Company of the car manufacturing and financial activities of Opel/Vauxhall.

#### a) i) Conditions precedent

The Master Agreement is subject to the usual suspensive conditions relating, in particular, to:

- the implementation by General Motors of certain preliminary reorganisations of the Opel/Vauxhall group before completion of the Transaction;
- the obtaining of the necessary antitrust authorisations; and
- the obtaining of the necessary financial regulatory authorisations.

Final completion of the Transaction is currently estimated to take place at the end of 2017. Having regard to the timetable for obtaining the various authorisations required, it is possible that the effective transfer of the car manufacturing activity will take place before the transfer of the financial activities.

#### b) Pension obligations

The pension obligations of Opel/Vauxhall will be retained by General Motors, with the exception of the plan for active German employees and certain small plans, where the obligations will be transferred to the Company. General Motors will pay the Company €3.0 billion in full and final settlement of the pension obligations thus transferred. This sum will be paid in full on the date of final completion of the Transaction (or of the effective transfer of the car manufacturing business), subject to post-closing adjustments depending on the actuarial assessment of the financing requirements.

In accordance with this principle, General Motors must implement a certain number of preliminary reorganisations in order to separate the pension obligations of Opel/Vauxhall from the rest of the Group's assets and liabilities, which will be transferred to the Company. In accordance with the law applicable in certain jurisdictions, particularly in Germany, employees to be transferred may have a right to object to their transfer; in the event of refusal, the Company will not bear the consequences of their redundancy.

#### c) Transfer to the PSA Group of Opel/Vauxhall contracts

The majority of contracts concluded by Opel/Vauxhall will continue without any interruption as a result of the Transaction. The transfer of certain contracts, particularly those concluded with concessionaires, distributors or importers, will require the prior consent of Opel/Vauxhall's contracting partner. General Motors has undertaken to make reasonable efforts to request and obtain the required consents, but it is possible that some consents may not be obtained prior to closing. In that event, General Motors and the Company will have to put alternative solutions in place to enable, as far as possible,

(1) *European market share excluding Russia and Turkey, calculated on the basis of Opel/Vauxhall's revenue in 2016 (€17.7 billion) (data corresponding to the transferred scope) (source: IHS Automotive).*

(2) *IFRS. Subject to full review of US GAAP and IFRS differences.*

(3) *Defined as recurring operating income + Amortisation and impairment - restructuring costs - capital investment expenses - capitalised R&D - fluctuations in working capital requirements.*

the economic benefit of those contracts to be transferred to the Company until the required consents are obtained.

### d) Representations and warranties - Compensation

General Motors has agreed to indemnify the Company for certain losses resulting from any inaccuracy of the representations and warranties (in particular, financial statements, compliance with laws, sufficiency of assets, IP, product liability) or breaches of covenants of General Motors in the Master Agreement and for certain other liabilities. Certain (but not all) of these indemnification obligations are subject to usual time limitations, deductible and/or caps as to amount.

Any potential emissions-related matters impacting the Opel/Vauxhall portfolio as engineered prior to the date of completion of the Transaction has been allocated by the Master Agreement between the parties, with General Motors maintaining primary responsibility.

### e) Non-competition undertaking

General Motors has given a non-competition undertaking for the benefit of Opel/Vauxhall and for a period of 3 years with effect from completion of the Transaction with respect to mass market high-volume vehicles. This undertaking will apply in all EU and EFTA countries in which Opel/Vauxhall vehicles are distributed.

By way of exception to that principle, General Motors will in particular retain the right to acquire companies whose European car manufacturing business only represents a small part of their total revenue. General Motors may also continue to import and distribute Cadillac and Chevrolet vehicles in Europe insofar as this activity continues to represent only a very limited volume which is unlikely to compete with Opel/Vauxhall.

### f) Other undertakings by the Company

The Company has, in particular, undertaken to maintain Opel's current agreements concerning the German co-determination rules (Supervisory Board with half of its members being employee representatives).

## 2 – Partnership agreement with BNP Paribas

When the Master Agreement was concluded with General Motors, the Company simultaneously signed a framework agreement (the "***Framework Agreement***") with BNP Paribas and BNP Paribas Personal Finance, intended to organise the joint purchase of Opel/Vauxhall's finance companies and the setting up of a partnership in the area of car financing for Opel/Vauxhall vehicles.

### a) The partnership structure

The acquisition of Opel/Vauxhall's finance companies will be completed through a holding company. This joint venture, owned in equal shares and on the same terms by Banque PSA Finance and BNP Paribas Personal Finance, will from an accounting point of view retain the current European platform and staff of GM Financial. The Opel/Vauxhall finance companies will distribute financial products and insurance within a territory initially comprising the following countries: Germany, United Kingdom, France, Italy, Sweden, Austria, Ireland, Netherlands, Belgium, Greece and Switzerland. The cooperation may potentially be extended thereafter to other countries where Opel/Vauxhall has a presence.

The accounts of the Opel/Vauxhall finance companies will be consolidated by the Company using the equity method and will be fully consolidated by BNP Paribas. BNP Paribas Personal Finance will provide financing for the Opel/Vauxhall finance companies on terms that are as advantageous as those offered to its consumer credit subsidiaries.

### b) Non-competition undertakings

Under the terms of the Framework Agreement, the Company and BNP Paribas both undertake not to compete with the Opel/Vauxhall finance companies by selling financial products and services to concessionaires and end customers for the purchase of Opel/Vauxhall vehicles.

### c) Governance

The Framework Agreement organises the governance of the partnership through the Board of Directors of the holding company and the creation of certain committees within the holding company and the principal captive finance companies. The fundamental principles are as follows:

- BNP Paribas will have a casting vote with regard to risks, financing and compliance, and regarding the appointment of the heads of the relevant functions;
- the Company will have a casting vote with regard to marketing and sales, operations and IT systems, and will appoint the heads of the relevant functions;
- other important decisions (including the adoption of cooperative business plans and budgets, the marketing of new products, the distribution of dividends and the approval of borrowings or commitments not provided for in the budgets and in excess of certain thresholds) will be taken unanimously by the Board of Directors of the holding company, a dispute escalation mechanism being provided in the event of disagreement;
- BNP Paribas and the Company will appoint, on a rotating basis and every three years, for each of Opel/Vauxhall's main captive finance companies, (i) in one case, the Non-Executive Vice-Chairman of the Board of Directors and the Chief Executive Officer; and (ii) in the other, the Non-Executive Chairman of the Board of Directors and the Deputy Chief Executive Officer.

### d) The duration of the partnership

The partnership between the Company and BNP Paribas is concluded for a period of 12 years, renewable for periods of 5 years by mutual agreement. In the absence of renewal, the partnership will end upon the expiry of a transitional period of 24 months after the initial period of 12 years.

In accordance with the Framework Agreement, the Company will have the possibility of purchasing the shares owned by BNP Paribas at their market value upon the expiry of the partnership.

## 3 – Additional agreements

In accordance with the Master Agreement, a certain number of additional agreements will have to be signed between the Company and General Motors on the date of effective completion of the Transaction. These agreements are intended to organise the separation between Opel/Vauxhall and General Motors and to regulate various aspects of the relationship between Opel/Vauxhall and General Motors during the period of several years necessary to prepare Opel/Vauxhall for convergence with the PSA platforms.

### a) Intellectual property licence and contract for engineering services

A royalty-free licence (since already reflected in the price of the acquisition) will be granted to Opel/Vauxhall by GM Global Technology Operations LLC (GTO") in respect of all intellectual property rights belonging to GTO (with the exception of the makes which will be acquired in the context of the Transaction) or in respect of which GTO has a licence.

In the case of Opel and Vauxhall vehicles and their respective components and drive trains (excluding after-sales service), the licence will be granted for each vehicle until the date on which production of that vehicle ends, or until the date of convergence of that vehicle with the PSA platforms, if that occurs sooner. PSA will also have the right to extend this period until a maximum of 24 months after the date of convergence.

In the case of components and drive trains for the purposes of repairs and after-sales service, the licence will be granted until 25 years after the date the production of the relevant vehicle ends.

Pursuant to this licence, Opel/Vauxhall will, in particular, have the right:

- to manufacture, import, export and sell the entire range of Opel and Vauxhall vehicles within a defined geographical area essentially including all countries in which Opel/Vauxhall currently has a presence (Europe, Africa, some Middle East countries, Singapore and Chile);
- to manufacture, import and export components and drive trains to be installed in Opel and Vauxhall vehicles within the same defined geographical area;
- to manufacture, import, export and sell components for the vehicle maintenance or repair purposes without geographical limitation; and
- to sell drive trains for vehicle maintenance or repair purposes without geographical limitation.

The aforementioned geographical limitation will only apply to Opel/Vauxhall vehicles using General Motors' existing intellectual property. It will not apply to vehicles developed in the context of the existing partnership between General Motors and the Company (B-SUV, C-SUV and B-LCV vehicles as indicated in Section 4.5.4.4.2 of this Registration Document), or to vehicles that have already converged with the Company's platforms and which no longer use General Motors' intellectual property (other than in the context of the existing partnership between the Company and General Motors).

A contract for engineering services will also be concluded pursuant to which General Motors and Opel/Vauxhall will provide each other with engineering services covering the pre-production, development and annual maintenance of certain vehicles. Intellectual property developed in the context of this agreement will belong to General Motors but will also be the subject of a licence pursuant to the intellectual property licence agreement.

#### b) Contract for the provision of IT services

A contract for the provision of IT services will be concluded between General Motors, Opel/Vauxhall and the Company. This contract will be intended to organise the provision of IT services by General Motors during the transitional period necessary for the gradual migration of Opel/Vauxhall's computer applications and infrastructures to those of the Company. In this respect, Opel/Vauxhall will have the benefit of a service capacity guaranteed by General Motors for sensitive IT projects, as well as a royalty-free licence to use General Motors' applications.

A separation plan for the IT systems will be implemented and conducted under General Motors' supervision and at its expense. Following the preparation of the separation plan, a migration plan will be prepared by General Motors and the Company, which must, in particular, allow the reconstruction, cloning or interruption of computer applications by the Company.

#### c) Other additional agreements

The other additional agreements include, in particular:

- a contract relating to the provision of "connected vehicle" services by OnStar, a subsidiary of General Motors;
- a contract for the supply of vehicles, components and spare parts by General Motors to Opel/Vauxhall and by Opel/Vauxhall to General Motors;
- contracts for the provision of transitional services.

## 4.4.2. Additional information relating to the signature of the *Master Agreement* and *Framework Agreement*

### 4.4.2.1 PRESS RELEASE

#### 4.4.2.1.1 Opel/Vauxhall to join PSA Group

- **Establishes PSA Group as #2 in Europe. This strong and balanced presence in its home markets will serve as the basis of profitable growth worldwide**
- **Joint venture in auto financing with BNP Paribas to support development of Opel/Vauxhall brands**
- **€2.2 Bn transaction advances GM's transformation and unlocks shareholder value through disciplined capital allocation**

**Detroit and Paris, 6 March 2017** – General Motors Co. (NYSE:GM) and PSA Group (Paris:UG) today announced an agreement under which GM's Opel/Vauxhall subsidiary and GM Financial's European operations will join the PSA Group in a transaction valuing these activities at €1.3 Bn and €0.9 Bn, respectively.

With the addition of Opel/Vauxhall, which generated revenue of €17.7 Bn in 2016 (1), PSA will become the second-largest automotive company in Europe, with a 17% (2) market share .

**Creates sound European foundation for PSA to support its worldwide profitable growth**

*"We are proud to join forces with Opel/Vauxhall and are deeply committed to continuing to develop this great company and accelerating its turnaround," said Carlos Tavares, chairman of the Managing Board of PSA. "We respect all that Opel/Vauxhall's talented people have achieved as well as the company's fine brands and strong heritage. We intend to manage PSA and Opel/Vauxhall capitalizing on their respective brand identities. Having already created together winning products for the European market, we know that Opel/Vauxhall is the right partner. We see this as a natural extension of our relationship and are eager to take it to the next level."*

*"We are confident that the Opel/Vauxhall turnaround will significantly accelerate with our support, while respecting the commitments made by GM to the Opel/Vauxhall employees," continued Mr. Tavares.*

*(1) Opel/ Vauxhall financials correspond to financials of the contributed entity.*

*(2) Excluding Russia and Turkey. Source: IHS (February 2017).*

### Advances GM's Transformation and Unlocks Value

*"We are very pleased that together, GM, our valued colleagues at Opel/Vauxhall and PSA have created a new opportunity to enhance the long-term performance of our respective companies by building on the success of our prior alliance", said Mary T. Barra, GM chairman and chief executive officer.*

*"For GM, this represents another major step in the ongoing work that is driving our improved performance and accelerating our momentum. We are reshaping our company and delivering consistent, record results for our owners through disciplined capital allocation to our higher-return investments in our core automotive business and in new technologies that are enabling us to lead the future of personal mobility.*

*"We believe this new chapter puts Opel and Vauxhall in an even stronger position for the long term and we look forward to our participation in the future success and strong value-creation potential of PSA through our economic interest and continued collaboration on current and exciting new projects," Ms. Barra concluded.*

### Strengthens Each Company for the Long Term

The transaction will allow substantial economies of scale and synergies in purchasing, manufacturing and R&D. Annual synergies of €1.7 Bn are expected by 2026 – of which a significant part is expected to be delivered by 2020, accelerating Opel/Vauxhall's turnaround. Leveraging the successful partnership with GM, PSA expects Opel/Vauxhall to reach a recurring operating margin(1) of 2% by 2020 and 6% by 2026, and to generate a positive operational free cash flow(2) by 2020.

PSA, together with BNP Paribas, will also acquire all of GM Financial's European operations through a newly formed 50%/50% joint venture that will retain GM Financial's current European platform and team. This joint venture will be fully consolidated by BNP Paribas and accounted under the equity method by PSA.

The transaction is another step in GM's ongoing work to transform the company, which has delivered three years of record performance and a strong 2017 outlook, and returned significant capital to shareholders. It will strengthen GM's core business, support its continued deployment of resources to higher-return opportunities including in advanced technologies driving the future, and unlock significant value for shareholders.

By immediately improving EBIT-adjusted, EBIT-adjusted margins and adjusted automotive free cash flow and de-risking the balance sheet, the transaction will enable GM to lower the cash balance requirement under its capital allocation framework by $2 Bn, which it intends to use to accelerate share repurchases, subject to market conditions.

GM will also participate in the future success of the combined entity through its ownership of warrants to purchase shares of PSA. GM and PSA also expect to collaborate in the further deployment of electrification technologies and existing supply agreements for Holden and certain Buick models will continue, and PSA may potentially source long-term supply of fuel cell systems from the GM/Honda joint venture.

### Additional Information

#### Terms of the Agreement

Opel/Vauxhall automotive operations will be acquired by PSA for €1.3 Bn. GM Financial's European operations will be jointly acquired by PSA and BNP Paribas for 0.8 times their pro forma book value at the closing of the transaction, or approximately €0.9 Bn.

The transaction has a total value of €2.2 Bn, for Opel/Vauxhall automotive operations and 100% of GM Financial's European operations.

The transaction value for PSA, including Opel/Vauxhall and 50% of GM Financial's European operations, will be €1.8 Bn.

In connection with this transaction, GM or its affiliates will subscribe warrants for €0.65 Bn. These warrants have a nine-year maturity and are exercisable at any time in whole or in part commencing 5 years after the issue date, with a strike price of €1. Based on a reference price of €17.34 for the PSA share(3), the warrants correspond to 39.7 MM shares of PSA, or 4.2% of its fully diluted share capital(4). GM will not have governance or voting rights with respect to PSA and has agreed to sell the PSA shares received upon exercise of the warrants within 35 days after exercise.

The transaction includes all of Opel/Vauxhall's automotive operations, comprising Opel and Vauxhall brands, six assembly and five component-manufacturing facilities, one engineering center (Rüsselsheim, Deutschland) and approximately 40,000 employees. GM will retain the engineering center in Torino, Italy.

Opel/Vauxhall will also continue to benefit from intellectual property licenses from GM until its vehicles progressively convert to PSA platforms over the coming years.

In connection with the transaction, GM will take a primarily non-cash special charge of $4.0-4.5 Bn.

#### Ongoing Pension Fund Commitments

All of Opel/Vauxhall's European and U.K. pension plans, funded and unfunded, with the exception of the German Actives Plan and selected smaller plans will remain with GM. The obligations with respect to the German Actives Plan and these smaller plans of Opel/Vauxhall will be transferred to PSA. GM will pay PSA €3.0 Bn for full settlement of transferred pension obligations.

*(1) IFRS. Subject to full review of US GAAP – IFRS differences.*

*(2) Defined as recurring operating income + D&A – restructuring costs – capex – capitalized R&D – change in working capital.*

*(3) Reference price in the 20-day volume-weighted average share price of PSA as of February 13th, 2017 (pre-leak of February 14th, 2017).*

*(4) Based on 907 MM fully diluted shares outstanding.*

### Closing Conditions

The transaction is subject to various closing conditions, including regulatory approvals and reorganizations, and is expected to close before the end of 2017.

### Warrants

The issuance of the warrants is subject to the vote of shareholders at PSA's General Meeting of May 10th, 2017. The three main shareholders of PSA (the French State, the Peugeot family and DongFeng) representing in aggregate 36.6% of the share capital and 51.5% (1) of the voting rights of PSA have undertaken to vote in favor of the resolution related to the issuance of the warrants to GM. In the event the warrant issuance reserved to GM and its affiliates is not approved by PSA's General Meeting, PSA will settle the €0.65 Bn in cash over five years.

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  Pat Morrissey - +1 313-407-4548 - patrick.e.morrissey@gm.com

### About PSA Group

With sales and revenue of €54 billion in 2016, PSA Group designs unique automotive experiences and delivers mobility solutions that provide freedom and enjoyment to customers around the world. The Group has three car brands, Peugeot, Citroën and DS, as well as a wide array of mobility and smart services under its Free2Move brand, to meet the evolving needs and expectations of automobile users. The automobile manufacturer PSA is the European leader in terms of CO2 emissions, with average emissions of 102.4 grams per kilometer in 2016, and an early innovator in the field of autonomous and connected cars, with 2.3 million such vehicles worldwide. It is also involved in financing activities through Banque PSA Finance and automotive equipment via Faurecia. Find out more at groupe-psa.com/en

### PSA Group Forward-Looking Statements

This press release includes forward-looking statements and information about the objectives of PSA Group, in particular, relating to the acquisition of GM's Opel/Vauxhall subsidiary and GM Financial's European operations, and corresponding expected synergies. These statements are sometimes identified by the use of the future tense or conditional mode, as well as terms such as "estimate", "believe", "have the objective of", "intend to", "expect", "result in", "should" and other similar expressions. It should be noted that the realization of these objectives and forward-looking statements is dependent on the circumstances and facts that arise in the future. Forward-looking statements and information about objectives may be affected by known and unknown risks, uncertainties and other factors that may significantly alter the future results, performance and accomplishments planned or expected by PSA Group. These factors may include changes in the economic and geopolitical situation and more generally those detailed in Chapter 1.5 of the reference document filed with the Autorité des marchés financiers (the "AMF") on 24 March 2016 under no. D.16-0204.

### About General Motors

General Motors Co. (NYSE: GM, TSX: GMM) and its partners produce vehicles in 30 countries, and the company has leadership positions in the world's largest and fastest-growing automotive markets. GM, its subsidiaries and joint venture entities currently sells vehicles under the Chevrolet, Cadillac, Baojun, Buick GMC, Holden, Jiefeng, Opel, Vauxhall and Wuling brands. More information on the company and its subsidiaries, including OnStar, a global leader in vehicle safety, security and information services, can be found at http://www.gm.com.

### CAUTION CONCERNING FORWARD LOOKING STATEMENTS

*In this press release, and in reports GM subsequently files and has previously filed with the SEC on Forms 10-K and 10-Q and file or furnish on Form 8-K, and in related comments by GM's management, GM uses words like "anticipate," "appears," "approximately," "believe," "continue," "could," "designed," "effect," "estimate," "evaluate," "expect," "forecast," "goal," "initiative," "intend," "may," "objective," "outlook," "plan," "potential," "priorities," "project," "pursue," "seek," "should," "target," "when," "will," "would," or the negative of any of those words or similar expressions to identify forward-looking statements that represent GM's current judgment about possible future events. In making these statements GM relies on assumptions and analyses based on its experience and perception of historical trends, current conditions and expected future developments as well as other factors GM considers appropriate under the circumstances. GM believes these judgments are reasonable, but these statements are not guarantees of any events or financial results, and GM's actual results may differ materially due to a variety of important factors, both positive and negative. These factors, which may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K, include among others the following: (1) GM's ability to deliver new products, services and customer experiences in response to new participants in the automotive industry; (2) GM's ability to fund and introduce new and improved vehicle models that are able to attract a sufficient number of consumers; (3) the success of GM's full-size pick-up trucks and SUVs, which may be affected by increases in the price of oil; (4) global automobile market sales volume, which can be volatile; (5) aggressive competition in China; (6) the international scale and footprint of GM's operations which exposes GM to a variety of domestic and foreign political, economic and regulatory risks, including the risk of changes in existing, the adoption of new, or the introduction of novel interpretations of, laws regulations, policies or other activities of governments, agencies and similar organizations particularly laws, regulations and policies relating to free trade agreements, vehicle safety including recalls, and, including such actions that may affect the production, licensing, distribution or sale of GM's products, the cost thereof or applicable tax rates;*

*(1) Based on a fully diluted number of shares outstanding of 907 MM shares, pro forma the exercise of all outstanding 2014 warrants.*

*(7) GM's joint ventures, which GM cannot operate solely for its benefit and over which GM may have limited control; (8) GM's ability to comply with extensive laws and regulations applicable to its industry, including those regarding fuel economy and emissions; (9) costs and risks associated with litigation and government investigations including the potential imposition of damages, substantial fines, civil lawsuits and criminal penalties, interruptions of business, modification of business practices, equitable remedies and other sanctions against GM in connection with various legal proceedings and investigations relating to GM's various recalls; (10) GM's ability to comply with the terms of the Deferred Prosecution Agreement; (11) GM's ability to maintain quality control over its vehicles and avoid material vehicle recalls and the cost and effect on its reputation and products; (12) the ability of GM's suppliers to deliver parts, systems and components without disruption and at such times to allow GM to meet production schedules; (13) GM's dependence on its manufacturing facilities around the world; (14) GM's highly competitive industry, which is characterized by excess manufacturing capacity and the use of incentives and the introduction of new and improved vehicle models by its competitors; (15) GM's ability to realize production efficiencies and to achieve reductions in costs as GM implements operating effectiveness initiatives throughout its automotive operations; (16) GM's ability to successfully restructure its operations in various countries; (17) GM's ability to manage risks related to security breaches and other disruptions to its vehicles, information technology networks and systems; (18) GM's continued ability to develop captive financing capability through GM Financial; (19) significant increases in GM's pension expense or projected pension contributions resulting from changes in the value of plan assets, the discount rate applied to value the pension liabilities or mortality or other assumption changes; (20) significant changes in economic, political, regulatory environment, market conditions, foreign currency exchange rates or political stability in the countries in which GM operates, particularly China, with the effect of competition from new market entrants and in the United Kingdom with passage of a referendum to discontinue membership in the European Union; and (21) risks and uncertainties associated with the consummation of the sale of Opel/Vauxhall to the PSA Group, including satisfaction of the closing conditions and the PSA Group's realization of synergies in connection with the transaction.*

*GM cautions readers not to place undue reliance on forward-looking statements. GM undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other factors that affect the subject of these statements, except where GM is expressly required to do so by law.*

#### 4.4.2.1.2 PSA Group and BNP Paribas announce a long-term strategic partnership in automotive finance around the joint acquisition of Opel / Vauxhall's financing activities

**Paris, 6 March 2017**

**As part of the broader alliance announced today between PSA Group and GM's Opel subsidiary, PSA and BNP Paribas have agreed to jointly acquire Opel / Vauxhall's captive financing activities and have entered into a long-term strategic partnership around the Opel and Vauxhall brands.**

Banque PSA Finance and BNP Paribas Personal Finance will each acquire 50% of the share capital of Opel / Vauxhall's financing activities for a total of €0.9 Bn, representing a multiple of 0.8x the combined pro-forma Book Value of €1.2 Bn at year-end 2016. As per this partnership agreement, BNP Paribas will fully consolidate the entity.

Opel / Vauxhall's financing operations cover 11 European countries, serving nearly 1,800 dealers and have outstanding earning assets of ca. €9.6 Bn at year-end 2016, of which ca. €5.8 Bn are financed by deposits or securitizations. Opel / Vauxhall's financing operations offer a full range of automotive financing products, including consumer loans, leases, dealer financing and insurance products, with a constant focus on optimizing customer experience.

The operations will benefit from combined Banque PSA Finance's and BNP Paribas Personal Finance's expertise in automotive financing to better serve Opel and Vauxhall's dealers and customers and support Opel and Vauxhall development. The transaction will be financed from existing resources of PSA and BNP Paribas and will have an impact of close to 10 bps on BNP Paribas Common Equity Tier 1 Ratio.

Both Boards of Directors unanimously approved this partnership agreement.

The transaction is expected to close in the fourth quarter of 2017 and is subject to customary anti-trust and other regulatory approvals.

*"Opel / Vauxhall's financing operations are critical to the development of the Opel and Vauxhall brands. We are proud to join our forces with BNP Paribas, a leading European banking partner, and are confident our complementary expertise will make this new partnership a success." Carlos Tavares, Chairman of the Managing Board, said.*

*"This partnership represents a great opportunity to further grow BNP Paribas Personal Finance's footprint on the attractive automotive financing business and is fully in line with our strategic goals for 2020. We have been a longstanding banking partner of PSA Group and are delighted with this value-enhancing partnership around Opel / Vauxhall. We will capitalize on our highly complementary capabilities to best serve Opel and Vauxhall's dealers and customers and support the Opel and Vauxhall brands." stated Jean-Laurent Bonnafé, Chief Executive Officer of BNP Paribas.*

*"We are very pleased with this new venture and warmly welcome the employees of Opel / Vauxhall's financing activities within our partnership," declared Laurent David, CEO of BNP Paribas Personal Finance together with Remy Bayle, CEO of Banque PSA Finance.*

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- Press contacts: BNP Paribas - Malka Nusynowicz - (+33) 1 42 98 36 25 - malka.nusynowicz@bnparibas.com
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### About PSA Group

With sales and revenue of €54 billion in 2016, PSA Group designs unique automotive experiences and delivers mobility solutions that provide freedom and enjoyment to customers around the world. The Group has three car brands, Peugeot, Citroën and DS, as well as a wide array of mobility and smart services under its Free2Move brand, to meet the evolving needs and expectations of automobile users. The automobile manufacturer PSA is the European leader in terms of $CO_2$ emissions, with average emissions of 102.4 grams per kilometer in 2016, and an early innovator in the field of autonomous and connected cars, with 2.3 million such vehicles worldwide. It is also involved in financing activities through Banque PSA Finance and automotive equipment via Faurecia.

Find out more at groupe-psa.com/en

New media library: https://medialibrary.groupe-psa.com/

### About BNP Paribas

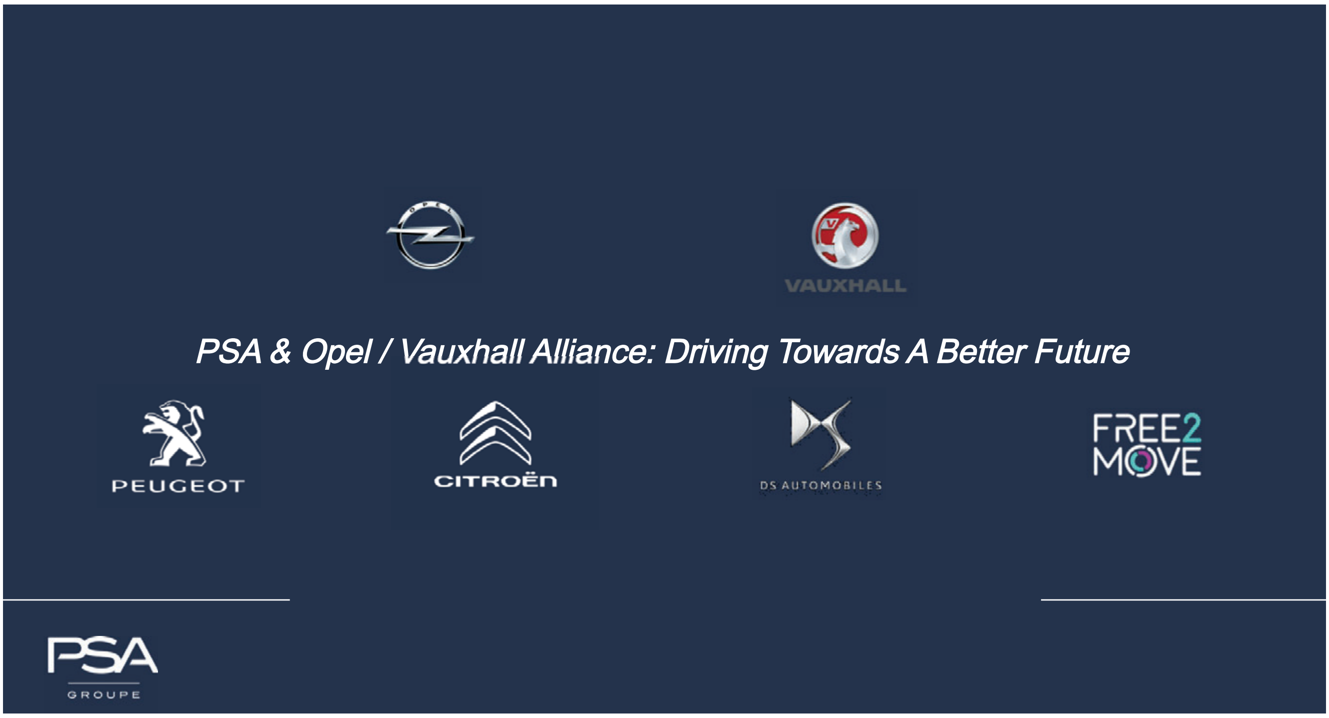
BNP Paribas is a leading bank in Europe with an international reach. It has a presence in 74 countries, with more than 190,000 employees, including more than 146,000 in Europe. The Group has key positions in its three main activities: Domestic Markets and International Financial Services (whose retail-banking networks and financial services are covered by Retail Banking & Services) and Corporate & Institutional Banking, which serves two client franchises: corporate clients and institutional investors. The Group helps all its clients (individuals, community associations, entrepreneurs, SMEs, corporates and institutional clients) to realise their projects through solutions spanning financing, investment, savings and protection insurance. In Europe, the Group has four domestic markets (Belgium, France, Italy and Luxembourg) and BNP Paribas Personal Finance is the leader in consumer lending. BNP Paribas is rolling out its integrated retail-banking model in Mediterranean countries, in Turkey, in Eastern Europe and a large network in the western part of the United States. In its Corporate & Institutional Banking and International Financial Services activities, BNP Paribas also enjoys top positions in Europe, a strong presence in the Americas as well as a solid and fast-growing business in Asia-Pacific.

### About BNP Paribas Personal Finance

BNP Paribas Personal Finance is the leader in France and in Europe for personal loans via its activities in consumer credit and mortgage lending. A 100% subsidiary of the BNP Paribas Group, BNP Paribas Personal Finance has nearly 20,000 employees and operates in about 30 countries. Under brands including Cetelem, Findomestic, Cofinoga and AlphaCredit, the company offers a full range of personal credit products at points of sale and car dealerships and directly to consumers through its customer relations centres and Internet. BNP Paribas Personal Finance has added an insurance and savings offer for its clients in Bulgaria, France, Germany, and Italy. BNP Paribas Personal Finance has developed an active partnership strategy with retailers, manufacturers and automotive retailers, web merchants and financial institutions (banks and insurance companies), based on its experience with marketing credit offers and integrated services tailored to partners' business and commercial objectives. It is also a leading player in the field of responsible lending and financial education.

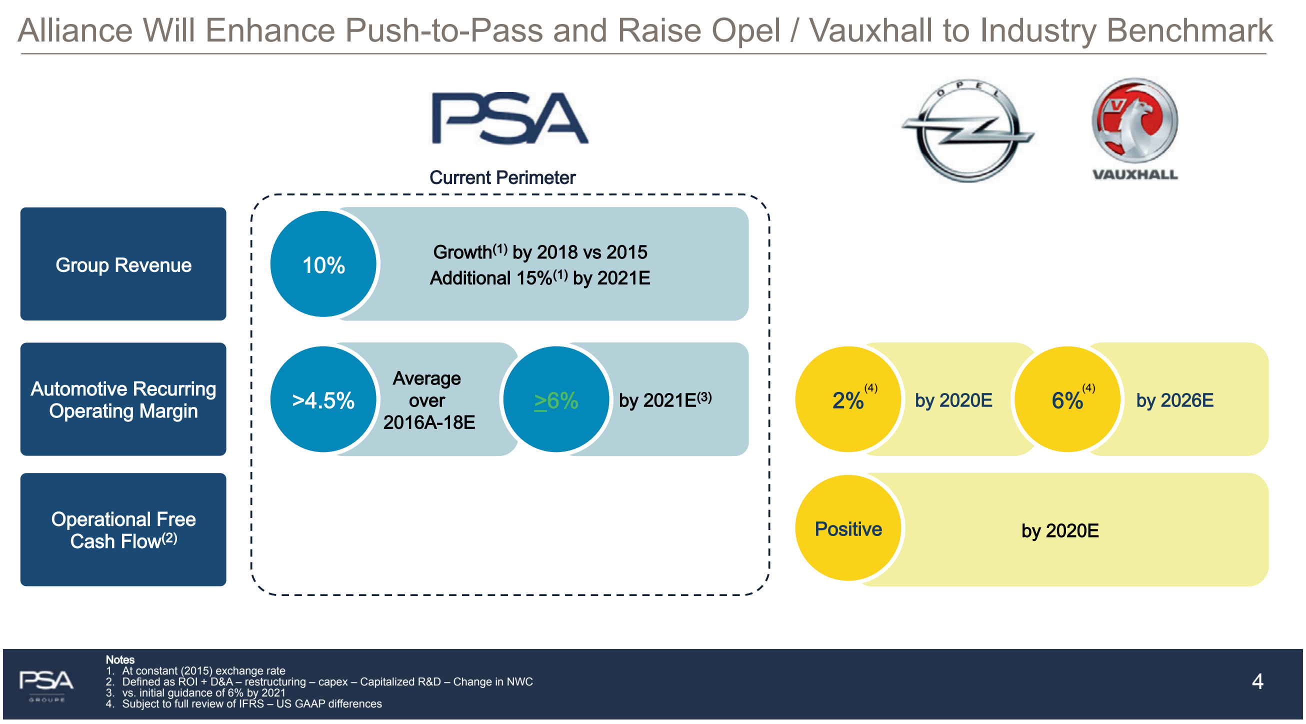
For further information: www.bnpparibas-pf.com

### 4.4.2.2 PRESENTATION — ALLIANCE GROUPE PSA & OPEL / VAUXHALL





Opel / Vauxhall Teams to Drive Turnaround with Full PSA Support
Astra TCR
3


Alliance Will Enhance Push-to-Pass and Raise Opel / Vauxhall to Industry Benchmark
PSA
Current Perimeter
VAUXHALL
Group Revenue
10%
Growth(1) by 2018 vs 2015
Additional 15%(1) by 2021E
Automotive Recurring Operating Margin
>4.5%
Average over 2016A-18E
≥6%
by 2021E(3)
2%(4)
by 2020E
6%(4)
by 2026E
Operational Free Cash Flow(2)
Positive
by 2020E
Notes
1. At constant (2015) exchange rate
2. Defined as ROI + D&A – restructuring – capex – Capitalized R&D – Change in NWC
3. vs. initial guidance of 6% by 2021
4. Subject to full review of IFRS – US GAAP differences
4

## Existing PSA – Opel / Vauxhall OEM Partnership Already Delivering Significant Results

**Proven Cooperation Model Based on Three Key Pillars**

**Joint Purchasing Organization**
- Alignment of pricing to benchmark on joint procurement base

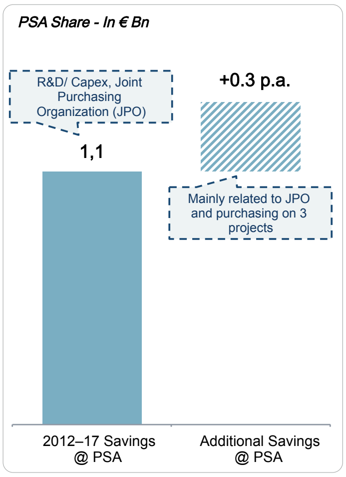
**Joint Product Development & Cross-Manufacturing**
- Three common vehicles (20% of combined volumes)
- Projects on time/ at cost
- Cost efficiency

**Strong Cultural and Engineering Fit**
- Joint working groups across both companies
- Track record in delivering tangible savings

**Impact of 3 Joint Vehicle Programs from 2017E Onwards**

| | | | | |
|---|---|---|---|---|
| *Crossland X*, *C3 Aircross* | Launch 2017E | 220k units (2018E)[1] | BVH1 platform | Opel plant |
| *Grandland X*, *Peugeot 3008* | Launch 2017E | 300k units (2018E)[1] | EMP2 platform | PSA plant |
| *B-LCV* | Launch 2018E | 300k units (2019E)[1] | EMP2 platform | PSA plant |

**c.€1.1 Bn Savings Already Generated With Add. €0.3 Bn p.a.**




Sources: Company Information, IHS (February 2017)
Note
1. Based on IHS

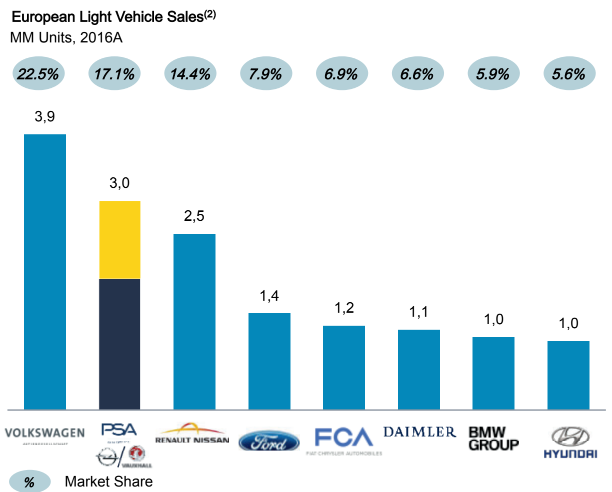
5

## The PSA – Opel / Vauxhall Combination Leads to Mass Market Leadership

**A Transformational Strategic Combination[1]...**

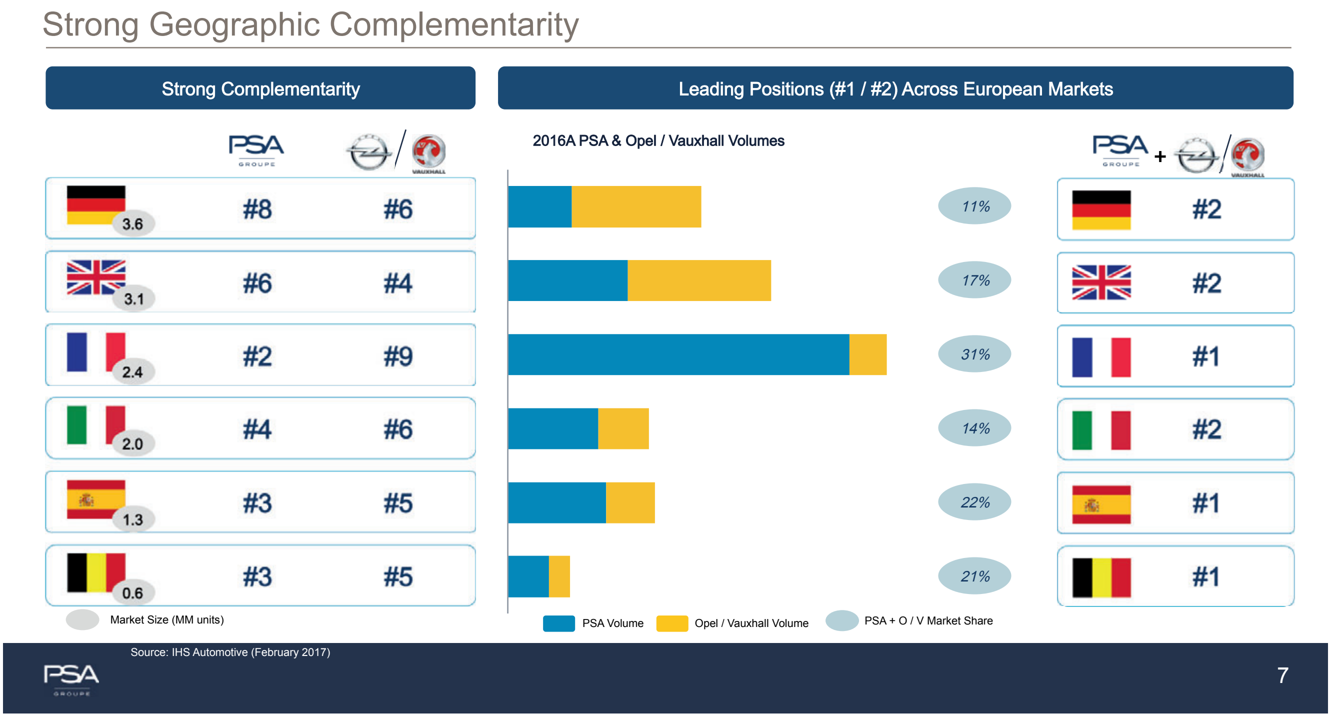
| | PSA | Opel / Vauxhall | | PSA + Opel / Vauxhall |
|---|---|---|---|---|
| Global Sales (MM units) | 3.1 | + 1.2 | = | 4.3 |
| European Market Share[2] | 10.7% (# 3) | + 6.5% (# 7) | = | 17.1% (# 2) |
| Auto. Revenue (€ Bn) | 37.1 | + 17.7 | = | 54.8 |
| Auto. EBITDA (€ Bn) | 4.0 | + 0.8[3] | = | 4.8 |

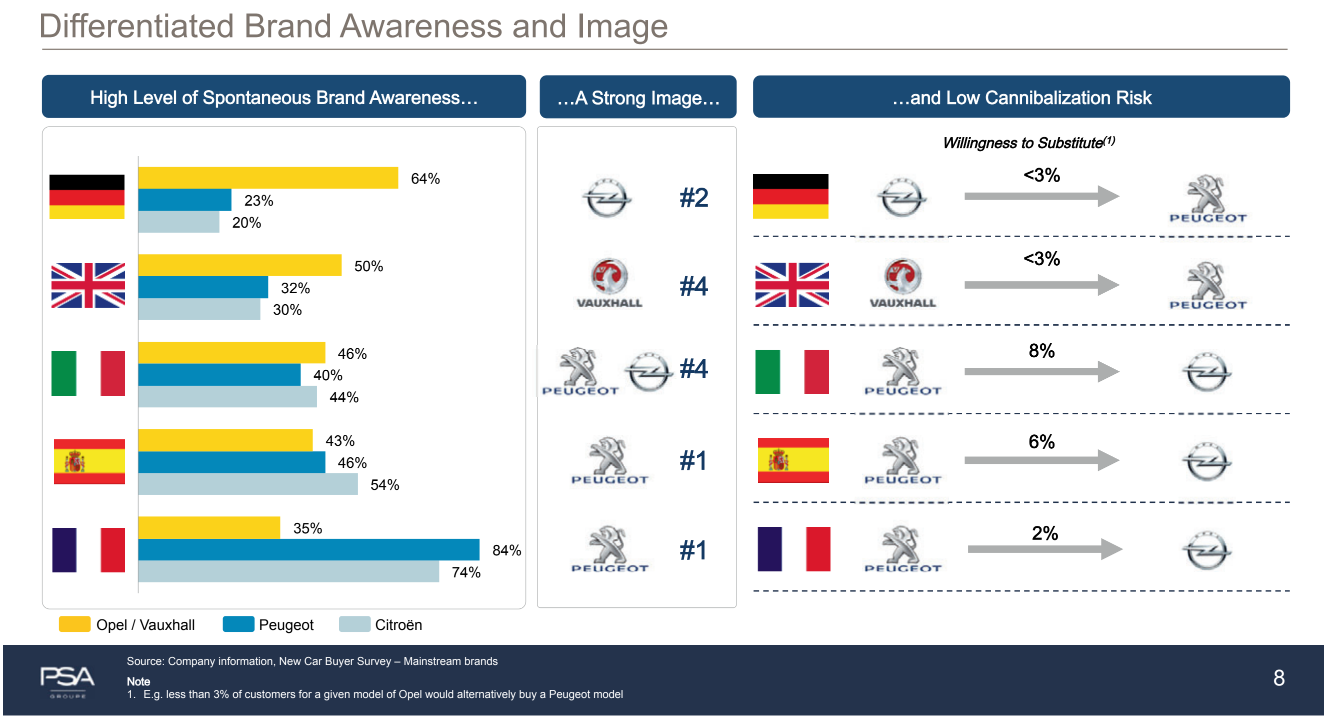
**...Strengthening PSA's Position in Europe's Mass OEM Market**

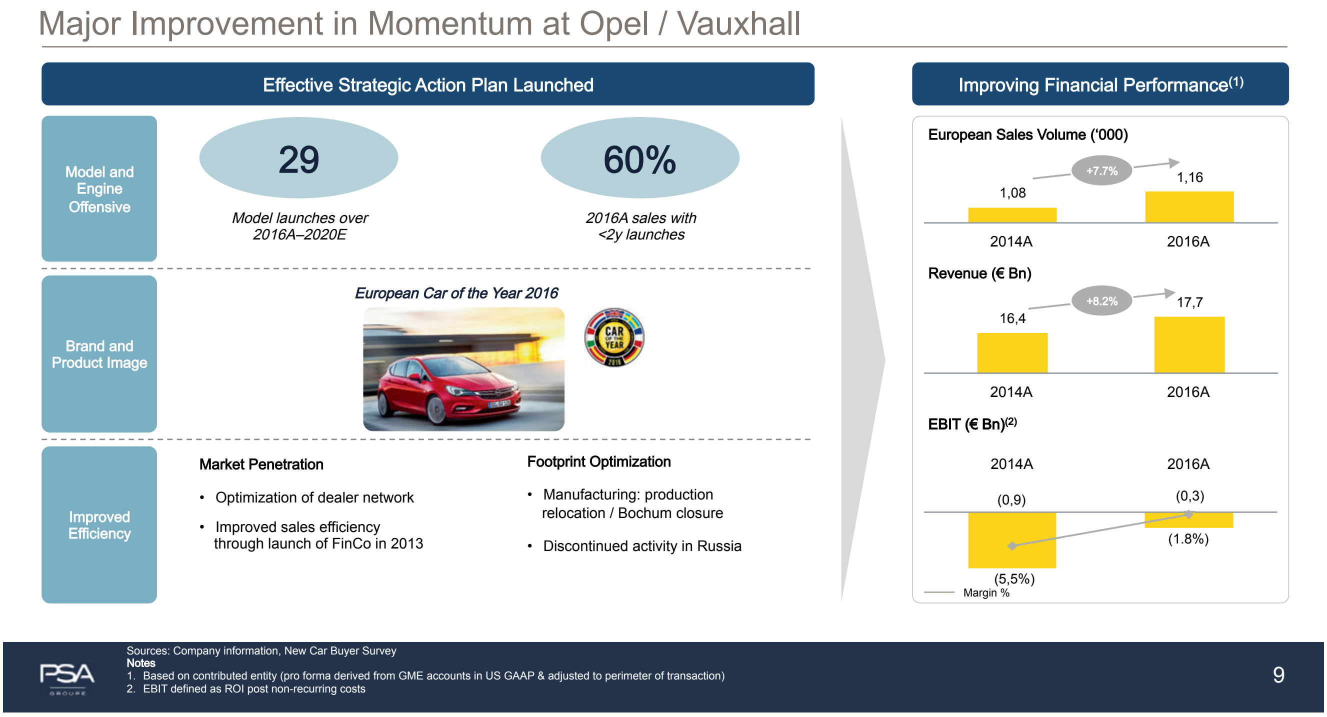


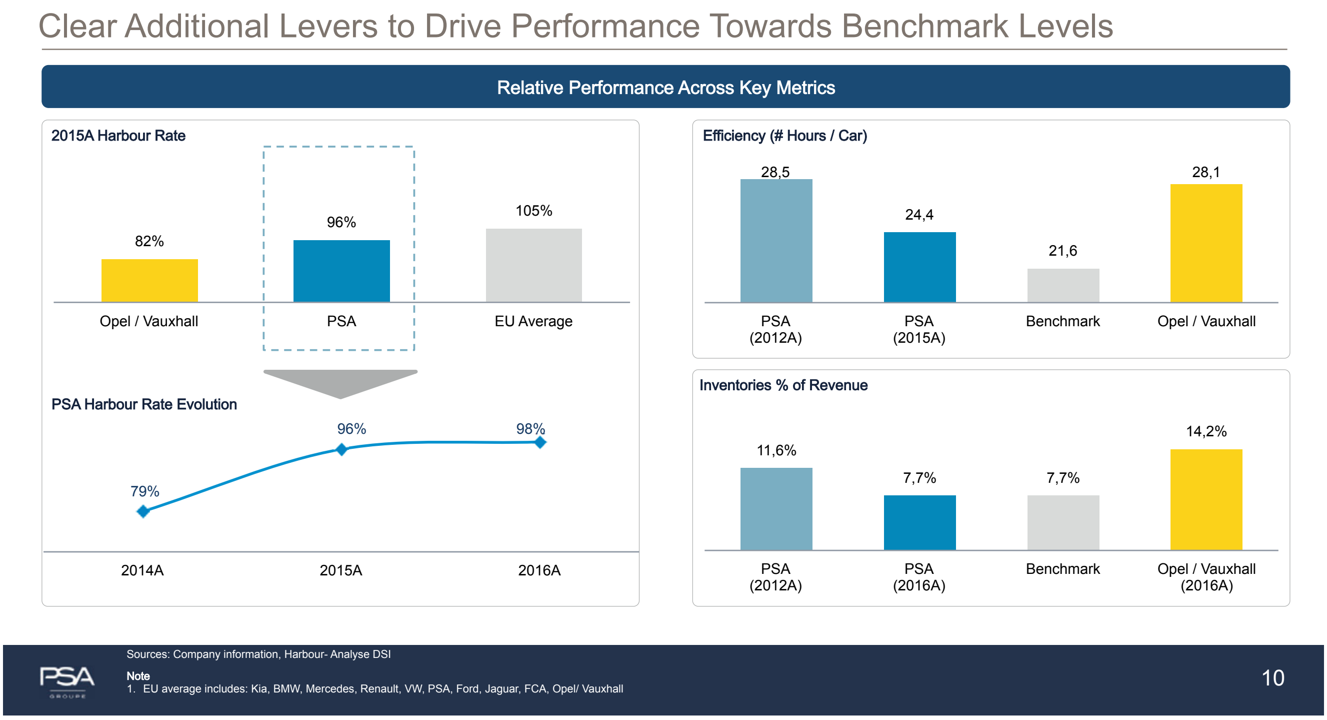

Source: Company information, IHS Automotive (February 2017)
Notes
1. Based on 2016 figures
2. Excluding Russia and Turkey
3. Defined as recurring operating income + D&A, assuming 40% of Opel / Vauxhall Auto R&D capitalized

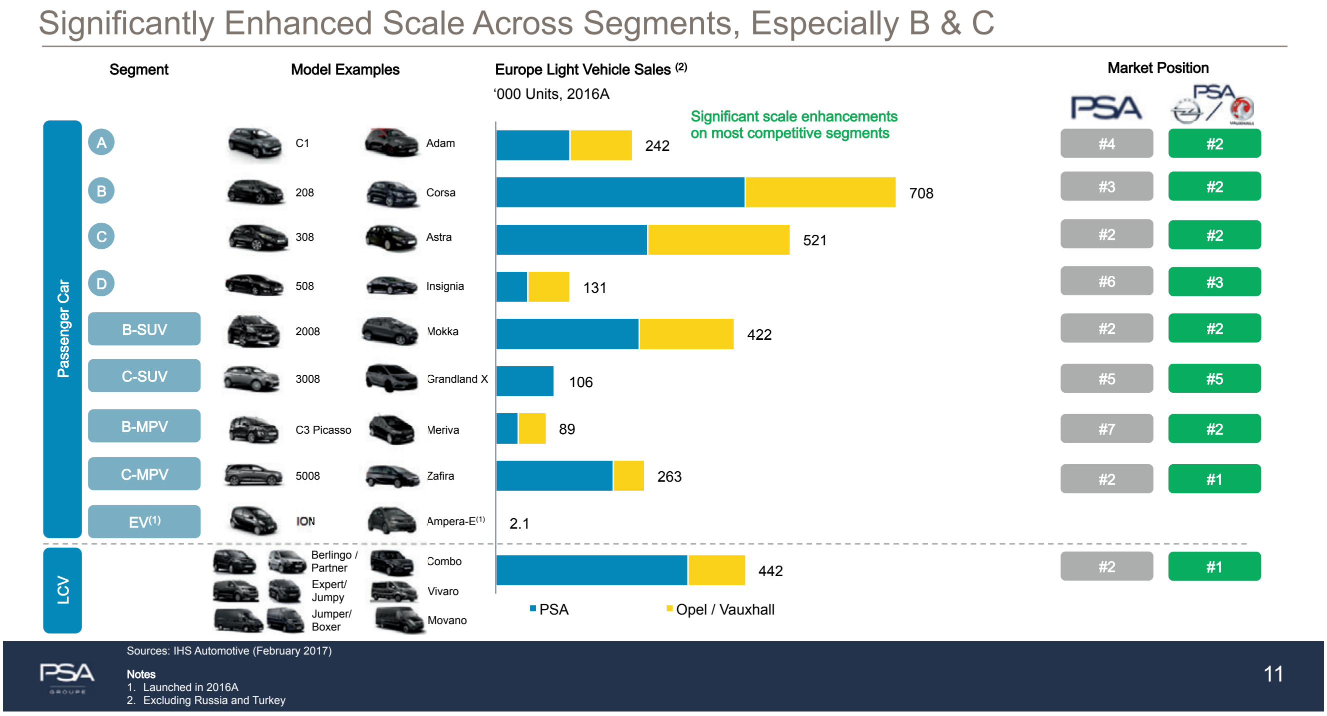
6

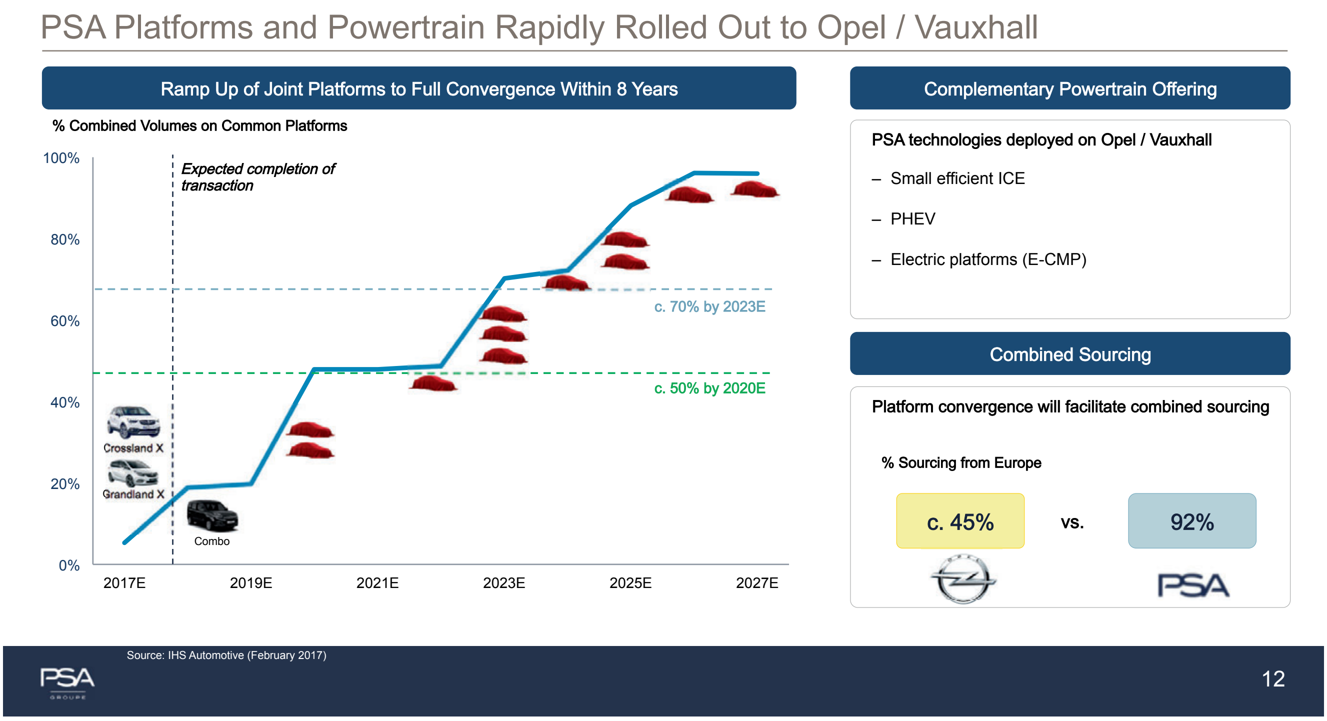

Strong Geographic Complementarity
Strong Complementarity
Leading Positions (#1 / #2) Across European Markets
2016A PSA & Opel / Vauxhall Volumes
3.6
#8
#6
11%
#2
3.1
#6
#4
17%
#2
2.4
#2
#9
31%
#1
2.0
#4
#6
14%
#2
1.3
#3
#5
22%
#1
0.6
#3
#5
21%
#1
Market Size (MM units)
PSA Volume
Opel / Vauxhall Volume
PSA + O / V Market Share
Source: IHS Automotive (February 2017)
7


Differentiated Brand Awareness and Image
High Level of Spontaneous Brand Awareness…
…A Strong Image…
…and Low Cannibalization Risk
64%
23%
20%
50%
32%
30%
46%
40%
44%
43%
46%
54%
35%
84%
74%
Opel / Vauxhall
Peugeot
Citroën
#2
#4
#4
#1
#1
Willingness to Substitute(1)
<3%
<3%
8%
6%
2%
Source: Company information, New Car Buyer Survey – Mainstream brands
Note
1. E.g. less than 3% of customers for a given model of Opel would alternatively buy a Peugeot model
8


Major Improvement in Momentum at Opel / Vauxhall
Effective Strategic Action Plan Launched
Model and Engine Offensive
29
Model launches over 2016A–2020E
60%
2016A sales with <2y launches
Brand and Product Image
European Car of the Year 2016
Improved Efficiency
Market Penetration
• Optimization of dealer network
• Improved sales efficiency through launch of FinCo in 2013
Footprint Optimization
• Manufacturing: production relocation / Bochum closure
• Discontinued activity in Russia
Improving Financial Performance(1)
European Sales Volume ('000)
1,08
+7.7%
1,16
2014A
2016A
Revenue (€ Bn)
16,4
+8.2%
17,7
2014A
2016A
EBIT (€ Bn)(2)
2014A
2016A
(0,9)
(0,3)
(1.8%)
(5,5%)
Margin %
Sources: Company information, New Car Buyer Survey
Notes
1. Based on contributed entity (pro forma derived from GME accounts in US GAAP & adjusted to perimeter of transaction)
2. EBIT defined as ROI post non-recurring costs
9


Clear Additional Levers to Drive Performance Towards Benchmark Levels
Relative Performance Across Key Metrics
2015A Harbour Rate
82%
96%
105%
Opel / Vauxhall
PSA
EU Average
PSA Harbour Rate Evolution
79%
96%
98%
2014A
2015A
2016A
Efficiency (# Hours / Car)
28,5
24,4
21,6
28,1
PSA (2012A)
PSA (2015A)
Benchmark
Opel / Vauxhall
Inventories % of Revenue
11,6%
7,7%
7,7%
14,2%
PSA (2012A)
PSA (2016A)
Benchmark
Opel / Vauxhall (2016A)
Sources: Company information, Harbour- Analyse DSI
Note
1. EU average includes: Kia, BMW, Mercedes, Renault, VW, PSA, Ford, Jaguar, FCA, Opel/ Vauxhall
10


Significantly Enhanced Scale Across Segments, Especially B & C
Segment
Model Examples
Europe Light Vehicle Sales (2)
'000 Units, 2016A
Market Position
Significant scale enhancements on most competitive segments
Passenger Car
A C1 Adam 242 #4 #2
B 208 Corsa 708 #3 #2
C 308 Astra 521 #2 #2
D 508 Insignia 131 #6 #3
B-SUV 2008 Mokka 422 #2 #2
C-SUV 3008 Grandland X 106 #5 #5
B-MPV C3 Picasso Meriva 89 #7 #2
C-MPV 5008 Zafira 263 #2 #1
EV(1) ION Ampera-E(1) 2.1
LCV
Berlingo / Partner Combo
Expert/ Jumpy Vivaro
Jumper/ Boxer Movano
442 #2 #1
PSA
Opel / Vauxhall
Sources: IHS Automotive (February 2017)
Notes
1. Launched in 2016A
2. Excluding Russia and Turkey
11


PSA Platforms and Powertrain Rapidly Rolled Out to Opel / Vauxhall
Ramp Up of Joint Platforms to Full Convergence Within 8 Years
% Combined Volumes on Common Platforms
100%
80%
60%
40%
20%
0%
Expected completion of transaction
c. 70% by 2023E
c. 50% by 2020E
Crossland X
Grandland X
Combo
2017E
2019E
2021E
2023E
2025E
2027E
Complementary Powertrain Offering
PSA technologies deployed on Opel / Vauxhall
– Small efficient ICE
– PHEV
– Electric platforms (E-CMP)
Combined Sourcing
Platform convergence will facilitate combined sourcing
% Sourcing from Europe
c. 45%
vs.
92%
Source: IHS Automotive (February 2017)
12

## Combination to Generate Annual Synergies of €1.7 Bn and €1.2 Bn Working Capital Release

| | | |
|---|---|---|
| Purchasing | c. 30% | • Scale effects<br>• Technical best practices leading to optimized purchasing<br>• Combination of purchasing functions and European sourcing |
| R&D | c. 25% | • Convergence of platforms and powertrains<br>• Design to cost<br>• Full digitalization of product development |
| Manufacturing | c. 20% | • Alignment of industry benchmarks<br>• Plant modernization and improved efficiency |
| SG&A | c. 10% | • Alignment with industry benchmarks<br>• Multiple areas of joint savings |
| Capex | c. 15% | • Leveraging gains in manufacturing efficiency and common developments<br>• Optimization of joint capex |

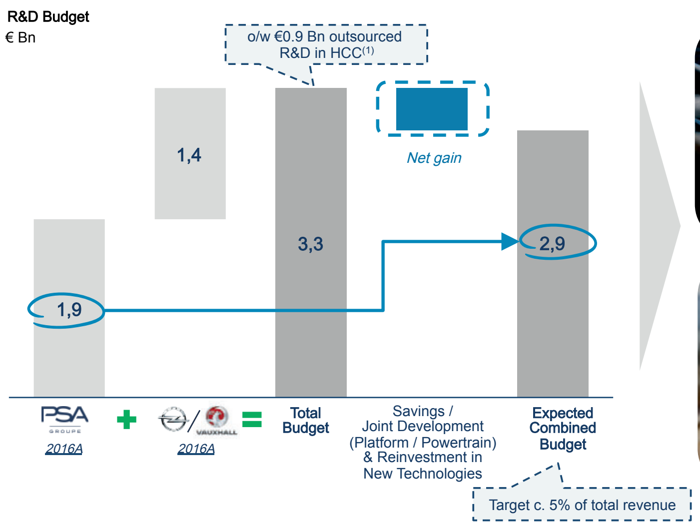
| c. €1.7 Bn p.a. | c. €1.1 Bn p.a. | c. €(1.6) Bn |
|---|---|---|
| *Run-Rate Synergies By 2026E* | *Synergies Expected By 2020E (c. 65%)* | *Total Implementation Costs* |

| | | |
|---|---|---|
| Working Capital Optimization | c. €1.2 Bn | • PSA with strong track record<br>• Full realization by 2022E |

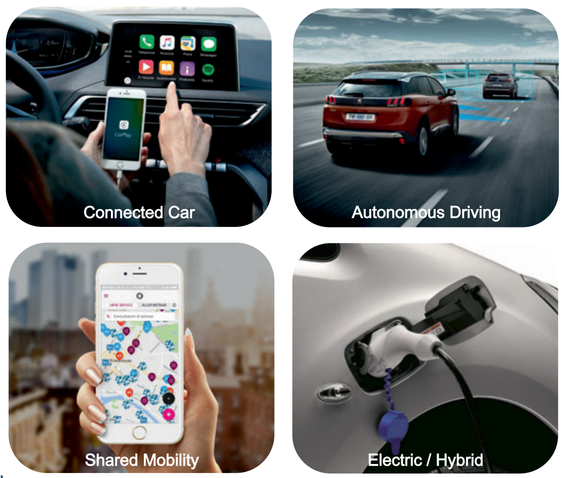
PSA GROUPE 13

## Scope for Greater Innovation and Optimised Technology Spend

**Opportunity to Optimize R&D Budget**




**Re-Direct Investments to "Future Mobility" Technologies**




Source: Company information

Note
1. High Cost Countries

PSA GROUPE 14

## Broadening Partnership with General Motors in Advanced Technologies and Services


**Fuel Cell**

- Long-term supply of Fuel Cell Stack system for future PSA vehicle

**Electrification**

- PSA and General Motors electrification component technology cooperation
- Shared purchasing and related scale

PSA GROUPE 15

## Auto Transaction Consideration for PSA of €1.32 Bn

| | | |
|---|---|---|
| Opel / Vauxhall Automotive | €1.32 Bn | • 7.4% 2016A pro forma Revenue |
| General Motors Europe Pensions | - | • GM retains all pensions obligations excluding German active workers and certain regional plans contributed to PSA<br>• Total net underfunded status of pensions obligations retained by GM: c. $6.5 Bn<br>• GM to fully fund plans assumed by PSA on IFRS (c. €3.0 Bn funding) |

PSA GROUPE 16

## PSA and BNP Paribas To Acquire General Motors' European Financing Activities

BNP PARIBAS — PSA GROUPE — BANQUE PSA FINANCE — Opel Bank

**Continuation of PSA's Highly Successful Partnership Model in Consumer / Dealer Financing, Supporting the Development of Automobile Distribution**

- PSA and BNP Paribas to acquire General Motors Europe financing activities for €0.9 Bn, 0.8x Book Value
- 50 / 50 ownership, with BNP Paribas to consolidate the entity
- Well capitalised, low risk profile financing activity
- Significant room for value creation through the partnership and alignment of Opel Financing Activities with best in class levels (penetration, cost of funding, IT platform…)

PSA GROUPE 17

## GM Europe Financing Activities Serve Opel and Vauxhall Across Europe

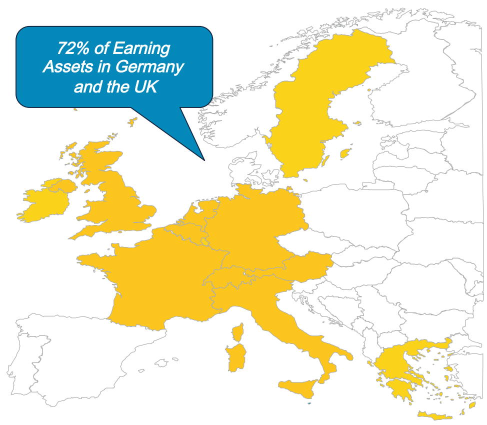
**A High Quality Auto Finance Player
Critical to Opel / Vauxhall's Auto Operations**

- Pan-European footprint, present in 11 countries
- Long-standing relationship with ~1,800 dealers
- Full spectrum product offering to consumers and dealers, including leasing activities in Germany
- Robust funding platform leveraging on German deposits (€1.8 Bn) and securitisation capabilities (€4.0 Bn)
- Earning Assets of €9.6 Bn (2/3 consumer, 1/3 commercial)
- c. 31% of Opel sales with an Opel financial service

**Significant Value Creation Potential**

- Rollout of best practices to raise Opel financial services performance to benchmark levels
- Leverage access to highly attractive cost of funding to ensure competitive offering

**Pan-European Footprint**




Geographies operated by General Motors European Financing Activities

PSA GROUPE 18

## FinCo Transaction Consideration for PSA of €0.46 Bn

| | | |
|---|---|---|
| General Motors Europe Financial Services | €0.46 Bn | • **0.8x 2016A P / BV of €1.2 Bn**<br>— c. 9% 2016A RoE / 12% leverage<br>• **Acquired 50/50 with BNP Paribas**<br>— Formation of 50 / 50 JV<br>— Funding gap assumed by BNP Paribas<br>— PSA share: c. €0.46 Bn<br>— Full consolidation by BNP Paribas, accounted for under the equity method by PSA |

PSA GROUPE 19

## Transaction Financing With Limited Impact on PSA Net Cash Position

| | |
|---|---|
| Opel / Vauxhall Automotive €1.32 Bn | • **Cash on balance sheet (c. €0.67 Bn) and warrants (c. €0.65 Bn)**<br>• **In connection with the transaction, GM would subscribe to warrants with a 9-year maturity, exercisable from 5th anniversary of issuance, corresponding to c. 39.7 MM PSA shares(1) / 4.2% of share capital(2)**<br>— €1 strike (nominal)<br>— €17.34 reference price(1), total value of €0.65 Bn<br>— No governance rights, no voting rights<br>— Not transferrable<br>— Undertaking to sell shares upon exercise within 35 days<br>— Subject to May 10th EGM vote<br>— Undertaking from FFP/ EFP/ French State/ DFM (in aggregate 36.6% of capital and 51.5% of voting rights(2)) to vote resolution |
| GM Europe Financial Services (50%) €0.46 Bn | • **Cash on balance sheet** |

Cash-out / Net debt impact for PSA: c. €1.13 Bn 64% of total transaction value

Warrants: c. €0.65 Bn 36% of total transaction value

PSA GROUPE

Notes
1. Reference price is the 20-day volume-weighted average share price of PSA as of February 13th, 2017 (pre-leak of February 14th, 2017)
2. Based on fully diluted number of shares outstanding of 907 MM shares PF exercise of all outstanding 2014 warrants

20

## PSA Preserves Financial Flexibility

- Total impact on net cash position of €(1.2) Bn
- PSA pro forma 2016A net cash position of €5.7 Bn[(1)], leaving ample headroom for further profitable growth opportunities internationally
- PSA pro forma transaction 2016A financial security at €16 Bn[(1)]
- Pensions issue addressed, pension benefit obligations fully funded by General Motors at closing

Note
1. Manufacturing and sales companies, i.e. excluding finance companies

21

## An Attractive Transaction for PSA Shareholders

- Opel / Vauxhall Automotive acquired for €1.3 Bn
  - 7.6% 2016A Revenue
- c. €1.2 Bn working capital optimization opportunity
- Run-rate synergies of c. €1.7 Bn by 2026E
  - Front-loaded realisation: c. 65%+ by 2020E

After-tax net present value of synergies of c. €9 Bn[(1)]

- FinCo acquired at 0.8x Book Value with increased profitability improvement potential through partnership

Note
1. NPV based on 10% WACC and 0% PGR, including €1.2 Bn working capital optimization fully materialized by 2022

22

## Next Steps / Contemplated Timetable

**Key Approvals**

- PSA and GM Supervisory Boards unanimously approved the transaction
- PSA Holding works councils approved the transaction
- Customary anti-trust and regulatory approvals
- Warrants issuance subject to shareholders' approval at PSA EGM
  - Core shareholders (FFP/ EFP, French State, DFM) undertakings to vote resolution(1)
  - In the event the issuance is not approved by PSA's EGM, PSA will settle the €0.65 Bn in cash over 5 years

**Key Milestones**

- May 10th, 2017: PSA EGM
- Q4 2017: Expected closing

Note
1. Representing in aggregate 51.5% of theoretical voting rights assuming all warrants outstanding as of December 31st, 2016 are exercised

PSA GROUPE 23

## Appendix: Additional Materials

PSA GROUPE 25

## GME to Opel / Vauxhall Contributed Entity Walk-Through (Excluding Financial Services)

Pro forma adjustments: distribution agreements of Cadillac/ Chevrolet brands in Europe, carve-out of excluded activities, standalone costs

| €MM [1] | GME | Contributed Perimeter Standalone [3] |
|---|---|---|
| **P&L items** | **2016A** | **2016A** |
| **Revenue** | **16,915** | **17,743** |
| **EBITDA (pre-restructuring costs)** | **324** | **230** |
| *% margin* | *1.9%* | *1.3%* |
| D&A [2] | 513 | 511 |
| *% revenue* | *3.0%* | *2.9%* |
| **ROI** | **(189)** | **(282)** |
| *% margin* | *(1.1%)* | *(1.6%)* |
| Restructuring costs | (43) | (43) |
| **EBIT** | **(232)** | **(325)** |
| *% margin* | *(1.4%)* | *(1.8%)* |
| **CF items** | | |
| **Capex** | **(1,041)** | **(1,035)** |
| *% sales* | *(6.2%)* | *(5.8%)* |
| **BS items** | | |
| **Inventories** | | **2,520** |
| *% revenue* | | *14.2%* |

| *ROI %* | 2016A | 2020E |
|---|---|---|
| | (1.6%) | Positive |
| IFRS | | 2.0% [4] |

Notes
1. EUR / USD 2016A FX rate of 1.1060
2. Excluding R&D amortization as per US GAAP standards
3. Based on contributed entity (pro forma derived from GME accounts in US GAAP & adjusted to perimeter of transaction)
4. Subject to full review of IFRS – US GAAP differences

PSA GROUPE 26

## Considerations on R&D Accounting: US GAAP vs IFRS

- R&D is fully expensed in GME accounts under US GAAP
  - Opel / Vauxhall R&D expenses amount to €1.4 Bn in 2016
- Under IFRS, PSA capitalizes part of gross R&D spending
  - Historically the capitalization rate has been of 40% in average
  - The R&D capitalized recognised in intangible assets is amortised from the start-of-production date, generally 2 years after the accrual, over the asset's useful life (representing up to 7 years)

PSA GROUPE 27

## PSA's Recent International Developments

**PSA will continue to pursue its international expansion and diversification strategy**

| | |
|---|---|
| India | • Signed a JV agreement with CK Birla Group to produce and sell vehicles and components in India by 2020E<br>– Joint investment of c. €100 MM<br>• Recently acquire Ambassador brand in India from Hindustan motors |
| China | • Strongly positioned in China – 736k units in 2015A, 1 MM units mid term target<br>• Successful partnership with Dongfeng Motors<br>– Joint development of electric Common Modular Platform<br>– Will deliver a worldwide offering of all-electric, high-performance B and C segment vehicles from 2019E<br>• JV with China Changan Automobile Group<br>– Production plant and R&D center in Shenzhen |
| Latin America | • Investing in LCV business<br>• €320 MM investment in Argentina on a new platform |
| Middle-East, Africa | • New PSA plant in Morocco under construction<br>• Local footprint through partnerships to access closed markets |

PSA GROUPE 29

# 4.5. CAPITAL EXPENDITURE 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, 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 the world's leading profit pools by releasing one new car per region, per brand and per year from 2018 ("Core Model Strategy").

The aim is to have a target range of:

- 26 passenger cars;
- 8 light commercial vehicles, including a new one-ton pickup.

To roll out this ambitious product plan and ensure its efficiency, the Group's R&D Department develops its vehicles through multi-brand and multi-region programmes, based on multi-energy modular platforms that enable it to maximise the reuse of parts.

As such, the Group currently develops all of the body models of the Peugeot, Citroën and DS brands, and some body designs for Toyota and Opel, through five global programmes; each of these programmes addresses the needs of the six regions and three brands for the segment that it covers.

These body designs are created over two lighter, multi-energy platforms, and offer greater 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 multi-use body designs of all the Group's brands (sedans, coupés, MPVs, SUVs and LCVs) will be developed on EMP2 (the "Efficient Modular Platform"), first launched 3 years ago. In addition to petrol and diesel engines, this platform will be fitted with a plug-in hybrid petrol-electric powertrain.
- The segment B city car models up to the compact SUVs, as well as the new segment C sedans, dedicated mainly to urban use, will be developed on the CMP ("Common Modular Platform") platform, established in collaboration with DFM. By 2019, this platform will be available with an electric powertrain variant.

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", the PSA Group 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;
- digital advances and hyper-connectivity;
- globalisation;
- mobility and changes in habits.

The PSA Group has therefore identified three R&D strategic focus areas through which it will offer all its customers new types of automotive experience, tailored to the individual trends around the world; To design and develop:

- ever more environmentally-friendly cars;
- connected and autonomous cars to assist drivers during the most monotonous moments of driving;
- attractive, pleasurable cars, that match the DNA of each of the Group's three automotive brands.

Given the increasingly technological complexity of vehicles, the safety of the driver, the passengers and other road users remains at the very heart of the PSA Group's work. The way the Group has performed in this regard is presented in Section 2.3.2, page 58.

## 4.5.2. PSA Group technological response

### 4.5.2.1. "CLEAN TECHNOLOGIES"

The transport industry affects the control of greenhouse gases emissions and air quality. For this reason, regulations are becoming stricter across the globe.

Approximately 50% of the PSA Group's R&D budget is dedicated to developing technologies to improve the environmental efficiency and performance of its vehicles.

In fact, the Group is so committed to sustainable mobility, that it has made the "clean car" a major focus of its R&D strategy. For the past ten years, the Group has been among the top 3 car manufacturers with the lowest $CO_2$ emissions, and confirmed its leadership in 2016 with an output of 102.4 g $CO_2$/km.

Based on this expertise, the PSA Group is aiming for at least 60% of its new vehicles to emit less than 100 g of $CO_2$/km in 2020.

The range of engines proposed by the PSA Group reflects the challenges of the energy transition. In the short term, the performance of our petrol and diesel internal combustion engines will enable us to address the $CO_2$ challenges faced and the changes observed in the petrol/diesel mix in Europe and in France in particular. Furthermore, the introduction to the market of a range of electric powertrains, plug-in petrol hybrid and electric vehicles will respond to market developments, stricter regulations – including access to zero emission areas – and new customer expectations. These low-carbon technologies will enable us to achieve the PSA Group's CAFE 2020 target of 91 g of $CO_2$/km.

#### 4.5.2.1.1. Optimisation of internal combustion engines.

With this in mind, the PSA Group has made the right technological choices, in the interest of effectiveness rather than cost. Following the widespread use of the particulate filter since 2011, SCR technology (Selective Catalytic Reduction), launched in 2013, is today widely used on all diesel Euro 6b BlueHDi engines. From 2017, the Group will once again stay one step ahead of regulations by using a coefficient of 1.5 for its Real Drive Emission (RDE) calibrations, despite this not being a requirement until 2020.

The PSA Group also has a range of high-performance petrol engines that enable it to respond to the changes in the diesel/petrol mix in Europe, and in France in particular:

- the PureTech 3-cylinder engine family, exceptionally efficient in terms of consumption, mass and emissions, was awarded the Engine of the Year prize in its category for the 1.2 L turbo in 2015 and 2016;
- the 1.6 THP engine (developed with BMW), won the Engine of the Year prize in its category eight times until 2014;
- the EC family rolled out across the PSA Regions.

The marketing of the even more efficient, second-generation BlueHDi and PureTech engines will begin in 2017.

#### 4.5.2.1.2 New electric powertrains.

By 2019, the PSA Group will supplement its range of engines with electric powertrains (plug-in and electric hybrids) which will respond to market developments, stricter regulations – including access to zero emission areas – and new customer expectations.

In 2023, 80% of «Core Model» vehicles will include an electric version

**The plug-in petrol hybrid**

Technological solution developed by the PSA Group:

- a plug-in hybrid powertrain coupled with a petrol engine, developed on the global EMP2 platform;
- a hybrid automatic gearbox on the front axle;
- an electric rear axle assembly for SUVs and CUVs in mid- and high-end segments.

This technology will enable us to offer our customers:

- state-of-the-art features and functions;
- high-performance electric 4x4 driveability for our future SUVs and CUVs;
- 60 km of autonomy[(1)] in full electric mode;
- spacious passenger compartments and boot;
- lower fuel consumption in urban areas, equal to an average reduction of 40% in use.

The plug-in petrol hybrid range will be launched simultaneously in Europe and in China from 2019 by the DS brand.

**Electric vehicles**

Technological solution developed by the PSA Group:

- adaptation of an electric powertrain on the Common Modular Platform (CMP);
- an ingenious physical and functional vehicle design;
- use of state-of-the-art battery technology;
- a global and unique electric platform for a new generation of multi-purpose and highly autonomous electric vehicles (from city cars to SUVs and compact sedans) allowing to meet all user requirements.

This technology will enable us to offer our customers:

- increased autonomy: up to 450 km[(1)] depending on driving mode;
- quick and easy charging: faster home charging and ultra-fast charge for long journeys and intensive use;
- spacious passenger compartments and boot;
- travel in near silence in full electric mode.

The first vehicles will be simultaneously launched in Europe and China from 2019.

*(1) NEDC cycle.*

### 4.5.2.2. “SMART” CARS: AUTONOMOUS AND CONNECTED

Customers want their cars to provide them with independence but also to contribute to a collective well-being. The autonomous and connected cars of tomorrow will focus on this social change, encouraging the emergence of new transport and mobility models, while saving customers time and energy. The PSA Group is actively involved in this transition.

#### 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. It increases the realm of possibility in terms of mobility. The technological building blocks that we are developing, will result in new connected services that will have a considerable impact on the way we use our cars.

The PSA Group pioneered the communicating car with the eCall service launched in 2003 and, since 2010, has equipped its new models, particularly in Europe, with an autonomous telematics box.

In 2016, the PSA Group launched its latest-generation connected navigation system – Connect Nav – which provides real-time access to connected services, controlled using voice recognition or via a touchscreen. This includes:

- 3D navigation and connected services, driver assistance features;
- real-time traffic information with TOM TOM technology for optimised journey times in all conditions;
- MirrorLink, Apple CarPlay™ and Android Auto technologies to enable drivers to safely access the apps on their smartphones;
- VisioPark, 360° vision to assist in parking manoeuvres.

All new vehicles launched in Europe in 2016 (Peugeot Expert and Traveller, Citroën Jumpy and SpaceTourer, new DS5, Peugeot 3008 II, refreshed Citroën C4 Picasso) are equipped with Connect Nav, as are those in China (Peugeot 308 Sedan, Citroën C6 and Peugeot 4008).

With effect from 2018, the PSA Group will be offering innovative solutions through its “Infotainment over the air” plan. This will place the car as the connected hub of our devices and will enable us to constantly interact with our cars.

Then from 2020, we will see the development of Car to X (Car to Car/Car to Infrastructure) communication, allowing us to optimise journey times or fuel consumption, to better anticipate unexpected road conditions and to install interactive connected services.

From 2017, the European project SCOOP@F will be carrying out a large-scale trial of this inter-vehicle communication and of the communication between vehicles and road infrastructure in France. As such, 1,000 PSA Group vehicles – equipped with the ITS G5 (Intelligent Transport Systems) communication system, which is basically Wi-Fi especially for cars – will be deployed on more than 2,000 km of roads in France.

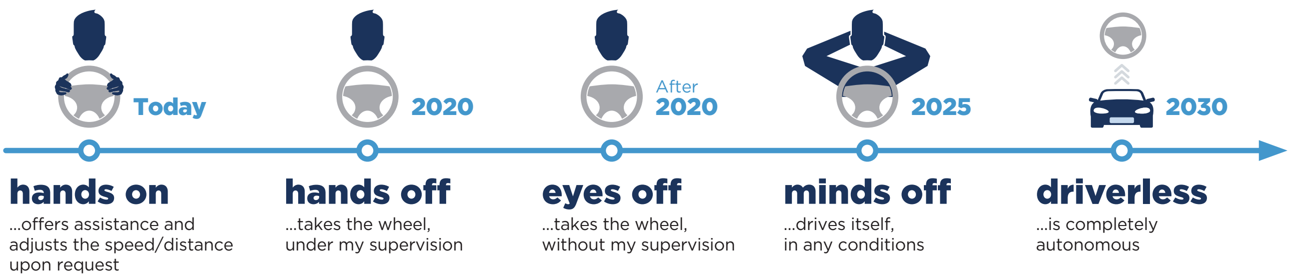


#### 4.5.2.2.2. Self-driving: towards the autonomous car

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, the PSA Group is launching a wide range of assistance functions that will gradually lead to the option to partially, and then totally, hand over responsibility to the car, should the driver choose to do so.

As such, the autonomous car is becoming a reality, with increasing elements of automation and regulated autonomy, as shown in the timeline below.

**My autonomous car...**




In 2016, the PSA Group launched its first wave of driving assistance technologies (ADAS: Advanced Driving Assistance Systems) comprising:

- the Active Safety Brake (automatic emergency braking);
- the use of a camera to detect a loss of focus;
- VisioPark 1;
- road sign and speed limit recognition;
- Lane Keeping Assist (LKA) warning system;
- Adaptive Cruise Control Follow to Stop (ACC Stop) speed regulator;
- Active Blind Spot Detection (ABSD);
- VisioPark 2 (360° vision).

These features, fitted to all vehicles launched in 2016 (Peugeot 3008II, Citroën C3III, Citroën Space Tourer and Jumpy, and Peugeot Traveller and Expert), all require the drivers to keep their hands on the steering wheel, in compliance with current regulations.

The second wave of ADAS will begin at the end of 2017, on a new DS brand vehicle. From 2018, the Group will be offering vehicles fitted with automated driving functions to be used (under driver supervision) in conditions such as traffic jams or motorway driving, and for parking manoeuvres. These automated options will improve safety for some elements of driving during which we are most likely to lose focus.

From 2020, the Level 2 "Hands Off" followed by Level 3 "Eyes Off" autonomous driving functions will enable the driver to partially and then totally hand over the driving of the vehicle, in complete safety, so that he/she may carry out other activities, and hence pass the journey in a more pleasant manner.

Guaranteeing the reliability of these new systems is at the core of the Group's technology development. As proof of its successful technologies, the Group is the first car manufacturer to have obtained the authorisations required since July 2015 to test autonomous prototypes on the open road. At the end of 2016, four Citroën C4 Picasso testers drove nearly 100,000 km in autonomous "Hands Off" mode (i.e. under the supervision, but without any intervention from the driver) on high-speed roads in Europe. This corresponds to Level 2 of the 5 degrees of vehicle automation.

### 4.5.2.3. ATTRACTIVE CARS

#### 4.5.2.3.1 Brand differentiation

The PSA Group's R&D creates the DNA behind its 3 automotive brands.

- Peugeot: Excellence, Allure, Emotion
- Citroën: Optimistic, Human, Smart
- DS: Avant-garde, Refinement, Technology

The new 2016 launches illustrate this distinctiveness, with:

- for Peugeot: updated 2008, new 3008, as well as the 4008 and 308 in China and the new Traveller and Expert commercial vehicles;
- for Citroën: updated C4 Picasso and new C3, as well as the Space Tourer and the Jumpy;
- for DS: DS4 China.

In terms of innovation, a lot of work has been done to support this brand differentiation, notably with regard to:

- in-car health and well-being: the air quality in the passenger compartment, the implementation of lighting and fragrance options (relaxing or energising), driver and passenger comfort, massage seats, foot rests and other interior fittings that transform the passenger compartment into a place of work or rest, thermal comfort, an air humidification system, etc.

  In this regard, Peugeot has ensured that its i-cockpit® is a veritable feast for the senses;
- signature lighting: each of the PSA Group brands has its own signature.

  DS has worked tirelessly on the "DS Performance Line" and this has shown itself to be the utmost in attention to detail;
- drive in ultimate comfort with hydraulic cushion suspension developed as part of the "Citroën Advanced Comfort® Lab" programme.

#### 4.5.2.3.2. The in-car experience

Given the changes to the ways in which we use our cars, the driver and passenger experience has become a key element in the design of Peugeot, Citroën and DS cars. This experience notably involves new HMIs (Human Machine Interface), capable of creating new relationships with our cars.

In 2016, the PSA Group opened its "User Experience Cockpit Team" workspace; a new approach to envisioning the in-car experience of the future. The first concrete ideas originating from this initiative have already been incorporated into the new Peugeot 3008 and Citroën C3 designs.

## 4.5.3. PSA Group Innovation

The PSA innovation department plans the Group's future developments in accordance with the three R&D strategic focus areas.

### 4.5.3.1. OPEN INNOVATION

Innovative progress is made by combining the requirements of customers and the Company (expressed or otherwise) with new technologies developed by the Group or its partners.

To increase the scope of opportunities available (reduction of development expenditure, detection of new trends and Time to Market acceleration), the PSA Group structures its work around an Open Innovation initiative which links it to a wide range of partners: universities, laboratories, suppliers, institutions, SMEs, startups, employees, customers, etc., that enable it to detect new trends, identify technological and/or scientific gems and to assist in its international expansion.

The aim of Open Innovation is to build and manage relationships through the shared creation of value with stakeholders from four main ecosystems: individuals, businesses, the academic world and institutions. Through this initiative of "openness", the PSA Group aims to expand its ability to innovate.

The "individuals" ecosystem incorporates Group employees, customers, and users of mobility services in general. The aim is to involve customers in the innovation process, right from the beginning.

The "academic" ecosystem focuses on scientific partnerships with the most advanced universities and laboratories in their respective fields. They are targeted so as to benefit from their expertise and explore ways to branch out into new research. In this respect, the PSA Group created StelLab in 2010 to lead its scientific partnerships. StelLab is part of a network that today includes 18 OpenLabs and 6 academic chairs that are managed in direct collaboration with the PSA university.

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, the PSA Group 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.

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.

In 2016, the PSA Group sent several requests for innovative proposals throughout its partner networks and competitiveness clusters both in France and abroad.

In 2016, the PSA Group also created the Business Lab to address the rapid development of new automotive habits. The purpose of this new entity is to detect, trial and transform opportunities into new business activities for the Group, particularly in terms of mobility and digital advances.

#### 4.5.3.2. TECHNOLOGY PROTECTION

In 2016, the PSA Group filed 930 patents with the French Patent and Trademark Office (*Institut National de la Propreté Industrielle* – INPI). This high number of patents is testament to the Group's commitment to protecting and promoting its innovations. The PSA Group has thus consolidated a high-value portfolio, ensuring that it has the potential to stand out in a demanding and ever-changing market. This enables the Group to distinguish itself from the competition and to create the vehicles of tomorrow.

### 4.5.4. R&D effectiveness

#### 4.5.4.1. THE R&D BUDGET

In 2016, investments and capitalised R&D expenses amounted to €2,673 million, including €389 million for Faurecia (including the sale of the Automotive Exteriors business for €604 million), compared with €2,695 million in 2015, including €915 million for Faurecia, and €2,452 million in 2014, including €803 million for Faurecia. The PSA Group 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 4.3 to the 2016 consolidated financial statements, Section 5.6, below.

Key events in 2016 were:

- numerous commercial launches in Europe and China:
  - the new Peugeot 3008 in Europe and the 308 Sedan in China,
  - the Citroën C3 in Europe and C6 in China,
  - new commercial vehicles: Peugeot Expert and Citroën Jumper, as well as the Peugeot Traveller and Citroën Space Tourer,
  - Four updates: Citroën C4 Picasso, Peugeot 2008 and DS3, C4L China;
- the signing of a new agreement with our partner Dongfeng Motors to design an electric version of the CMP platform which completes the joint project carried out since April 2015;
- the new 3D connected telematics range, launched on the DS5 and Expert/Jumpy, then rolled out in Europe on the 3008 and updated Citroën C4 Picasso and in China on the Citroën C6, Peugeot 308 Sedan and the 4008;
- improvements to the EC5 engines, launched in September 2016 on the Peugeot 308 Sedan (EC5R2: friction reduction, new gearbox speeds and the addition of an STTd) to respond to the changes in $CO_2$ regulations in China;
- each project developed in accordance with the founding assumptions of standard Euro 6b, especially in relation to real driving emissions (RDE) and the worldwide harmonised light vehicles test procedure (WLTP).

  In 2016, the PSA Group and the two transport & environment NGOs, France Nature Environnement and Bureau Veritas, published the protocol for measuring real-drive fuel consumption which included the means (equipment required, etc.) and methods (measurements and post-treatment) that must be systematically implemented to measure the average real-drive consumption of the customer;
- the announcement of the return to the Iran market with the signing of two joint ventures: Iran-Khodro in Tehran, and Saipa in Kashan (assembly lines and machining).

#### 4.5.4.2. GLOBAL IMPACT OF R&D

The PSA Group's R&D has a global reach and is built around four clusters that support the Group's international development:

- **an R&D cluster in France**, its main base, in charge of the early phase, the design and engineering of vehicles and subassemblies:
  - divided between three R&D centres and their three testing sites: Vélizy/La Ferté-Vidame, Sochaux/Belchamp and La Garenne-Colombes/Carrières sous Poissy,
  - representing 77% of the Group's R&D activity in 2016,
  - workforce of 9,550 employees at the end of 2016 in Europe;
  - **an R&D cluster in China:**
  - with three R&D centres:
    - two sites with our partner Dongfeng Motors: Shanghai (the Group's China Tech Centre) and Wuhan, in charge of developing new prototype vehicles, modifying engines and fostering local integration,
    - one site with our partner Changan in Shenzhen, responsible for local integration and manufacturing,
  - combined workforce of 2,700 people of which 2,000 are involved in the two joint ventures;
- **an R&D cluster in Latin America,** in São Paulo:
  - dedicated to local integration and manufacturing,
  - workforce of 600 people;
- **work will begin on an R&D support centre in Morocco** in mid-2017 as part of the construction of the Kenitra industrial site scheduled for completion in 2019.

#### 4.5.4.3. PRESERVATION OF OUR CORE COMPETENCIES

The R&D jobs and skills strategy aims to focus available resources on the most strategic areas for the business,

- by subcontracting a percentage of standard operations to four major suppliers of engineering services selected by the Group;
- via its expertise network established in 2010 which today includes 23 senior experts, 172 experts and 637 specialists who provide the Group with key competencies;
- via internal reconversions: 1,550 career paths were designed by the Quality and Engineering Department (DQI) as part of the internal reconversion programme called "Top Compétences", enabling employees to focus on and acquire skills that are highly valuable for the Group's R&D;

- via targeted recruitment: the PSA Group has committed to recruiting 1,000 employees on permanent contracts over the term of the “New Momentum for Growth” agreement.

As part of the “New Momentum for Growth”, the DQI is fully incorporated within the Group with a view to enhancing employee experience through:

- boosting teleworking opportunities (1,340 teleworkers at the end of 2016 in the Quality and Engineering Department);
- establishing collaborative working areas, now commonplace in Vélizy (Citéa project, UXCT plateau, etc.).

### 4.5.4.4. PERFORMANCE

Improving the effectiveness of PSA’s R&D relies on three key factors:

- a targeted product and technology strategy and programme-based organisation to maximise the reuse of parts (see paragraph 4.5.1.);
- the transformation of its R&D and a revolutionary internal performance plan;
- the sharing of R&D costs under joint arrangements.

#### 4.5.4.4.1. The transformation of R&D and the performance plan

R&D has committed to show a performance gain of €1.5 billion between 2014 and 2018, or an average annual gain of €300 million.

The key factors identified to achieve this objective are:

- successfully carrying out the business transformation project, which aims to change our engineering structure in order to simplify our processes, and bring our development plan more in line with the technological complexities we face. This business transformation project is key to improving the competitiveness of our R&D. It could lead to an average saving of 20% in development expenditure and of ten weeks in the development of a vehicle;
- making use of PLM (Product Lifecycle Management), a system involving all our operating processes and work methods, to create, manage, share and capitalise on all the information concerning the product throughout its life cycle. This project is carried out in partnership with Dassault Systèmes;
- improving prototype costs by using effective digital tools;
- arranging R&D subcontracting around four major suppliers of engineering services and undertake cost improvement measures with each of them, with a goal of reducing subcontracting costs by 20%;
- continuing and expanding our joint efforts with a panel ranging from large groups to startups (General Motors, Ford, D3D…);
- strengthening the strategic partnership with Dongfeng Motors through the joint development of the CMP modular platform.

The revolutionary steps necessary to attain the R&D performance plan are provided in the transformation plan known as DRIVE (for Development, Research, Innovation & Value Enhancement) the purpose of which is to enhance the entire R&D value chain, from the exploratory and innovation stages to process engineering and series production phases.

#### 4.5.4.4.2. Partnerships

The PSA Group is developing internationally by curbing its R&D expenses thanks to its network of partnerships for joint developments in terms of technologies and vehicles:

- the CMP platform and its electronic version eCMP with Dongfeng;
- diesel engines with Ford;
- the C-SUV, B-SUV and B-LCV programmes with General Motors;
- the eMéhari with Bolloré to expand our range of electric vehicles;
- segment A vehicles (Peugeot 108 and Citroën C1) with Toyota;
- commercial vehicles with Fiat and Toyota.

Local partnerships also offer support to the PSA Group in terms of production and marketing of its vehicles:

- in Malaysia for the launch of the Peugeot 308 Sedan in May 2016;
- in Vietnam, for the production of the Peugeot 3008;
- in Kazakhstan for the production of vehicles in DKD (301, 3008, 508, Partner) with our partner Kazakh AMH;
- in Belarus with the partner Belarus PC-AUTO for the KD production (301, 3008, 508, Partner, C-Elysée, Citroën Berlingo);
- in Nigeria for the ongoing production of the Peugeot 301 and the 508;
- in Ethiopia for the marketing of the Peugeot 301, 208 and 2008 which were launched at the end of 2016;
- in Uruguay, for the production of the new Peugeot Expert and Citroën Jumpy from the 2nd half of 2017.

# 4.6. RECENT EVENTS AND OUTLOOK

## 4.6.1. Trend information

### Market outlook

In 2017, the Group anticipates a stable automotive market in Europe, Latin America and Russia, and growth of 5% in China.

### Operational outlook improved

The new objectives of the "Push to Pass" plan are to:

- deliver over 4.5% Automotive recurring operating margin[1] on average in 2016-2018, and target more than 6% by 2021;
- deliver 10% Group revenue growth by 2018[2] vs 2015, and target additional 15% by 2021[2].

## 4.6.2. Profit forecasts or estimates

The Group has not made any profit forecasts or estimates.

4

*(1) Recurring operating income related to revenue.*
*(2) At constant (2015) exchange rates.*

# CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

5

The consolidated financial statements of the PSA Group are presented for the years ended 31 December 2016 and 2015. The 2014 consolidated financial statements are included in the Registration Document that was filed with the French securities regulator (*Autorité des Marchés Financiers*) on 27 March 2015 under no. D.15-0215.

# 5.1. CONSOLIDATED STATEMENTS OF INCOME

| *(in million euros)* | Notes | 2016 | | | |
|---|---|---|---|---|---|
| | | Manufacturing and sales companies | Finance companies | Eliminations | Total |
| **Continuing operations** | | | | | |
| **Revenue** | *4.1* | **53,884** | **161** | **(15)** | **54,030** |
| Cost of goods and services sold | | (43,599) | (125) | 15 | (43,709) |
| Selling, general and administrative expenses | | (5,136) | (35) | - | (5,171) |
| Research and development expenses | *4.3* | (1,915) | - | - | (1,915) |
| **Recurring operating income (loss)** | | **3,234** | **1** | **-** | **3,235** |
| Non-recurring operating income | *4.4-7.3* | 117 | - | - | 117 |
| Non-recurring operating expenses | *4.4-7.3* | (741) | - | - | (741) |
| **Operating income (loss)** | | **2,610** | **1** | **-** | **2,611** |
| Financial income | | 298 | 4 | - | 302 |
| Financial expenses | | (570) | - | - | (570) |
| **Net financial income (expense)** | *11.2* | **(272)** | **4** | **-** | **(268)** |
| **Income (loss) before tax of fully consolidated companies** | | **2,338** | **5** | **-** | **2,343** |
| Current taxes | | (588) | (8) | - | (596) |
| Deferred taxes | | 90 | (11) | - | 79 |
| **Income taxes** | *13* | **(498)** | **(19)** | **-** | **(517)** |
| Share in net earnings of companies at equity | *10.3* | (67) | 195 | - | 128 |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | *2.3* | - | (10) | - | (10) |
| **Consolidated profit (loss) from continuing operations** | | **1,773** | **171** | **-** | **1,944** |
| *Attributable to equity holders of the parent* | | *1,358* | *167* | - | *1,525* |
| **Operations held for sale or to be continued in partnership** | | | | | |
| **Profit (loss) from operations held for sale or to be continued in partnership** | | **174** | **31** | **-** | **205** |
| **CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD** | | **1,947** | **202** | **-** | **2,149** |
| *Attributable to equity holders of the parent* | | *1,532* | *198* | - | *1,730* |
| *Attributable to minority interests* | | *415* | *4* | - | *419* |

| *(in euros)* | |
|---|---|
| Basic earnings per €1 par value share of continuing operations – attributable to equity holders of the parent (Note 14.2) | 1.90 |
| Basic earnings per €1 par value share – attributable to equity holders of the parent (Note 14.2) | 2.16 |
| Diluted earnings per €1 par value share of continuing operations – attributable to equity holders of the parent (Note 14.2) | 1.70 |
| Diluted earnings per €1 par value share – attributable to equity holders of the parent (Note 14.2) | 1.93 |

| | | 2015 | | | |
|---|---|---|---|---|---|
| *(in million euros)* | Notes | Manufacturing and sales companies | Finance companies | Eliminations | Total |
| **Continuing operations** | | | | | |
| **Revenue** | *4.1* | **54,426** | **267** | **(17)** | **54,676** |
| Cost of goods and services sold | | (44,372) | (154) | 17 | (44,509) |
| Selling, general and administrative expenses | | (5,467) | (109) | - | (5,576) |
| Research and development expenses | *4.3* | (1,858) | - | - | (1,858) |
| **Recurring operating income (loss)** | | **2,729** | **4** | **-** | **2,733** |
| Non-recurring operating income | *4.4-7.3* | 141 | 2 | - | 143 |
| Non-recurring operating expenses | *4.4-7.3* | (900) | - | - | (900) |
| **Operating income (loss)** | | **1,970** | **6** | **-** | **1,976** |
| Financial income | | 295 | (7) | - | 288 |
| Financial expenses | | (937) | 7 | - | (930) |
| **Net financial income (expense)** | *11.2* | **(642)** | **-** | **-** | **(642)** |
| **Income (loss) before tax of fully consolidated companies** | | **1,328** | **6** | **-** | **1,334** |
| Current taxes | | (342) | (19) | - | (361) |
| Deferred taxes | | (345) | - | - | (345) |
| **Income taxes** | *13* | **(687)** | **(19)** | **-** | **(706)** |
| Share in net earnings of companies at equity | *10.3* | 314 | 123 | - | 437 |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | *2.3* | - | (114) | - | (114) |
| **Consolidated profit (loss) from continuing operations** | | **955** | **(4)** | **-** | **951** |
| *Attributable to equity holders of the parent* | | *665* | *(17)* | - | *648* |
| **Operations held for sale or to be continued in partnership** | | | | | |
| **Profit (loss) from operations held for sale or to be continued in partnership** | | **72** | **179** | **-** | **251** |
| **CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD** | | **1,027** | **175** | **-** | **1,202** |
| *Attributable to equity holders of the parent* | | *737* | *162* | - | *899* |
| *Attributable to minority interests* | | *290* | *13* | - | *303* |

| *(in euros)* | |
|---|---|
| Basic earnings per €1 par value share of continuing operations – attributable to equity holders of the parent (Note 14.2) | 0.82 |
| Basic earnings per €1 par value share – attributable to equity holders of the parent (Note 14.2) | 1.14 |
| Diluted earnings per €1 par value share of continuing operations – attributable to equity holders of the parent (Note 14.2) | 0.70 |
| Diluted earnings per €1 par value share – attributable to equity holders of the parent (Note 14.2) | 0.96 |

# 5.2. CONSOLIDATED COMPREHENSIVE INCOME

| | 2016 | | |
|---|---|---|---|
| *(in million euros)* | **Before tax** | **Income tax benefit (expense)** | **After tax** |
| **Consolidated profit (loss) for the period** | **2,666** | **(517)** | **2,149** |
| **Items that may be recycled through profit or loss** | | | |
| Fair value adjustments to cash flow hedges | 53 | (19) | 34 |
| › of which, reclassified to the income statement | 63 | (10) | 53 |
| › of which, recognised in equity during the period | (10) | (9) | (19) |
| Gains and losses from remeasurement at fair value of available-for-sale financial assets | 11 | (2) | 9 |
| › of which, reclassified to the income statement | - | - | - |
| › of which, recognised in equity during the period | 11 | (2) | 9 |
| Exchange differences on translating foreign operations | (52) | - | (52) |
| **Total other components of comprehensive income that may be recycled through profit or loss** | **12** | **(21)** | **(9)** |
| **Items that may not be recycled through profit or loss** | | | |
| Actuarial gains and losses on pension obligations | 37 | (1) | 36 |
| **Total other components of comprehensive income** | **49** | **(22)** | **27** |
| › of which, companies at equity | (78) | - | (78) |
| **CONSOLIDATED COMPREHENSIVE INCOME** | **2,715** | **(539)** | **2,176** |
| › of which, attributable to equity holders of the parent | | | 1,762 |
| › of which, attributable to minority interests | | | 414 |

Items recognised in comprehensive income correspond to all changes in equity resulting from transactions with third parties other than shareholders.

| | 2015 | | |
|---|---|---|---|
| *(in million euros)* | **Before tax** | **Income tax benefit (expense)** | **After tax** |
| **Consolidated profit (loss) for the period** | **1,908** | **(706)** | **1,202** |
| **Items that may be recycled through profit or loss** | | | |
| Fair value adjustments to cash flow hedges | (48) | 12 | (36) |
| › of which, reclassified to the income statement | 24 | (7) | 17 |
| › of which, recognised in equity during the period | (72) | 19 | (53) |
| Gains and losses from remeasurement at fair value of available-for-sale financial assets | 8 | (1) | 7 |
| › of which, reclassified to the income statement | 8 | (1) | 7 |
| › of which, recognised in equity during the period | - | - | - |
| Exchange differences on translating foreign operations | 71 | - | 71 |
| **Total other components of comprehensive income that may be recycled through profit or loss** | **31** | **11** | **42** |
| **Items that may not be recycled through profit or loss** | | | |
| Actuarial gains and losses on pension obligations | 219 | (60) | 159 |
| **Total other components of comprehensive income** | **250** | **(49)** | **201** |
| › of which, companies at equity | 105 | - | 105 |
| **CONSOLIDATED COMPREHENSIVE INCOME** | **2,158** | **(755)** | **1,403** |
| › of which, attributable to equity holders of the parent | | | 1,063 |
| › of which, attributable to minority interests | | | 340 |

# 5.3. CONSOLIDATED BALANCE SHEETS

## Assets

| *(in million euros)* | Notes | 31 December 2016 Manufacturing and sales companies | Finance companies | Eliminations | Total |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Goodwill | *7.1* | 1,513 | 1 | - | 1,514 |
| Intangible assets | *7.1* | 5,393 | 61 | - | 5,454 |
| Property, plant and equipment | *7.2* | 11,291 | 2 | - | 11,293 |
| Investments in companies at equity | *10* | 1,487 | 1,527 | - | 3,014 |
| Other non-current financial assets | *11.5.A* | 685 | 37 | - | 722 |
| Other non-current assets | *8.1* | 1,368 | 7 | - | 1,375 |
| Deferred tax assets | *13* | 574 | 19 | - | 593 |
| **Total non-current assets** | | **22,311** | **1,654** | **-** | **23,965** |
| **Operating assets** | | | | | |
| Loans and receivables – finance companies | *12.3.A* | - | 346 | - | 346 |
| Short-term investments – finance companies | | - | 103 | - | 103 |
| Inventories | *5.1* | 4,347 | - | - | 4,347 |
| Trade receivables – manufacturing and sales companies | *5.2* | 1,560 | - | (19) | 1,541 |
| Current taxes | *13* | 148 | 16 | - | 164 |
| Other receivables | *5.3.A* | 1,763 | 92 | (4) | 1,851 |
| | | **7,818** | **557** | **(23)** | **8,352** |
| **Current financial assets** | *11.5.A* | **629** | **-** | **(1)** | **628** |
| **Financial investments** | *11.5.B* | **110** | **-** | **-** | **110** |
| **Cash and cash equivalents** | *11.5.C* | **11,576** | **530** | **(8)** | **12,098** |
| **Total current assets** | | **20,133** | **1,087** | **(32)** | **21,188** |
| **Total assets of continuing operations** | | **42,444** | **2,741** | **(32)** | **45,153** |
| **Total assets of operations held for sale or to be continued in partnership** | | **-** | **-** | **-** | **-** |
| **TOTAL ASSETS** | | **42,444** | **2,741** | **(32)** | **45,153** |

## Equity and Liabilities

| *(in million euros)* | Notes | 31 December 2016 Manufacturing and sales companies | Finance companies | Eliminations | Total |
|---|---|---|---|---|---|
| **Equity** | *14* | | | | |
| Share capital | | | | | 860 |
| Treasury stock | | | | | (238) |
| Retained earnings and other accumulated equity, excluding minority interests | | | | | 12,035 |
| Minority interests | | | | | 1,961 |
| **Total equity** | | | | | **14,618** |
| **Continuing operations** | | | | | |
| Non-current financial liabilities | *11.6* | 4,526 | - | - | 4,526 |
| Other non-current liabilities | *8.2* | 3,288 | - | - | 3,288 |
| Non-current provisions | *9* | 1,429 | - | - | 1,429 |
| Deferred tax liabilities | *13* | 880 | 15 | - | 895 |
| **Total non-current liabilities** | | **10,123** | **15** | **-** | **10,138** |
| **Operating liabilities** | | | | | |
| Financing liabilities – finance companies | *12.4* | - | 430 | (9) | 421 |
| Non-transferred financing liabilities of operations to be continued in partnership – finance companies | | - | - | - | - |
| Current provisions | *9* | 3,249 | 125 | - | 3,374 |
| Trade payables | | 9,352 | - | - | 9,352 |
| Current taxes | *13* | 169 | 3 | - | 172 |
| Other payables | *5.3.B* | 5,366 | 74 | (23) | 5,417 |
| | | **18,136** | **632** | **(32)** | **18,736** |
| **Current financial liabilities** | *11.6* | **1,661** | **-** | **-** | **1,661** |
| **Total current liabilities** | | **19,797** | **632** | **(32)** | **20,397** |
| **Total liabilities of continuing operations**(1) | | **29,920** | **647** | **(32)** | **30,535** |
| **Total transferred liabilities of operations held for sale or to be continued in partnership** | | **-** | **-** | **-** | **-** |
| **TOTAL EQUITY AND LIABILITIES** | | | | | **45,153** |

*(1) Excluding equity.*

## Assets

| *(in million euros)* | Notes | 31 December 2015 Manufacturing and sales companies | Finance companies | Eliminations | Total |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Goodwill | *7.1* | 1,381 | 1 | - | 1,382 |
| Intangible assets | *7.1* | 4,705 | 64 | - | 4,769 |
| Property, plant and equipment | *7.2* | 10,893 | 1 | - | 10,894 |
| Investments in companies at equity | *10* | 1,656 | 981 | - | 2,637 |
| Other non-current financial assets | *11.5.A* | 669 | 42 | (2) | 709 |
| Other non-current assets | *8.1* | 1,072 | 11 | - | 1,083 |
| Deferred tax assets | *13* | 550 | 31 | - | 581 |
| **Total non-current assets** | | **20,926** | **1,131** | **(2)** | **22,055** |
| **Operating assets** | | | | | |
| Loans and receivables – finance companies | *12.3.A* | - | 468 | (10) | 458 |
| Short-term investments – finance companies | | - | 96 | - | 96 |
| Inventories | *5.1* | 3,996 | - | - | 3,996 |
| Trade receivables – manufacturing and sales companies | *5.2* | 1,624 | - | (69) | 1,555 |
| Current taxes | *13* | 116 | 12 | (9) | 119 |
| Other receivables | *5.3.A* | 1,716 | 131 | (9) | 1,838 |
| | | **7,452** | **707** | **(97)** | **8,062** |
| **Current financial assets** | *11.5.A* | **570** | **-** | **(456)** | **114** |
| **Financial investments** | *11.5.B* | **352** | **-** | **-** | **352** |
| **Cash and cash equivalents** | *11.5.C* | **10,465** | **486** | **(55)** | **10,896** |
| **Total current assets** | | **18,839** | **1,193** | **(608)** | **19,424** |
| **Total assets of continuing operations** | | **39,765** | **2,324** | **(610)** | **41,479** |
| **Total assets of operations held for sale or to be continued in partnership** | | **616** | **7,048** | **(33)** | **7,631** |
| **TOTAL ASSETS** | | **40,381** | **9,372** | **(643)** | **49,110** |

## Equity and Liabilities

| *(in million euros)* | Notes | 31 December 2015 Manufacturing and sales companies | Finance companies | Eliminations | Total |
|---|---|---|---|---|---|
| **Equity** | *14* | | | | |
| Share capital | | | | | 808 |
| Treasury stock | | | | | (238) |
| Retained earnings and other accumulated equity, excluding minority interests | | | | | 9,985 |
| Minority interests | | | | | 1,664 |
| **Total equity** | | | | | **12,219** |
| **Continuing operations** | | | | | |
| Non-current financial liabilities | *11.6* | 4,267 | - | - | 4,267 |
| Other non-current liabilities | *8.2* | 3,487 | - | - | 3,487 |
| Non-current provisions | *9* | 1,278 | - | - | 1,278 |
| Deferred tax liabilities | *13* | 952 | 17 | - | 969 |
| **Total non-current liabilities** | | **9,984** | **17** | **-** | **10,001** |
| **Operating liabilities** | | | | | |
| Financing liabilities – finance companies | *12.4* | - | 525 | (171) | 354 |
| Non-transferred financing liabilities of operations to be continued in partnership – finance companies | | - | 2,604 | (305) | 2,299 |
| Current provisions | *9* | 3,044 | 153 | - | 3,197 |
| Trade payables | | 8,858 | - | (9) | 8,849 |
| Current taxes | *13* | 167 | 6 | (9) | 164 |
| Other payables | *5.3.B* | 4,806 | 117 | (43) | 4,880 |
| | | **16,875** | **3,405** | **(537)** | **19,743** |
| **Current financial liabilities** | *11.6* | **3,229** | **-** | **(14)** | **3,215** |
| **Total current liabilities** | | **20,104** | **3,405** | **(551)** | **22,958** |
| **Total liabilities of continuing operations**(1) | | **30,088** | **3,422** | **(551)** | **32,959** |
| **Total transferred liabilities of operations held for sale or to be continued in partnership** | | **401** | **3,623** | **(92)** | **3,932** |
| **TOTAL EQUITY AND LIABILITIES** | | | | | **49,110** |

*(1) Excluding equity.*

# 5.4. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | 2016 | | | |
|---|---|---|---|---|---|
| *(in million euros)* | Notes | Manufacturing and sales companies | Finance companies | Eliminations | Total |
| **Consolidated profit (loss) from continuing operations** | | **1,773** | **171** | **-** | **1,944** |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | | - | 11 | - | 11 |
| Adjustments for non-cash items: | | | | | |
| › Depreciation, amortisation and impairment | *15.2* | 2,477 | 20 | - | 2,497 |
| › Provisions | | (31) | (28) | - | (59) |
| › Changes in deferred tax | | (93) | 5 | - | (88) |
| › (Gains) losses on disposals and other | | (139) | (7) | - | (146) |
| Share in net (earnings) losses of companies at equity, net of dividends received | | 355 | (102) | - | 253 |
| Revaluation adjustments taken to equity and hedges of debt | | 76 | (1) | - | 75 |
| Change in carrying amount of leased vehicles | | 48 | - | - | 48 |
| **Funds from operations** | | **4,466** | **69** | **-** | **4,535** |
| Changes in working capital | *5.4.A* | 471 | 1,287 | 177 | 1,935 |
| **Net cash from (used in) operating activities of continuing operations(1)** | | **4,937** | **1,356** | **177** | **6,470** |
| Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies | | 608 | 202 | - | 810 |
| Capital increase and acquisitions of consolidated companies and equity interests | | (349) | (71) | - | (420) |
| Proceeds from disposals of property, plant and equipment and of intangible assets | | 242 | 1 | - | 243 |
| Investments in property, plant and equipment(2) | *7.2.B* | (2,106) | (1) | - | (2,107) |
| Investments in intangible assets(3) | *7.1.B* | (1,449) | (18) | - | (1,467) |
| Change in amounts payable on fixed assets | | 237 | - | - | 237 |
| Other | | 144 | - | 10 | 154 |
| **Net cash from (used in) investing activities of continuing operations** | | **(2,673)** | **113** | **10** | **(2,550)** |
| Dividends paid: | | | | | |
| › Intragroup | | 434 | (434) | - | - |
| › Net amounts received from (paid to) operations to be continued › in partnership | | - | 120 | - | 120 |
| › To minority shareholders of subsidiaries | | (123) | (11) | - | (134) |
| Proceeds from issuance of shares | | 332 | (5) | - | 327 |
| (Purchases) sales of treasury stock | | - | - | - | - |
| Changes in other financial assets and liabilities | *11.3.B* | (1,548) | - | (443) | (1,991) |
| Other | | - | - | (4) | (4) |
| **Net cash from (used in) financing activities of continuing operations** | | **(905)** | **(330)** | **(447)** | **(1,682)** |
| **Net cash related to the non-transferred debt of finance companies to be continued in partnership(4)** | | **-** | **(2,615)** | **305** | **(2,310)** |
| **Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership(4)** | | **(255)** | **1,097** | **1** | **843** |
| Effect of changes in exchange rates | | (93) | 16 | - | (77) |
| **Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership** | | **1,011** | **(363)** | **46** | **694** |
| **Net cash and cash equivalents at beginning of period** | | **10,453** | **893** | **(54)** | **11,292** |
| **NET CASH AND CASH EQUIVALENTS AT END OF PERIOD** | *15.1* | **11,464** | **530** | **(8)** | **11,986** |

*(1) Excluding flows related to the non-transferred debt of finance companies to be continued in partnership.*
*(2) Of which for the manufacturing and sales activities, €666 million for Automotive Equipment Division and €1,440 million for the Automotive Division.*
*(3) Of which for the manufacturing and sales activities, €78 million for Automotive Equipment Division, excluding research and development.*
*(4) Details of cash flows from operations to be continued in partnership are disclosed in Note 15.4.*

| | | 2015 | | | |
|---|---|---|---|---|---|
| *(in million euros)* | Notes | Manufacturing and sales companies | Finance companies | Eliminations | Total |
| **Consolidated profit (loss) from continuing operations** | | **955** | **(4)** | **-** | **951** |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | | - | 114 | - | 114 |
| Adjustments for non-cash items: | | | | | |
| › Depreciation, amortisation and impairment | *15.2* | 2,482 | 10 | - | 2,492 |
| › Provisions | | 273 | 57 | - | 330 |
| › Changes in deferred tax | | 353 | (60) | - | 293 |
| › (Gains) losses on disposals and other | | 184 | 7 | - | 191 |
| Share in net (earnings) losses of companies at equity, net of dividends received | | 41 | (123) | - | (82) |
| Revaluation adjustments taken to equity and hedges of debt | | 84 | 21 | 1 | 106 |
| Change in carrying amount of leased vehicles | | 118 | - | - | 118 |
| **Funds from operations** | | **4,490** | **22** | **1** | **4,513** |
| Changes in working capital | *5.4.A* | 942 | 6,538 | 40 | 7,520 |
| **Net cash from (used in) operating activities of continuing operations(1)** | | **5,432** | **6,560** | **41** | **12,033** |
| Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies | | 31 | (83) | - | (52) |
| Capital increase and acquisitions of consolidated companies and equity interests | | (120) | (25) | - | (145) |
| Proceeds from disposals of property, plant and equipment and of intangible assets | | 88 | 2 | - | 90 |
| Investments in property, plant and equipment(2) | *7.2.B* | (1,622) | (1) | - | (1,623) |
| Investments in intangible assets(3) | *7.1.B* | (1,327) | (18) | - | (1,345) |
| Change in amounts payable on fixed assets | | 134 | - | - | 134 |
| Other | | 124 | - | 111 | 235 |
| **Net cash from (used in) investing activities of continuing operations** | | **(2,692)** | **(125)** | **111** | **(2,706)** |
| Dividends paid: | | | | | |
| › Intragroup | | 918 | (918) | - | - |
| › Net amounts received from (paid to) operations to be continued in partnership | | - | 88 | - | 88 |
| › To minority shareholders of subsidiaries | | (85) | - | - | (85) |
| Proceeds from issuance of shares | | 199 | - | - | 199 |
| (Purchases) sales of treasury stock | | - | - | - | - |
| Changes in other financial assets and liabilities | *11.3.B* | (1,676) | - | 142 | (1,534) |
| Other | | - | - | - | - |
| **Net cash from (used in) financing activities of continuing operations** | | **(644)** | **(830)** | **142** | **(1,332)** |
| **Net cash related to the non-transferred debt of finance companies to be continued in partnership(4)** | | **-** | **(8,234)** | **(5)** | **(8,239)** |
| **Net cash from the transferred assets and liabilities of operations held for sale or to be continued in partnership(4)** | | **42** | **938** | **(218)** | **762** |
| Effect of changes in exchange rates | | (112) | (19) | 3 | (128) |
| **Increase (decrease) in cash from continuing operations and held for sale or to be continued in partnership** | | **2,026** | **(1,710)** | **74** | **390** |
| **Net cash and cash equivalents at beginning of period** | | **8,427** | **2,603** | **(128)** | **10,902** |
| **NET CASH AND CASH EQUIVALENTS AT END OF PERIOD** | *15.1* | **10,453** | **893** | **(54)** | **11,292** |

*(1) Excluding flows related to the non-transferred debt of finance companies to be continued in partnership.*
*(2) Of which for the manufacturing and sales activities, €620 million for Automotive Equipment Division and €1,002 million for the Automotive Division.*
*(3) Of which for the manufacturing and sales activities, €85 million for Automotive Equipment Division, excluding research and development.*
*(4) Details of cash flows from operations to be continued in partnership are disclosed in Note 15.4.*

# 5.5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | | | Revaluations – excluding minority interests | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | Share capital | Treasury stock | Retained earnings excluding revaluations | Cash flow hedges | Available-for-sale financial assets | Actuarial gains and losses on pension obligations | Effect of changes in exchange rates | Equity – Attributable to equity holders of the parent | Equity – Minority interests | Total equity |
| **At 12/31/2014** | **783** | **(296)** | **9,053** | **8** | **2** | **(227)** | **(52)** | **9,271** | **1,147** | **10,418** |
| Income and expenses recognised directly in equity for the period | - | - | 899 | (36) | 7 | 145 | 48 | 1,063 | 340 | 1,403 |
| Measurement of stock options and performance share grants | - | - | 10 | - | - | - | - | 10 | 5 | 15 |
| Effect of changes in scope of consolidation and other | - | - | (101) | - | - | - | - | (101) | 95 | (6) |
| Issuance of shares | 25 | - | 287 | - | - | - | - | 312 | 161 | 473 |
| Treasury stock | - | 58 | (58) | - | - | - | - | - | - | - |
| Dividends paid by other Group companies | - | - | - | - | - | - | - | - | (84) | (84) |
| **At 12/31/2015** | **808** | **(238)** | **10,090** | **(28)** | **9** | **(82)** | **(4)** | **10,555** | **1,664** | **12,219** |
| Income and expenses recognised directly in equity for the period | - | - | 1,730 | 34 | 9 | 51 | (62) | 1,762 | 414 | 2,176 |
| Measurement of stock options and performance share grants | - | - | 8 | - | - | - | - | 8 | 10 | 18 |
| Redemption of convertible bonds | - | - | (4) | - | - | - | - | (4) | (5) | (9) |
| Effect of changes in scope of consolidation and other | - | - | (4) | - | - | - | - | (4) | 9 | 5 |
| Issuance of shares | 52 | - | 278 | - | - | - | - | 330 | 15 | 345 |
| Treasury stock | - | - | 10 | - | - | - | - | 10 | (13) | (3) |
| Dividends paid by other Group companies | - | - | - | - | - | - | - | - | (133) | (133) |
| **AT 12/31/2016** | **860** | **(238)** | **12,108** | **6** | **18** | **(31)** | **(66)** | **12,657** | **1,961** | **14,618** |

# 5.6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 2016

## CONTENTS



5

## PRELIMINARY NOTE

The consolidated financial statements for 2016 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on 16 February 2017, with Note 18 taking into account events that occurred in the period up to the Supervisory Board meeting on 22 February 2017.

# NOTE 1 ACCOUNTING POLICIES AND PERFORMANCE INDICATORS

## 1.1. ACCOUNTING STANDARDS APPLIED

The PSA Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union on 31 December 2016[1]. As the IFRS standards not adopted by the European Union do not have a material impact on the Group's consolidated financial statements, they are thus also compliant with the IFRS framework.

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).

The new IFRS standards that will be applied in the years to come, subject to their adoption by the European Union are the following:

| New standards and interpretations | | First application in the EU for annual periods beginning on or after: | Impacts |
|---|---|---|---|
| IFRIC 22 | *"Foreign Currency Transactions and Advance Consideration"* | 01/01/2018[1] | Impacts currently being analysed |
| Clarifications to IFRS 15 | *"Clarifications to IFRS 15 Revenue from Contracts with Customers"* | 01/01/2018[1] | Impacts currently being analysed |
| IFRS 9 | *"Financial Instruments"* | 01/01/2018 | Impacts currently being analysed |
| IFRS 15 | *"Revenue from Contracts with Customers"* | 01/01/2018 | Impacts currently being analysed |
| IFRS 16 | *"Leases"* | 01/01/2019[1] | Impacts currently being analysed |

*(1) Not yet adopted by the European Union.*

In respect of IFRS 15, the Group reviewed its contracts. The main areas of impact are expected in the Automotive Equipment Division. In actual fact, from 2018 (the date of application of IFRS 15), Faurecia may be classified as agent for monolith sales, thereby reducing recognised revenue. Therefore, if Faurecia were to be classified as agent for these monolith transactions, the impact on Faurecia would be around minus €3 billion, and slightly less at PSA Group level. Furthermore, IFRS 16 (applicable at 1 January 2019 subject to adoption by the European Union) and IFRS 9 (applicable at 1 January 2018) are in the process of being analysed.

## 1.2. USE OF ESTIMATES AND ASSUMPTIONS

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

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

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

For the preparation of the 2016 annual financial statements, special attention was paid to the following items:

- the recoverable amount of Automotive Division intangible assets and property, plant and equipment (see Note 7.3);
- provision (particularly vehicle restructuring provisions, pensions, warranty provisions for new cars as well as claims and litigation) (see Note 4.4.B, Note 7.1 and Note 9);
- deferred tax assets (see Note 13);
- sales incentives (see Note 4.1.A);
- residual values of vehicles sold with buyback commitment (see Note 7.2.C and Note 8.2).

## 1.3. PERFORMANCE INDICATORS

In its financial communications, the Group publishes performance indicators that are not directly discernible from the summary consolidated financial statements. The main indicators defined in the notes to the financial statements are as follows:

- recurring operating income (loss) by segment (see Note 3.1 and Note 4);
- free cash flow and Operating free cash flow (see Note 15.5);
- net financial position (see Note 11.3);
- financial security (see Note 11.4).

*(1) The International Financial Reporting Standards adopted for use in the European Union can be downloaded from the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).*

# NOTE 2 SCOPE OF CONSOLIDATION

## 2.1. ACCOUNTING POLICIES

### A. Consolidation policies

#### 1) Consolidation methods

The generic name PSA Group 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.

Pursuant to IFRS 11, joint operations must be recognised based on the proportion of assets, liabilities, revenue and expenses controlled by the Group. A joint operation may be conducted under a contractual arrangement or through a jointly controlled entity. Joint arrangements that are qualified as joint ventures because the parties have rights to the net assets of the arrangement will be accounted for using the equity method.

The securities of companies that meet the criteria for consolidation and that aren't consolidated would not in aggregate have a material effect on the consolidated financial statements. These securities are recognised as equity investments in accordance with the general principles set out in Note 11.8.

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

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

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

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

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 7.3).

#### 3) Goodwill on equity-accounted companies

Goodwill attributable to acquisitions of equity-accounted companies 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 "Investments in equity-accounted companies" and tested for impairment at the level of the equity-accounted companies concerned.

#### 4) Other changes in scope of consolidation

Any change in ownership interests resulting in the loss of control of an entity is recognised under non-recurring operating income (loss) (if material) as a disposal of the whole entity immediately followed by an investment in the remaining interest.

Following any change in ownership interest that results in the loss of control of an entity, the initial interest is remeasured at fair value and the gain or loss is recognised in non-recurring operating income or expense (if material).

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

### B. Conversion methods

#### 1) Translation of the financial statements of foreign subsidiaries

##### a) Standard method

The Group's functional currency is the euro (€), which is also the presentation currency in the 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 balance sheets 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 these subsidiaries is measured in their functional currency.

##### 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. Non-monetary items in these subsidiaries' accounts are translated at the historical exchange rate and monetary items at the year-end 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**.

#### 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 balance sheet date, monetary items are translated at the closing rate and the resulting exchange difference is recognised in profit or loss, as follows:

- in recurring 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.

## 2.2. 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 2.1.

The Group's operations are organised around three main segments (see Note 3):

- the Automotive Division, covering the design, manufacture and sale of passenger cars and light commercial vehicles under the Peugeot, Citroën and DS brands. It mainly comprises wholly owned subsidiaries, as well as jointly controlled subsidiaries for the production of vehicles or subassemblies in Europe and for industrial and commercial activities in China. These jointly controlled subsidiaries are consolidated in accordance with IFRS 11 (see Note 2.1);
- the Automotive Equipment Division, corresponding to the Faurecia Group comprising Interior Systems, Automotive Seating and Clean Mobility. Faurecia is listed on Euronext. Peugeot S.A. holds 46.33% of Faurecia's capital and 62.94% of its voting rights. The exercise of the dilutive instruments issued by Faurecia would have no impact on the Group's exclusive control;
- the Finance Division, corresponding to the Banque PSA Finance Group, which provides retail financing to customers of the Peugeot, Citroën and DS brands and wholesale financing to the brands' dealer networks. Banque PSA Finance is classified as a financial institution. In 2014, Banque PSA Finance and Santander Consumer Finance signed a framework agreement for the establishment of a partnership whose scope was extended in June 2015 (see Note 1.1 of the 2015 financial consolidated statements). This partnership covers most Banque PSA Finance's business. In 2016, all the partnerships with Santander are operational in eleven countries and are now consolidated using the equity method (see Note 2.3).

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

| | 31 December 2016 | 31 December 2015 | Variation |
|---|---|---|---|
| **Fully consolidated companies** | | | |
| Manufacturing and sales companies | 278 | 295 | (17) |
| Finance companies | 18 | 36 | (18) |
| | **296** | **331** | **(35)** |
| **Joint operations** | | | |
| Manufacturing and sales companies | 3 | 3 | - |
| **Companies at equity** | | | |
| Manufacturing and sales companies | 50 | 49 | 1 |
| Finance companies | 29 | 19 | 10 |
| | **79** | **68** | **11** |
| **CONSOLIDATED COMPANIES** | **378** | **402** | **(24)** |

### *Main Changes in the scope of consolidation during the year*

Excluding the transactions related to the partnership with Santander (see Note 2.3.A), the main acquisitions and disposals during the half-year are as follows.

Mister Auto, which was acquired on 31 March 2015, was consolidated in the Group's financial statements as at 1 January 2016.

In December 2016, the Group took outright control of Aramis by acquiring all its share capital. The company has been consolidated since 31 December 2016. The allocation of the purchase price is provisional and will be completed within twelve months of the acquisition date.

These two transactions gave rise to the recognition of €146 million in brands and €124 million in goodwill.

On 21 June 2016, the PSA Group and Iran Khodro signed the final joint venture agreement to produce the latest generation vehicles in Iran. This 50/50 joint venture is under joint control of the two partners. It is accounted for by the equity method.

## 2.3. ASSETS AND OPERATIONS HELD FOR SALE OR TO BE CONTINUED IN PARTNERSHIP

A non-current asset or disposal group (operations) is classified as held for sale or to be continued in partnership when its carrying amount will be recovered principally through a sale transaction or inclusion in a partnership rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable.

Assets held for sale and to be continued in partnership are measured at the lower of the carrying amount and the estimated selling price, less costs to sell. Such non-current assets are no longer depreciated from the date on which these assets or disposal group are considered by the Group to satisfy the criteria for classification as held for sale or continued in partnership.

Such assets and related liabilities are presented on separate headings under other Group assets and liabilities: "Assets held for sale or to be continued in partnership" and "Liabilities related to assets held for sale to be continued in partnership".

The items in the income statement, statement of cash flows and other comprehensive income relating to assets held for sale or to be continued in partnership are presented separately in the consolidated financial statements for all periods presented.

These principles have been applied in 2015 to the partnerships with Santander and to the Automotive Exteriors business of Faurecia.

## A. Partnership with Santander

Banque PSA Finance and Santander Consumer Finance (Santander CF) announced on 10 July 2014 the signing of a framework agreement on the establishment of a partnership covering 11 European countries.

The partnership was implemented in 2015 in France, the United Kingdom, Spain and Switzerland, as well as extended to the Brazilian operations.

In 2016, the partnership with Santander was completed with the establishment of joint finance companies in the final seven countries covered by the partnership:

- Italy in January 2016;
- the Netherlands in February 2016;
- Belgium in May 2016;
- Germany and Austria in July 2016;
- Brazil in August 2016;
- Poland in October 2016.

At end-2016, apart from Brazil, the eleven European countries covered by the partnership were operational, through eleven joint ventures and a commercial partnership in Portugal. The European scope covered accounted for 94% of Banque PSA Finance's total loans outstanding at end-2015.

The effect of the implementation of the partnership with Santander in 2016 is detailed in the table below:

| | | Implementation of the partnership in Italy, the Netherlands, Belgium, Germany, Austria, Brazil and Poland | | | | | |
|---|---|---|---|---|---|---|---|
| *(in million euros)* | At 31 December 2015 reported | Deconsolidation and equity method | Repayment of the financing by the Joint Ventures | Rescheduling of the financing | Reduction of equity through payment of dividends | Other changes | At 30 December 2016 reported |
| Loans and receivables – finance companies | 468 | - | - | - | - | (122) | 346 |
| Cash and cash equivalents | 486 | 191 | 2,250 | (135) | (440) | (1,822) | 530 |
| Investments in companies at equity | 981 | 455 | - | - | - | 91 | 1,527 |
| Short-term investments – finance companies | 96 | - | - | - | - | 7 | 103 |
| Other current and non-current assets | 293 | (7) | - | - | - | (51) | 235 |
| **Total assets of continuing operations** | **2,324** | **639** | **2,250** | **(135)** | **(440)** | **(1,897)** | **2,741** |
| **Total assets of operations to be continued in partnership** | **7,048** | **(6,510)** | **-** | **-** | **-** | **(538)** | **-** |
| **TOTAL ASSETS** | **9,372** | **(5,871)** | **2,250** | **(135)** | **(440)** | **(2,435)** | **2,741** |
| Financing liabilities – finance companies | 525 | - | - | - | - | (95) | 430 |
| Other current and non-current liabilities | 293 | - | - | - | - | (76) | 217 |
| Non-transferred financing liabilities of operations to be continued in partnership | 2,604 | - | - | (135) | - | (2,469) | - |
| **Total liabilities of continuing operations** | **3,422** | **-** | **-** | **(135)** | **-** | **(2,640)** | **647** |
| **Total transferred liabilities of operations to be continued in partnership** | **3,623** | **(5,871)** | **2,250** | **-** | **-** | **(2)** | **-** |
| **TOTAL LIABILITIES[(1)]** | **7,045** | **(5,871)** | **2,250** | **(135)** | **-** | **(2,642)** | **647** |

(1) *Excluding equity.*

The deconsolidation of the assets and liabilities of subsidiaries continued as joint ventures in 2016 – see above – (€6,510 million and €5,871 million respectively) was offset by cash received from Santander for the acquisition of shares (€191 million) and the value of joint ventures kept by the Group (€455 million).

The repayment by joint ventures of financing provided by the Group amounted to €2,250 million.

The Group's external refinancing debts were repaid over the period in the amount of €135 million.

Equity was reduced by the payment of dividends in the amount of €440 million of which €434 million attributable to the Group.

### *B. Disposal by Faurecia of the Automotive Exteriors Business*

On 14 December 2015 Faurecia has signed a Memorandum of Understanding for the sale of its Automotive Exteriors business worldwide to Plastic Omnium. Details of the reclassifications in the consolidated statement of income, the consolidated balance sheet and the consolidated statement of cash flows of the manufacturing and sales companies in 2015 can be found in Note 3.3.B to the 2015 consolidated financial statements.

On 29 July 2016, Faurecia completed the sale to Plastic Omnium of its Automotive Exteriors branch for €665 million (enterprise value). The divestiture commitment made by Plastic Omnium towards the European Commission did not have any impact on the sale of the business by Faurecia nor on the price of the transaction.

In accordance with the sale and purchase agreement, a procedure for determining any potential price adjustment based on the Faurecia Automotive Exteriors (FAE) accounts at closing date is ongoing and is subject to a contradictory expertise initiated by Plastic Omnium.

At 31 December 2016, the profit from operations held for sale of €174 million (see Note 3.1) includes, in addition to the profit recorded for sold operations up until the date of the sale, the gain on the disposal of €134 million after deduction of the goodwill impairment of €15 million recognised by Peugeot S.A.

# NOTE 3 SEGMENT INFORMATION

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

The definition of operating sectors is provided in Note 2.2.

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

## 3.1. BUSINESS SEGMENTS

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

All intersegment commercial transactions are carried out on an arm's length basis on the same terms and conditions as those applicable to the supply of goods and services to third parties.

The 100% column for the Automotive Equipment division corresponds to the data prior to the application of IFRS 5.

The 100% column for the Financing companies division corresponds to the data prior to the application of IFRS 5 and in 2016 with the full consolidation of the joint ventures with Santander.

| | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Finance companies | | | |
| *(in million euros)* | **Automotive** | **Automotive Equipment** | **Other Businesses** | **100%** | **Reconciliation** | **Eliminations and unallocated[1]** | **Total** |
| **Revenue** | | | | | | | |
| › third parties | 37,065 | 16,819 | - | 1,263 | (1,117) | - | 54,030 |
| › intragroup, intersegment | 1 | 1,891 | 112 | 142 | - | (2,146) | - |
| **Total[2]** | **37,066** | **18,710** | **112** | **1,405** | **(1,117)** | **(2,146)** | **54,030** |
| **Recurring operating income (loss)** | **2,225** | **970** | **39** | **571** | **(570)** | **-** | **3,235** |
| Non-recurring operating income | 109 | 7 | 1 | - | - | - | 117 |
| Restructuring costs | (456) | (90) | (1) | - | - | - | (547) |
| Impairment of CGUs, provisions for onerous contracts and other | (143) | - | - | - | - | - | (143) |
| Other non-recurring operating income and (expenses), net | - | (23) | (28) | (2) | 2 | - | (51) |
| **Operating income (loss)** | **1,735** | **864** | **11** | **569** | **(568)** | **-** | **2,611** |
| Interest income | | 10 | | - | - | 85 | 95 |
| Finance costs | | (147) | | - | - | (188) | (335) |
| Other financial income | | 12 | | (9) | 13 | 191 | 207 |
| Other financial expenses | | (38) | | (1) | 1 | (197) | (235) |
| **Net financial income (expense)** | **-** | **(163)** | **-** | **(10)** | **14** | **(109)** | **(268)** |
| Income taxes expense | | (189) | | (206) | 187 | (309) | (517) |
| Share in net earnings of companies at equity | (93) | 20 | 6 | 15 | 180 | - | 128 |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | - | - | - | - | (10) | - | (10) |
| **Consolidated profit (loss) from continuing operations** | | **532** | | **368** | **(197)** | | **1,944** |
| **Profit (loss) from operations to be sold or continued in partnership** | **-** | **174** | **-** | **-** | **31** | **-** | **205** |
| **CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD** | | **706** | | **368** | **(166)** | | **2,149** |
| **Capital expenditure (excluding sales with a buyback commitment)** | **2,481** | **1,074** | **-** | **39** | **(20)** | | **3,574** |
| **Depreciation provision** | **(1,895)** | **(661)** | **-** | **(24)** | **4** | | **(2,576)** |

*(1) The "Eliminations and unallocated" column includes eliminations of intersector sales between the Finance companies and the other sectors (€127 million).*
*(2) Of which a turnover of €35,948 million for manufacturer's activity of the Automotive Division.*

In 2016, on a fully consolidated basis, Banque PSA Finance (Finance Companies segment) generated net banking revenue of €1,026 million. Net provision expense (cost of risk) amounted to €52 million.

In 2016, after application of IFRS 5, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €161 million. Net provision expense (cost of risk) amounted to €5 million.

5

| | 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Finance companies | | | |
| *(in million euros)* | **Automotive** | **Automotive Equipment** | **Other Businesses** | **100%** | **Reconciliation** | **Eliminations and unallocated[1]** | **Total** |
| **Revenue** | | | | | | | |
| › third parties | 37,510 | 16,915 | 1 | 1,246 | (996) | - | 54,676 |
| › intragroup, intersegment | 4 | 1,855 | 109 | 355 | - | (2,323) | - |
| **Total[2]** | **37,514** | **18,770** | **110** | **1,601** | **(996)** | **(2,323)** | **54,676** |
| **Recurring operating income (loss)** | **1,871** | **830** | **28** | **514** | **(510)** | **-** | **2,733** |
| Non-recurring operating income | 130 | 11 | - | 2 | - | - | 143 |
| Restructuring costs | (734) | (57) | (2) | (4) | 4 | - | (793) |
| Impairment of CGUs, provisions for onerous contracts and other | (88) | (5) | - | - | - | - | (93) |
| Other non-recurring operating income and (expenses), net | - | (14) | - | (21) | 21 | - | (14) |
| **Operating income (loss)** | **1,179** | **765** | **26** | **491** | **(485)** | **-** | **1,976** |
| Interest income | | 5 | | - | - | 182 | 187 |
| Finance costs | | (182) | | - | - | (357) | (539) |
| Other financial income | | 59 | | (2) | (5) | 49 | 101 |
| Other financial expenses | | (32) | | 6 | 1 | (366) | (391) |
| **Net financial income (expense)** | **-** | **(150)** | **-** | **4** | **(4)** | **(492)** | **(642)** |
| Income taxes expense | | (186) | | (148) | 129 | (501) | (706) |
| Share in net earnings of companies at equity | 302 | 13 | (1) | 11 | 112 | - | 437 |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | - | - | - | - | (114) | - | (114) |
| **Consolidated profit (loss) from continuing operations** | | **442** | | **358** | **(362)** | | **951** |
| **Profit (loss) from operations to be continued in partnership[1]** | **-** | **61** | **11** | **-** | **179** | **-** | **251** |
| **CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD** | | **503** | | **358** | **(183)** | | **1,202** |
| **Capital expenditure (excluding sales with a buyback commitment)** | **2,018** | **931** | **-** | **33** | **(14)** | | **2,968** |
| **Depreciation provision** | **(2,007)** | **(612)** | **-** | **(21)** | **4** | | **(2,636)** |

*(1) The "Eliminations and unallocated" column includes eliminations of intersector sales between the Finance companies and the other sectors (€338 million).*
*(2) Of which a turnover of €36,535 million for manufacturer's activity of the Automotive Division.*

In 2015, on a fully consolidated basis, Banque PSA Finance (Finance Companies segment) generated net banking revenue of €1,065 million. Net provision expense (cost of risk) for the year amounted to €69 million.

In 2015, after application of IFRS 5, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €113 million. Net provision expense (cost of risk) for the year amounted to €1 million.

## 3.2. GEOGRAPHICAL SEGMENTS

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

| *(in million euros)* | Europe[1] | Eurasia | China & South-Asia | India Pacific | Latin America | Middle East & Africa | North America | Total |
|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | |
| Revenue | 38,959 | 339 | 3,191 | 916 | 3,781 | 2,323 | 4,521 | **54,030** |
| Property, plant and equipment | 9,686 | 160 | 407 | 118 | 472 | 62 | 388 | **11,293** |
| **2015** | | | | | | | | |
| Revenue | 38,704 | 348 | 3,724 | 922 | 3,616 | 2,638 | 4,724 | **54,676** |
| Property, plant and equipment | 9,467 | 142 | 361 | 90 | 373 | 54 | 407 | **10,894** |

*(1) Of which France:*

| *(in million euros)* | ***2016*** | ***2015*** |
|---|---|---|
| *Revenue* | *12,992* | *12,653* |
| *Property, plant and equipment* | *5,614* | *5,479* |

5

# NOTE 4 OPERATING INCOME

Operating income corresponds to profit (loss)[1] before net financial income or expense, current and deferred taxes and the Group's share in the net earnings of equity-accounted companies.

The Group uses recurring operating income as its main business performance indicator. Recurring operating income corresponds to operating income before other non-recurring income and expenses, defined as material items of income and expense that are unusual in nature or infrequent in occurrence and not included in the Group's recurring performance.

In practice, other non-recurring operating income and expenses consist mainly of the following items which are described in the notes to the financial statements where appropriate (see Note 4.4):

- restructuring and early-termination plan costs;
- impairment losses (and subsequent adjustments) recognised on (i) non-current assets following impairment tests performed on the cash-generating units (CGUs) to which they belong, and (ii) the corresponding onerous contracts;
- gains on disposals of real estate and impairment of real estate held for sale.

### *Selling, general and administrative expenses*

Selling, general and administrative expenses correspond to general administrative expenses, indirect selling expenses and warranty costs.

## 4.1. REVENUE

### *A. Accounting policies*

### 1) Manufacturing and sales companies

#### a) Automotive Division

Revenue includes mainly revenues from the sale and leasing of vehicles and the sale of other goods and services.

In accordance with **IAS 18 – Revenue**, new vehicle sales are recognised on the date the risks and rewards of ownership are transferred. This generally corresponds to the date when the vehicles are made available to non-group dealers or the delivery date, in the case of direct sales.

Sales at cost of items purchased on behalf of other parties and sales to subcontractors of raw materials, parts and mechanical sub-assemblies that are intended to be bought back at cost are not included in revenue.

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

- whatever the duration of the buyback commitment;
- for both direct sales and sales financed by Banque PSA Finance and its subsidiaries.

*(1) Consolidated profit (loss) from continuing operations, excluding "other expenses related to the non-transferred financing of operations to be continued in partnership".*

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 in property, plant and equipment. Depreciation expense is calculated over the term of the lease by the straight-line method, on the basis of the vehicle's cost less its estimated residual value, representing the anticipated 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.

**Sales incentives**

The cost of current and future sales incentive programmes is accrued on the basis of historical costs for the previous three months, determined country by country, and charged against profit for the period in which the corresponding sales are recognised. In cases where the cost of the programme varies according to sales, it is deducted from revenue.

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.

#### b) Automotive Equipment Division

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

The revenue recognition criteria provided for in IAS 18 are not met in cases where development and tooling 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. Under such circumstances, development work and tooling cannot be considered as having being sold. The development costs are recognised in intangible assets (see Note 4.3.A) and tooling in property, plant and equipment (see Note 7.2.A).

If the contract includes a payment guarantee, the development and tooling costs are recognised in inventories and work-in-progress. The corresponding revenue is recognised when the customer signs off on each technical phase.

#### 2) Finance companies

The Group's finance companies and the finance companies in partnership provide wholesale financing to dealer networks and retail financing to customers. 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.

The revenue in the Group's income statement is limited to the businesses that have not been transferred or that are to be transferred to the joint ventures with Santander. The revenue presented at 100% in Note 3.1 includes all these financing activities.

### B. Key figures

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Sales of vehicles and other goods | 52,526 | 53,062 |
| Service revenue | 1,358 | 1,364 |
| Financial services revenue | 146 | 250 |
| **TOTAL** | **54,030** | **54,676** |

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 7.2.C.

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

## 4.2. RECURRING OPERATING EXPENSES ANALYSED BY NATURE

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

### Personnel costs

Group personnel costs included in the Recurring Operating Income are as follows:

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Automotive Division[(1)] | (4,641) | (4,999) |
| Automotive Equipment Division[(2)] | (3,059) | (3,036) |
| Finance companies[(3)] | (9) | (10) |
| Other businesses | (70) | (97) |
| **TOTAL** | **(7,779)** | **(8,142)** |

*(1) Including €4,109 million representing personnel expenses of manufacturing activities (€4,390 million in 2015).*
*(2) €225 million representing personnel expenses reclassified in activities to be sold or continued in partnership (€352 million in 2015).*
*(3) €17 million representing personnel expenses reclassified in activities to be sold or continued in partnership or to be sold (€75 million in 2015).*

The Competitiveness and Employment Tax Credit (CICE) has been deducted from personnel expenses in the amount of €96 million (€108 million in 2015).

Details of pension costs are disclosed in Note 6.

### Depreciation and amortisation expense

Depreciation and amortisation expense included in recurring operating income breaks down as follows:

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Capitalised development expenditure | (825) | (778) |
| Other intangible assets | (100) | (95) |
| Specific tooling | (650) | (651) |
| Other property, plant and equipment | (1,001) | (1,112) |
| **TOTAL** | **(2,576)** | **(2,636)** |

## 4.3. 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 and use or sell it, 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 11.2.A).

Expenses for the year include research costs, non-capitalised study and development costs under the above criteria, and the amortisation of capitalised development costs.

#### 1) Automotive Division

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 recognised 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 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 recognised in inventories and work-in-progress.

### B. Research and development expenses, net

| *(in million euros)* | Notes | 2016 | 2015 |
|---|---|---|---|
| Total expenditure[1] | | (2,361) | (2,249) |
| Capitalised development expenditure[2] | | 1,267 | 1,163 |
| **Non-capitalised expenditure** | | **(1,094)** | **(1,086)** |
| Amortisation of capitalised development expenditure | 7.1 | (821) | (772) |
| **TOTAL** | | **(1,915)** | **(1,858)** |

*(1) Including €437 million for Faurecia (€374 million in 2015).*
*(2) In addition to this expenditure, borrowing costs are capitalised pursuant to IAS 23 "Coûts d'emprunts" (Revised) (see Note 11.2.A).*

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

## 4.4. NON-RECURRING OPERATING INCOME AND EXPENSES

| *(in million euros)* | Notes | 2016 | 2015 |
|---|---|---|---|
| Net gains on disposals of real estate assets | | 101 | 47 |
| Reversal of impairment loss on Automotive Division CGUs and other assets and provisions for Automotive Division onerous contracts | *7.3.B* | 10 | 86 |
| Other non-recurring operating income | | 6 | 10 |
| **Total non-recurring operating income** | | **117** | **143** |
| Impairment loss on Automotive Division CGUs and other assets and provisions for Automotive Division onerous contracts | *7.3.B* | (143) | (88) |
| Impairment loss on Other businesses CGUs | *7.3.C* | - | (5) |
| Restructuring costs | *4.4.B* | (547) | (793) |
| Other non-recurring operating expenses | | (51) | (14) |
| **Total non-recurring operating expenses** | | **(741)** | **(900)** |

### *A. Impairment test on Automotive Division CGUs and provisions for Automotive Division onerous contracts*

The detail of impairment testing, provisions for onerous contracts and other impairment is disclosed in Note 7.3.

### *B. Restructuring costs*

Restructuring costs consist mainly of workforce reductions.

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Automotive Division | (456) | (734) |
| Automotive Equipment Division | (90) | (57) |
| Other businesses | (1) | (2) |
| **TOTAL** | **(547)** | **(793)** |

#### Automotive Division

In 2016, Automotive Division restructuring costs amounted to €456 million.

They relate chiefly to the recognition of the restructuring plans covering the Group's industrial sites in Europe (Jobs and Skills Matching System – DAEC –, Jobs and Skills Reallocation Plan – PREC –, Employment Safeguarding Plan – PSE – and older employee plans) in the amount of €350 million and the reorganisation of its commercial operations in Europe in the amount of €58 million. Other restructuring costs relate mainly to the Group's subsidiaries in Latin America in the amount of €37 million.

#### Automotive Equipment Division (Faurecia Group)

In 2016, Faurecia Group restructuring costs totalled €90 million, including €88 million in provisions for redundancy costs, mainly in Germany, the United States and France.

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

## 5.1. 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 and includes all direct and indirect variable production expenses, plus fixed production expenses based on the normal capacity of the 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 Division 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 costs are recognised in inventories and work-in-progress and the corresponding revenue is recognised when the customer signs off on each technical phase.

| | 31 December 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| *(in million euros)* | **Gross** | **Allowance** | **Net** | **Gross** | **Allowance** | **Net** |
| Raw materials and supplies | 807 | (140) | 667 | 787 | (135) | 652 |
| Semi-finished products and work-in-progress | 949 | (31) | 918 | 779 | (30) | 749 |
| Goods for resale and used vehicles | 911 | (110) | 801 | 796 | (108) | 688 |
| Finished products and replacement parts | 2,107 | (146) | 1,961 | 2,058 | (151) | 1,907 |
| **TOTAL** | **4,774** | **(427)** | **4,347** | **4,420** | **(424)** | **3,996** |

## 5.2. TRADE RECEIVABLES

A provision for impairment is recorded on the manufacturing and sales companies' trade receivables if the Group believes that there is a risk that the receivables will not be recovered. Indications of probable impairment include the existence of unresolved claims or litigation, the age of the receivables and the obligor's significant financial difficulties.

In accordance 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 Automotive Division debts transferred to the Group's finance companies and to the finance companies in partnership.

| *(in million euros)* | **31 December 2016** | **31 December 2015** |
|---|---|---|
| Trade receivables | 1,726 | 1,796 |
| Allowances for doubtful accounts | (166) | (172) |
| **Total – manufacturing and sales companies** | **1,560** | **1,624** |
| Elimination of transactions with the finance companies | (19) | (69) |
| **TOTAL** | **1,541** | **1,555** |

Assignments of trade receivables to financial institutions are disclosed in Note 11.6.F.

## 5.3. OTHER RECEIVABLES AND OTHER PAYABLES

### A. Other receivables

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| State, regional and local taxes excluding income tax[1] | 908 | 982 |
| Personnel-related payables | 38 | 40 |
| Due from suppliers | 196 | 167 |
| Derivative instruments | 41 | 72 |
| Prepaid expenses | 361 | 298 |
| Miscellaneous other receivables | 219 | 157 |
| **TOTAL** | **1,763** | **1,716** |

*(1) In 2016, the Group sold €35 million worth of French research tax credits and €87 million worth of French competitiveness and employment tax credits (see Note 11.6.F).*

### B. Other payables

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Taxes payable other than income taxes | 660 | 673 |
| Personnel-related payables | 1,019 | 997 |
| Payroll taxes | 354 | 404 |
| Payable on fixed asset purchases | 597 | 361 |
| Customer prepayments | 1,569 | 1,369 |
| Derivative instruments[1] | 17 | 56 |
| Deferred income | 800 | 544 |
| Miscellaneous other payables | 350 | 402 |
| **TOTAL** | **5,366** | **4,806** |

*(1) This item corresponds to the fair value of instruments purchased by the Group to hedge currency risks on current or forecast operating receivables and payables. These instruments are analysed by maturity in Note 11.7.A, "Management of financial risks".*

## 5.4. CHANGE IN WORKING CAPITAL REQUIREMENTS OF MANUFACTURING AND SALES COMPANIES

### A. Analysis of the change in working capital

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| (Increase) decrease in inventories | (365) | (14) |
| (Increase) decrease in trade receivables | 291 | 76 |
| Increase (decrease) in trade payables | 389 | 863 |
| Change in income taxes | 4 | (11) |
| Other changes | 152 | 28 |
| | **471** | **942** |
| Net cash flows with Group finance companies | (38) | 12 |
| **TOTAL** | **433** | **954** |

## B. Analysis of the change in balance sheet items

### 1) Analysis by type

| **2016** *(in million euros)* | At 1 January | At 31 December |
|---|---|---|
| Inventories | (3,996) | (4,347) |
| Trade receivables | (1,624) | (1,560) |
| Trade payables | 8,858 | 9,352 |
| Income taxes | 51 | 21 |
| Other receivables | (1,716) | (1,763) |
| Other payables | 4,806 | 5,366 |
| | **6,379** | **7,069** |
| *Net cash flows with Group finance companies* | *23* | *(15)* |
| **TOTAL** | **6,402** | **7,054** |

### 2) Movements of the year

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| **At 1 January** | **6,379** | **5,070** |
| IFRS 5 declassification | - | (131) |
| Cash flows from operating activities | 484 | 1,137 |
| Cash flows from investing activities | 400 | 138 |
| Changes in scope of consolidation and other | 1 | 62 |
| Translation adjustment | (164) | 79 |
| Revaluations taken to equity | (31) | 24 |
| **AT 31 DECEMBER** | **7,069** | **6,379** |

The change in working capital in the consolidated statement of cash flows at 31 December 2016 (€471 million positive effect) corresponds to cash flows from operating activities (€484 million positive effect), exchange differences (€51 million positive effect), change in the ineffective portion of currency options (€45 million negative effect) and other movements (€19 million negative effect).

| | 2016 | 2015 |
|---|---|---|
| **Cash flows from operating activities of manufacturing and sales companies** | **484** | **1,137** |
| Exchange differences | 51 | (130) |
| Change in the ineffective portion of currency options | (45) | (101) |
| Other changes | (19) | 36 |
| **Change in working capital in the statement of cash flows** | **471** | **942** |

# NOTE 6 EMPLOYEE BENEFITS EXPENSE

## 6.1. 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 benefits. 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 "income (expense) recognised directly in equity", 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".

As a result, 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 recognized 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 (recognised in "Recurring operating income");
- The accretion expense of the net commitment of the return on plan hedging assets (in financial income and expense). These two components (accretion and return on assets) are determined based on the discount rate of commitments.

Other employee benefit obligations recognised in the balance sheet 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 are paid under defined contribution and 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 for the year. Payments under defined benefit plans concern primarily France and the United Kingdom.

In France, the existing defined benefit plans 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 2,500 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 12,000 retired employees at end-2016;
- the closed Citroën supplementary plan (ACC) that covered 4,100 retired employees at end-2016.

Members of the management bodies enjoyed a defined benefit supplementary pension plan guaranteeing a supplementary pension of up to at most 30% of the reference compensation. On the basis of a proposal by the Chairman of the Managing Board, in December 2015 the Supervisory Board of Peugeot S.A. took the decision to terminate this plan. A new defined contribution pension plan has come into effect since 1 January 2016. This means that the Company will no longer offer guaranteed levels of retirement income, but will pay out an annual benefit that is directly tied to the Group's results and performance.

In 2015, this change in plan generated income of €34 million in the form of a provision reversal, net of plan switching costs. The Managing Board decided to pay out this €34 million to all employees in the form of discretionary profit-sharing, expensed in 2015.

In the United Kingdom, the Group has four trustee-administered defined benefit plans. These plans have been closed to new entrants since May 2002. At 31 December 2016, 18,800 beneficiaries were covered by these plans, including 600 active employees, 7,100 former employees not yet retired and 11,100 retired employees. The plans guarantee a replacement rate of up to 66% of the employee's final salary.

The supplementary pension plan for all Faurecia managerial employees in France comprises a defined benefit granting a rent relating to salary tranche C. A specific pension scheme dedicated to the Executive Committee members has been implemented in 2015. This new scheme, defined benefit plan for French members and defined contribution plan for foreign members, grants to each beneficiary, based on final salary, a level of annual rent determined according to the group operational result and the budget approved by the Board of Directors.

## B. Assumptions

| | Euro zone | United-Kingdom |
|---|---|---|
| Discount Rate | | |
| **2016** | **1.50%** | **2.80%** |
| 2015 | 2.30% | 3.85% |
| Inflation Rate | | |
| **2016** | **1.80%** | **3.25%** |
| 2015 | 1.80% | 3.00% |
| Average Duration *(in years)* | | |
| **2016** | **12** | **14** |
| 2015 | 11 | 16 |

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

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

The assumptions regarding future salary increases take into account inflation and forecast individual pay rises in each country. The assumption for French plans is inflation plus individual pay rise according to the employee's age. The assumption for UK plans is inflation plus 1%.

Mortality and staff turnover 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 or the UK would lead to the following increases or decreases in projected benefit obligations:

| | Discount rate +0.25 pt | Inflation rate +0.25 pt |
|---|---|---|
| France | -2.83% | 2.02% |
| United Kingdom | -3.36% | 3.04% |

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 2016 of €9 million for French plans and €27 million for UK 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 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Equities | Bonds | Equities | Bonds |
| France | 17% | 83% | 15% | 85% |
| United Kingdom | 19% | 81% | 20% | 80% |

The fair value of shares and bonds was at level 1 in 2016 and 2015.

In 2016, the actual return on external funds managed by the Group in France and by the pension trusts in the United Kingdom was +4.60% for the French funds and +15.70% for the UK 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, in European corporate bonds rated A or higher and in European inflation-linked government bonds.

In the United Kingdom, 40% of the equity portfolio are invested in FTSE All Share Index tracker funds. The remaining 60% are invested in funds that track the main European, US and Japanese stock market indices. 79% of the bond portfolio are comprised of inflation-linked government bonds denominated in pounds sterling. The remaining 21% are comprised mainly of corporate bonds rated A or higher.

In France, the Group is free to decide the amount of its contributions to the external funds. At 31 December 2016, no decision had been made as to the amount of contributions to be paid in 2017.

In the United Kingdom, the Group's annual contribution (excluding Faurecia) amounted to £29 million (€33 million) in 2016. It is estimated at £27 million (€31 million) for 2017, although this sum may change in light of the negotiations planned for 2017.

### D. Movement for the year

EXCLUDING MINIMUM FUNDING REQUIREMENT (IFRIC 14)

| *(in million euros)* | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | **France** | **United Kingdom** | **Other** | **Total** | **France** | **United Kingdom** | **Other** | **Total** |
| **Projected benefit obligation** | | | | | | | | |
| **At beginning of period: Present value** | **(1,564)** | **(2,096)** | **(670)** | **(4,330)** | **(1,872)** | **(2,090)** | **(763)** | **(4,725)** |
| Impact of the declassification of the commitments of operations to be continued in partnership | - | - | - | - | 15 | - | 3 | 18 |
| Service cost | (43) | (10) | (16) | (69) | (59) | (16) | (52) | (127) |
| Interest cost | (36) | (71) | (17) | (124) | (34) | (79) | (20) | (133) |
| Benefit payments for the year | 89 | 82 | 46 | 217 | 80 | 96 | 70 | 246 |
| Unrecognised actuarial gains and (losses): | | | | | | | | |
| › amount | (95) | (316) | (43) | (454) | 180 | 107 | 82 | 369 |
| › *as a % of projected benefit obligation at beginning of period* | *6.1%* | *15.1%* | *6.4%* | *10.5%* | *9.6%* | *5.1%* | *10.7%* | *7.8%* |
| Effect of changes in exchange rates | - | 313 | 1 | 314 | - | (119) | (8) | (127) |
| Effect of changes in scope of consolidation and other | - | - | - | - | - | (3) | - | (3) |
| Effect of curtailments and settlements | 29 | - | 4 | 33 | 126 | 8 | 18 | 152 |
| **AT PERIOD-END: PRESENT VALUE** | **(1,620)** | **(2,098)** | **(695)** | **(4,413)** | **(1,564)** | **(2,096)** | **(670)** | **(4,330)** |
| **External fund** | | | | | | | | |
| **At beginning of period: Fair value** | **932** | **2,657** | **285** | **3,874** | **1,043** | **2,566** | **285** | **3,894** |
| Impact of the declassification of the hedging assets of operations to be continued in partnership | - | - | - | - | (1) | - | - | (1) |
| Normative return on external funds | 23 | 94 | 7 | 124 | 19 | 98 | 7 | 124 |
| Actuarial gains and (losses): | | | | | | | | |
| › amount | 18 | 475 | 7 | 500 | (41) | (105) | (5) | (151) |
| › *as a % of projected benefit obligation at beginning of period* | *1.9%* | *17.9%* | *2.5%* | *12.9%* | *3.9%* | *4.1%* | *1.8%* | *3.9%* |
| Translation adjustment | - | (403) | - | (403) | - | 150 | 4 | 154 |
| Employer contributions | 20 | 36 | 12 | 68 | 10 | 44 | 17 | 71 |
| Benefit payments for the year | (94) | (82) | (41) | (217) | (98) | (96) | (23) | (217) |
| **AT PERIOD-END: FAIR VALUE** | **899** | **2,777** | **270** | **3,946** | **932** | **2,657** | **285** | **3,874** |

5

## E. Reconciliation of balance sheet items

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | France | United Kingdom | Other | Total | France | United Kingdom | Other | Total |
| **Present value of projected benefit obligation** | **(1,620)** | **(2,098)** | **(695)** | **(4,413)** | **(1,564)** | **(2,096)** | **(670)** | **(4,330)** |
| Fair value of external funds | 899 | 2,777 | 270 | 3,946 | 932 | 2,657 | 285 | 3,874 |
| **NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET BEFORE MINIMUM FUNDING REQUIREMENT (IFRIC 14)** | **(721)** | **679** | **(425)** | **(467)** | **(632)** | **561** | **(385)** | **(456)** |
| Minimum funding requirement liability (IFRIC 14) | - | (39) | - | (39) | - | (38) | - | (38) |
| **NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET** | **(721)** | **640** | **(425)** | **(506)** | **(632)** | **523** | **(385)** | **(494)** |
| Of which, liability (Note 9.2) | (747) | (63) | (425) | (1,235) | (656) | (38) | (397) | (1,091) |
| Of which, asset | 26 | 703 | - | 729 | 24 | 561 | 12 | 597 |
| *Of which, unfunded plans* | *0.0%* | *0.0%* | *9.6%* | *1.5%* | *2.1%* | *0.0%* | *10.3%* | *2.4%* |

## F. Expenses recognised in the income statement

These expenses are recorded as follows:

- service cost is recorded under "Selling, general and administrative expenses";
- the impact of restructuring is reported under "Non-recurring operating income" or "Non-recurring operating expenses";
- interest cost and the expected return on external funds are recorded under "Financial expenses" and "Financial income" respectively.

Pension expenses break down as follows:

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | France | United Kingdom | Other | Total | France | United Kingdom | Other | Total |
| Service cost | (43) | (10) | (16) | (69) | (59) | (16) | (52) | (127) |
| Interest cost | (36) | (71) | (17) | (124) | (34) | (79) | (20) | (133) |
| Normative return on external funds | 23 | 94 | 7 | 124 | 19 | 98 | 7 | 124 |
| Effect of curtailments and settlements | 29 | - | 4 | 33 | 126 | 8 | 18 | 152 |
| **Total (before minimum funding requirement liability)** | **(27)** | **13** | **(22)** | **(36)** | **52** | **11** | **(47)** | **16** |
| Change in minimum funding requirement liability (IFRIC 14) | - | 4 | - | 4 | - | (8) | - | (8) |
| **TOTAL** | **(27)** | **17** | **(22)** | **(32)** | **52** | **3** | **(47)** | **8** |

## 6.2. 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

#### 1) Plan characteristics

No plan was awarded between 2009 and 2016. Former plans awarded to certain employees, directors and officers of the Company and its subsidiaries, allowing them to purchase shares at a specified price, have the following characteristics:

| | Date of Managing Board decision | Vesting date | Last exercise date | Number of initial grantees | Exercise price (in euros) | Number of options granted |
|---|---|---|---|---|---|---|
| 2008 Plan | 22/08/2008 | 22/08/2011 | 19/08/2016 | 194 | 21.58 | 1,345,000 |

On 31 December 2016, the share price was €15.50.

#### 2) Changes in the number of options outstanding

Changes in the number of options outstanding under these plans (exercisable for €1 par value shares) are shown below:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Number | WAEP[(1)] *(in euros)* | Number | WAEP[(1)] *(in euros)* |
| **Outstanding at beginning of period** | **1,569,581** | **24.5** | **2,942,961** | **29.7** |
| Expired during the period | (1,569,581) | 24.5 | (1,373,380) | 35.7 |
| **Outstanding at end of period** | **-** | **-** | **1,569,581** | **24.5** |
| Exercisable at end of period | - | - | 1,569,581 | 24.5 |

*(1) Options' Weighted Average Exercise Price.*

Options outstanding at the year-end are as follows:

| *(number of options)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| 2008 Plan | - | 1,569,581 |
| **TOTAL AT 31 DECEMBER** | **-** | **1,569,581** |

#### 3) Personnel costs arising from stock option plans

The Peugeot S.A. and Faurecia stock-option plans did not generate any personnel costs.

### B. Performance share plans

#### 1) Peugeot S.A. performance share plan

#### a) 2015 performance share plan

##### Plan characteristics

Following the authorisation given by the Extraordinary Shareholders' Meeting of 24 April 2013 and the Supervisory Board at its meeting of 17 February 2015, the Peugeot S.A. Managing Board adopted a performance share plan on 27 February 2015. This plan covers a maximum of 2,465,300 shares. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. For tax residents of France, performance shares will fully vest on 31 March 2017 and must be held until 31 March 2019. For other beneficiaries, the vesting period will run until 31 March 2019. No lock-up period is imposed thereafter.

Vesting is subject to performance conditions in terms of the aggregate operating free cash flow (FCF) of manufacturing and sales companies between 2014 and 2016, the net financial position of manufacturing and sales companies in 2016 and the recurring operating income of the Automotive Division in 2016.

##### Personnel costs arising from the performance share plan characteristics

At year-end 2016 the plan covers a maximum total of 2,351,496 shares, resulting in the delivery of treasury shares.

The fair value of the shares granted is estimated at €15.47 for the calculation of the expense for French tax residents and €13.49 for other beneficiaries.

The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €16.6 million for 2016, excluding payroll taxes.

### b) 2016 performance share plan

#### Plan characteristics

Following the authorisation given by the Extraordinary Shareholders' Meeting of 27 April 2016 and the Supervisory Board at its meeting of 27 April 2016, the Peugeot S.A. Managing Board adopted a performance share plan on 2 June 2016. This plan covers a maximum of 2,200,000 shares. The allocation of performance shares is subject to a condition of presence within the Group at the end of the vesting period. Vesting is subject to two performance conditions relating to the percentage of the Automotive Division's average recurring operating income (ROI) over the 2016-2018 period and Group revenue growth between 2015 and 2018 at constant exchange rates.

Taking into consideration the targets and the dates of notification to the beneficiaries of 3 and 16 June 2016, the shares will vest in two equal portions subject to continued employment on 3 and 16 June 2019 and 3 and 16 June 2020.

#### Personnel costs arising from the performance share plan characteristics

At year-end 2016 the plan covers a maximum total of 1,655,162 shares, resulting in the delivery of treasury shares.

For the purposes of calculating personnel costs, the weighted average fair value of the shares notified on 3 June is €11.89 and that of the shares notified on 16 June 2016 €10.65.

The personnel expenses associated with this plan, measured in accordance with IFRS 2, was €3.3 million for 2016, 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 €17.8 million (compared with an expense of €9.9 million in 2015).

The details of performance share plans are provided in the following table:

| | Maximum number of performance shares(1) due if: | |
|---|---|---|
| *(number of shares)* | **objective achieved** | **objective exceeded** |
| **Date of Managing Board decision:** | | |
| 24/07/2013 | 745,000 | 968,500 |
| 28/07/2014 | 629,700 | 818,610 |
| 23/07/2015 | 624,628 | 811,931 |
| 25/07/2016 | 742,161 | 965,485 |

*(1) Net of free shares granted cancelled.*

Following the achievement of the performance target of the previous plans, 478,400 shares were granted in 2012 and 226,200 in 2014. The performance condition in the fourth plan granted by the Board on 23 July 2012 was not achieved.

## 6.3. MANAGEMENT COMPENSATION

The Group is managed by the Managing Board. The Group's management bodies correspond to the Group 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.

The fixed compensation of the Managing Board members was constant in 2016.

| *(in million euros)* | Notes | 2016 | 2015 |
|---|---|---|---|
| Number of Executive Committee members at 31 December | | 18 | 17 |
| Fixed & variable compensation and other short-term benefits (excluding pensions) | | 17.2 | 15.7 |
| Stock option and performance share costs(1) | *6.2* | 6.9 | 4.2 |

*(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 2016 for the contribution to the new defined contribution pension plan totalled €4.2 million for the members of the Managing Board and the other members of the Executive Committee and breaks down into €2.1 million paid to a pension fund and €2.1 million paid in cash to the beneficiaries (taking into account a scheme based on taxation upon first deposit). The expense recognised in 2015 for services performed under the former defined-benefit pension plan totalled €5.6 million, before reversal of the provision connected with the closure of this plan.

In 2015, the change in pension plan generated income of €34 million for all beneficiaries in the form of a provision reversal, net of plan switching costs. The Managing Board paid out the resulting savings to all employees. This payout came on top of the Group's pre-existing compensation and profit-sharing schemes, and was expensed in 2015 (see Note 6.1.A).

Details of the performance shares granted in 2015 and 2016, plus the Peugeot S.A. stock options previously granted to members of the managing bodies and still exercisable at period-end, can be found in the following table:

| *(number of options)* | 2016 | 2015 |
|---|---|---|
| Performance shares held at 31 December | 1,585,000 | 865,000 |
| Stock options held at 31 December | - | 168,601 |

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 7 GOODWILL AND INTANGIBLE ASSETS – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and intangible assets are carried at amortised cost less deductions and impairment, pursuant to IAS 36 (see Note 7.3).

## 7.1. GOODWILL AND INTANGIBLE ASSETS

### *A. Accounting Policies*

Accounting policies relating to goodwill are described in Note 2.1.A.(3) and those related to research and development expenses in Note 4.3.1.(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 and trademarks) are amortised on a straight- line basis over the estimated period of benefit, not to exceed twenty years.

## B. Change in carrying amount

| | 31 December 2016 | | | |
|---|---|---|---|---|
| *(in million euros)* | Goodwill | Development expenditure | Software and other | Intangible assets |
| **At beginning of period** | **1,382** | **4,352** | **417** | **4,769** |
| Purchases/additions(1) | - | 1,365 | 102 | 1,467 |
| Amortisation for the year | - | (825) | (100) | (925) |
| Impairment losses | - | (47) | 2 | (45) |
| Disposals | - | (19) | (2) | (21) |
| Change in scope of consolidation and other | 127 | 13 | 176 | 189 |
| Translation adjustment | 5 | 21 | (1) | 20 |
| **AT PERIOD-END** | **1,514** | **4,860** | **594** | **5,454** |

*(1) Including borrowing costs of €92 million capitalised in accordance with IAS 23* ***(Revised) – "Borrowing Costs"*** *(see Note 11.2.A).*

| | 31 December 2015 | | | |
|---|---|---|---|---|
| *(in million euros)* | Goodwill | Development expenditure | Software and other | Intangible assets |
| **At beginning of period** | **1,506** | **3,957** | **391** | **4,348** |
| IFRS 5 declassification | (125) | (25) | (3) | (28) |
| Purchases/additions(1) | - | 1,239 | 106 | 1,345 |
| Amortisation for the year | - | (778) | (95) | (873) |
| Impairment losses | - | (58) | 5 | (53) |
| Disposals | - | (1) | (3) | (4) |
| Change in scope of consolidation and other | (15) | 1 | 13 | 14 |
| Translation adjustment | 16 | 17 | 3 | 20 |
| **AT PERIOD-END** | **1,382** | **4,352** | **417** | **4,769** |

*(1) Including borrowing costs of €75 million capitalised in accordance with IAS 23 (Revised) – "Borrowing Costs" (see Note 11.2.A).*

## C. Breakdown of goodwill

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Net** | | |
| Automotive Division CGU | 124 | - |
| Faurecia CGU | 172 | 172 |
| Faurecia CGUs | 1,218 | 1,210 |
| **TOTAL** | **1,514** | **1,382** |

Impairment tests on goodwill allocated to the Automotive Equipment CGUs are discussed in Note 7.3.

## 7.2. PROPERTY, PLANT AND EQUIPMENT

### *A. Accounting policies*

#### 1) Cost

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 11.2.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 leasing companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 4.1.(1)(a).

Assets acquired under finance leases, as defined in **IAS 17 – Leases**, are recognised at an amount equal to the present value of the future lease payments, or to the fair value of the leased property, whichever is lower. A financial liability is recognised in the same amount. 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 cost of the assets, less any residual value, over their estimated useful lives. Property, plant and equipment generally have no residual value, except for rental vehicles. The main useful lives of property, plant and equipment are as follows:

| *(in years)* | |
|---|---|
| Buildings | 20 – 30 |
| Plant and equipment | 4 – 16 |
| Computer equipment | 3 – 4 |
| Vehicles and handling equipment | 4 – 7 |
| Fixtures and fittings | 10 – 20 |

##### b) Specific tooling

In the Automotive Division, 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 Division, 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.

The estimated useful lives of property, plant and equipment are reviewed periodically, particularly whenever a decision is made to halt production of a vehicle or mechanical sub-assembly.

## B. Breakdown of property, plant and equipment

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

| | 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in million euros)* | **Land and buildings** | **Plant and equipment** | **Leased vehicles(2)** | **Vehicles and handling equipment** | **Fixtures, fittings and other** | **Assets under construction** | **Total** |
| **Net** | | | | | | | |
| **At beginning of period** | **2,174** | **4,712** | **2,570** | **21** | **269** | **1,148** | **10,894** |
| Purchases/additions(1) | 127 | 787 | - | 8 | 22 | 1,190 | 2,134 |
| Depreciation for the year | (218) | (1,352) | (6) | (4) | (71) | - | (1,651) |
| Impairment losses | (4) | 120 | - | - | - | 4 | 120 |
| Disposals | (55) | (44) | - | (3) | (9) | - | (111) |
| Transfers and reclassifications | 18 | 521 | - | - | 56 | (595) | - |
| Change in scope of consolidation and other(2) | 70 | 357 | (8) | - | 38 | (497) | (40) |
| Translation adjustment | 4 | 21 | (81) | - | - | 3 | (53) |
| **AT PERIOD-END** | **2,116** | **5,122** | **2,475** | **22** | **305** | **1,253** | **11,293** |
| *Gross value* | *6,897* | *31,285* | *2,799* | *81* | *905* | *1,296* | *43,263* |
| *Accumulated depreciation and impairment* | *(4,781)* | *(26,163)* | *(324)* | *(59)* | *(600)* | *(43)* | *(31,970)* |

*(1) Including property, plant and equipment acquired under finance leases for €21 million. Borrowing costs capitalised in accordance with IAS 23 (Revised) – "Borrowing Costs" amounted to €35 million (see Note 11.2.A).*
*(2) Change in scope of consolidation and other movements in "Leased vehicles" includes net changes for the year (additions less disposals).*

| | 31 December 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in million euros)* | **Land and buildings** | **Plant and equipment** | **Leased vehicles(2)** | **Vehicles and handling equipment** | **Fixtures, fittings and other** | **Assets under construction** | **Total** |
| **Net** | | | | | | | |
| **At beginning of period** | **2,396** | **5,240** | **2,309** | **12** | **305** | **569** | **10,831** |
| IFRS 5 declassification | (71) | (151) | - | (2) | (11) | (18) | (253) |
| Purchases/additions(1) | 62 | 456 | - | 16 | 25 | 1,083 | 1,642 |
| Depreciation for the year | (258) | (1,430) | (4) | (3) | (64) | - | (1,759) |
| Impairment losses | 18 | 186 | - | - | - | 1 | 205 |
| Disposals | (34) | (23) | - | (2) | (13) | - | (72) |
| Transfers and reclassifications | 38 | 100 | - | (1) | (47) | (90) | - |
| Change in scope of consolidation and other(2) | 25 | 306 | 237 | 1 | 73 | (404) | 238 |
| Translation adjustment | (2) | 28 | 28 | - | 1 | 7 | 62 |
| **AT PERIOD-END** | **2,174** | **4,712** | **2,570** | **21** | **269** | **1,148** | **10,894** |
| *Gross value* | *6,907* | *30,703* | *2,933* | *83* | *847* | *1,188* | *42,661* |
| *Accumulated depreciation and impairment* | *(4,733)* | *(25,991)* | *(363)* | *(62)* | *(578)* | *(40)* | *(31,767)* |

*(1) Including property, plant and equipment acquired under finance leases for €15 million. Borrowing costs capitalised in accordance with IAS 23 (Revised) – "Borrowing Costs" amounted to €21 million (see Note 11.2.A).*
*(2) Change in scope of consolidation and other movements in "Leased vehicles" includes net changes for the year (additions less disposals).*

### C. Leased vehicles

Leased vehicles totaling an amount of €2,475 million include vehicles leased under short-term leases 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 4.A.(1)(a).

## 7.3. ASSET IMPAIRMENT

### A. Accounting policies

In accordance with **IAS 36 – Impairment of Assets**, the recoverable amount of property, plant and equipment and intangible assets is tested for impairment at each balance sheet date, whenever events or changes in circumstances indicate that it might be impaired. The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. The impairment test usually consists of estimating the asset's value in use. Value in use is measured as the net present value of estimated future cash flows. Assets with indefinite useful lives, i.e. mainly goodwill, are tested for impairment at least once a year.

The tests are performed at the level of cash generating unit (CGU) to which the assets belong. CGUs are 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. If a CGU's recoverable amount is less than its carrying amount, an impairment loss is recognised in profit or loss and, to the extent possible, as an adjustment to the carrying amount of any goodwill allocated to the CGU.

The Automotive Division comprises a number of Vehicle CGUs, each corresponding to a vehicle model. The assets included in a Vehicle CGU consist of tooling and other specific plant and equipment used to manufacture the model, as well as capitalised model development expenditure (see Note 4.3.A.(1)). The plants in Latin America and Russia comprise property, plant and equipment and intangible assets specific to each of these markets. The Automotive Division CGU consists of the Vehicle CGUs and all other fixed assets.

In the Automotive Equipment Division, each CGU corresponds to a programme and comprises all customer contract-related intangible assets and property, plant and equipment. These CGUs are combined in Business Units (Automotive Seating, Interior Systems and Clean Mobility) to which support assets and goodwill are allocated. The Automotive Equipment Division CGU comprises the assets of the CGUs in the above four Business Units and the Faurecia goodwill recognised in the PSA Group's consolidated financial statements.

### B. Impairment test on Automotive Division CGUs and provisions for Automotive Division onerous contracts

The results of the impairment tests on the assets of the Automotive Division CGU, the Latin America and Russia plants, the Latin America CGU and each Vehicle CGU were updated at 31 December 2016. These tests are based on the Group's best estimates.

#### Automotive Division CGU

The Group updated the projections used for testing the impairment of the Automotive Division CGU in December 2016. Testing was based on the most recent medium-term plan (MTP), covering the years 2017–2021, and on an assessment of the main risks associated with this plan. The profitability assumed for the purposes of determining the terminal value is consistent with the historical performance of the Group's Automotive Business. The automotive market forecasts used are the Group's most recent estimates, which are based on external forecasts.

The after-tax discount rate applied was 9.5% for 2017–2021 and 10.5% for the terminal value based on a perpetual growth rate of 1%. These rates are unchanged compared with those used for the periods ended 31 December 2015.

Specific tests performed on Latin America and Russia plants have been also updated on the basis of the 2017–2021 MTP. It led to the recognition of a total impairment charge of €14 million related to the investments of the year in Russia, recorded in non-current operating income (loss).

As of 31 December 2016, taking into account impairment recognised previously, net impairment charges of the Latin America and Russia plants totalled €478 million.

As of 31 December 2016, taking into account impairment recognised previously, net impairment charges of the Automotive Division totalled €1,652 million. As such, the carrying amount of the intangible assets and property, plant and equipment of the Automotive Division was €10,801 million.

The sensitivity to changes in the main assumptions is as follows: impairment would increase by €373 million with a 0.5% higher discount rate, €312 million with a perpetual growth rate limited to 0.5%, €1,426 million as a result of a 0.5% reduction in the operating margin in the reference year used to calculate the terminal value and €1,712 million if these three factors were combined.

#### Vehicle CGUs

As of 31 December 2016, the impairment testing of assets dedicated to the Vehicle CGUs did not reveal impairment.

For the Vehicle CGUs corresponding to vehicles produced under cooperation agreements, in addition to testing of assets for impairment, provisions for long-term contract losses were recorded for any projected losses arising from purchase commitments. The updating of data relating to volumes and margins for these vehicles as well as forecast currency exchange rates for purchasing currencies, led to a reversal of the provision for losses on onerous contracts amounting to €1 million over the year. As of 31 December 2016, provisions totalled €48 million.

Other reversals of provisions and loss were recognised in the amount of €9 million, i.e. a total of €10 million including the reversal of the €1 million provision for loss on onerous contracts.

### C. Impairment test on Faurecia Group CGUs and other assets

#### Faurecia Group CGUs

The carrying amount of each group of assets 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 (2017–2019 plan revised at end-2016 based on the latest 2017 budget assumptions).

5

The main assumption affecting value in use is the level of recurring operating income, particularly for the calculation of terminal value. The calculation was performed by extrapolating to perpetuity projected cash flows for the last year of the Medium-Term Plan (2019) using a growth rate of 1.4% (1.5% in 2015). Future cash flows were discounted at an unchanged after-tax rate of 9.0% (9.5% in 2015), provided by an independent expert.

The test performed at end-2016 confirmed that the goodwill allocated to the three CGUs was fairly stated in the balance sheet. The balance sheet values are presented in the table below:

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| › *Automotive Seating* | 794 | 794 |
| › *Clean Mobility* | 376 | 370 |
| › *Interior Systems* | 48 | 46 |
| **TOTAL** | **1,218** | **1,210** |

The test results are largely positive, 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 margin) does not call into question the carrying amount of goodwill.

### Faurecia CGU in the accounts of PSA Group

The stock market value of the Faurecia shares held by Peugeot S.A. at 31 December 2016 was €2,356 million based on a share price of €36.835, 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 balance sheet is valued at €1,488 million (including the goodwill of €172 million recognised by Peugeot S.A. at that date). In light of these values no impairment loss was recognised on the Faurecia goodwill at 31 December 2016.

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

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Capital commitments for the acquisition of non-current assets | 854 | 862 |
| Orders for research and development work | 33 | 61 |
| Minimum purchase commitments | 53 | 106 |
| Non-cancellable lease commitments | 1,473 | 1,693 |
| **TOTAL** | **2,413** | **2,722** |

### *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 (FAA – tier 1 and tier 2), two funds set up to support automotive equipment manufacturers. The Group's total commitment to FAA amounted to €204 million. At 31 December 2016, the Group had already paid €145 million into these two funds.

### C. Non-cancellable lease commitments

PERIODS

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| 2016 | - | 290 |
| 2017 | 263 | 233 |
| 2018 | 209 | 205 |
| 2019 | 172 | 179 |
| 2020 | 148 | 164 |
| 2021 | 130 | 140 |
| 2022 | 107 | - |
| Subsequent years | 444 | 482 |
| **TOTAL NON-CANCELLABLE LEASE COMMITMENTS** | **1,473** | **1,693** |

Non-cancellable leases are entered into in the normal course of business and consist mainly of leases on commercial property and vehicles. The lease terms reflect local practices in each country.

## NOTE 8 OTHER NON-CURRENT ASSETS AND OTHER NON-CURRENT LIABILITIES

### 8.1. OTHER NON-CURRENT ASSETS

| *(in million euros)* | Notes | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| Excess of payments to external funds over pension obligations | *6.1.E* | 729 | 597 |
| Investments in non-consolidated companies and units in the FAA funds | | 254 | 213 |
| Derivative instruments(1) | | 28 | - |
| Guarantee deposits and other | | 364 | 273 |
| **TOTAL** | | **1,375** | **1,083** |

*(1) Corresponding to the non-current portion of derivative instruments hedging commodity risks.*

The Group has invested in the two "Fonds d'Avenir Automobile" (FAA – tier 1 and tier 2). The Group has committed €204 million to these two funds, €145 million of which has been paid to date. These units have been classified as "available-for-sale" in accordance with IAS 39 and are therefore measured at fair value (see Note 11.8.C.(3)). They are reported as non-current assets because of the lock-up applicable to the Group's investment.

In light of the difficulties experienced by automotive equipment manufacturers, the FAA units were written down by €42 million at 31 December 2016 based on the valuation published by the fund manager, Caisse des Dépôts et Consignations. As the Group considers that the impairment loss will last, it was recognised through profit and loss in accordance with the accounting policies (see Note 11.8.C.(3)).

New equity investments acquired in non-consolidated companies in 2016 amounted to €96 million, mainly in connection with the Group's business development in new services.

### 8.2. OTHER NON-CURRENT LIABILITIES

| *(in million euros)* | Notes | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| Liabilities related to vehicles sold with a buyback commitment | *4.1.A.(1)(a)* | 3,126 | 3,179 |
| Other | | 162 | 308 |
| **TOTAL** | | **3,288** | **3,487** |

# NOTE 9 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 balance sheet date, the Group has a present obligation towards a third party, 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*

A provision is recorded to cover the estimated cost of vehicle and spare parts warranties at the time of sale to independent dealer networks or end-customers. Revenues from the sale of extended warranties or maintenance contracts are recognised over the period during which the service is provided.

| | 12/31/2015 | Additions | Releases (utilisations) | Releases (unused provisions) | Recognised in equity during the period | Change in scope of consolidation and other | 12/31/2016 |
|---|---|---|---|---|---|---|---|
| Pensions (Note 6.1) | 1,091 | 67 | (100) | (4) | 136 | 45 | 1,235 |
| Other employee benefit obligations and other | 187 | 43 | (29) | (3) | (2) | (2) | 194 |
| **TOTAL NON-CURRENT PROVISIONS** | **1,278** | **110** | **(129)** | **(7)** | **134** | **43** | **1,429** |
| Warranties | 895 | 535 | (415) | (85) | - | (6) | 924 |
| Commercial and tax claims and litigations | 628 | 138 | (47) | (139) | - | 68 | 648 |
| Restructuring plans(1) | 1,068 | 405 | (478) | - | - | 1 | 996 |
| Long-term and operating contract losses | 304 | 285 | (298) | - | - | 151 | 442 |
| Other | 302 | 147 | (42) | (39) | - | (4) | 364 |
| **TOTAL CURRENT PROVISIONS** | **3,197** | **1,510** | **(1,280)** | **(263)** | **-** | **210** | **3,374** |

*(1) The main additions for restructuring plans in 2016 are discussed in Note 4.4.B.*

Non-current provision releases mainly concern pensions. These reversals of moot pension provisions relate mainly to staff whose departure is expected under workforce adjustment mechanisms (see Note 4.4.B).

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 5.3.A).

Provisions for tax claims concern a number of claims primarily outside France.

# NOTE 10 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

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

Gains on disposals of investments in equity-accounted companies are recorded in operating income.

Companies accounted for by the equity method include:

- joint ventures with Dongfeng Motor Group et Changan, located in China,
- since 2015 Finance joint ventures with Santander (see Note 2.3),
- as well as companies over which the Group has significant influence, mainly GEFCO and since 2015 Peugeot Scooters.

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

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **At beginning of period** | **2,637** | **1,666** |
| Dividends and profit transfers[(1)] | (381) | (356) |
| Share of net earnings | 128 | 437 |
| Newly consolidated companies[(2)] | 484 | 780 |
| Capital increase (reduction)[(2)] | 42 | 47 |
| Changes in scope of consolidation and other | 188 | (41) |
| Translation adjustment | (84) | 104 |
| **AT PERIOD-END** | **3,014** | **2,637** |
| O/w Dongfeng Peugeot Citroën Automobile goodwill | 82 | 85 |
| O/w Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill | 3 | 3 |
| O/w GEFCO goodwill | 57 | 57 |

*(1) Dividends and profit transfers in 2016 included €261 million in net dividends paid to the Group by the companies in partnership with DPCA, of which €14 million withheld.*
*(2) Concerns mainly companies in partnership with Santander.*

## 10.2. SHARE IN NET ASSETS OF EQUITY-ACCOUNTED COMPANIES

| *(in million euros)* | Latest % interest | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| Dongfeng Motor Company cooperation agreement: | | 1,192 | 1,258 |
| › Dongfeng Peugeot Citroën Automobile[(1)] | 50% | 1,043 | 1,067 |
| › Dongfeng Peugeot Citroën Automobile Sales Co | 50% | 143 | 184 |
| › Dongfeng Peugeot Citroën International Co | 50% | 6 | 7 |
| Changan cooperation agreement: Changan PSA Automobiles Co., Ltd | 50% | (177) | 120 |
| Other | | 10 | 11 |
| Automotive | | 1,025 | 1,389 |
| Automotive equipment | | 115 | 97 |
| GEFCO[(1)] | 25% | 153 | 146 |
| Peugeot Scooters | 49% | 1 | 9 |
| Other activities | | 154 | 155 |
| **Manufacturing and sales activities** | | **1,294** | **1,641** |
| Finance companies in partnership with Santander Consumer Finance | 50% | 1,450 | 916 |
| Dongfeng Peugeot Citroën Automobile Finance Company Ltd[(1)] | 25% | 77 | 65 |
| **Finance activities** | | **1,527** | **981** |
| **TOTAL** | | **2,821** | **2,622** |

*(1) Including goodwill (see Note 10.1).*

The share in net assets of equity-accounted companies breaks down into €3,014 million (€2,637 million at 31 December 2015) for companies with positive net equity, reported under "Investments in equity-accounted companies" less €193 million (€15 million at 31 December 2015) for companies with negative net equity, reported under "Non-current provisions" for €166 million and under "Loan depreciation" for €27 million (see Note 10.3).

## 10.3. SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES

| *(in million euros)* | Latest % interest | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| Dongfeng Motor Company cooperation agreement: | | 242 | 350 |
| › Dongfeng Peugeot Citroën Automobile[(1)] | 50% | 129 | 177 |
| › Dongfeng Peugeot Citroën Automobile Sales Co | 50% | 113 | 173 |
| › Dongfeng Peugeot Citroën International Co | 50% | - | - |
| Changan cooperation agreement: Changan PSA Automobiles Co., Ltd | 50% | (292) | (50) |
| Other | | (43) | 2 |
| Automotive | | (93) | 302 |
| Automotive equipment | | 20 | 13 |
| GEFCO[(1)] | 25% | 14 | 6 |
| Peugeot Scooters | 49% | (8) | (7) |
| Other activities | | 6 | (1) |
| **Manufacturing and sales activities** | | **(67)** | **314** |
| Finance companies in partnership with Santander Consumer Finance | 50% | 181 | 112 |
| Dongfeng Peugeot Citroën Automobile Finance Company Ltd[(1)] | 25% | 14 | 11 |
| **Finance activities** | | **195** | **123** |
| **TOTAL** | | **128** | **437** |

*(1) Including goodwill (see Note 10.1).*

The negative share in net earnings of Changan PSA Automobiles Co, Ltd accruing to PSA Group of €292 million includes the €29 million loss for the period and €263 million from impairment testing. The latter resulted in the impairment of the securities of this equity-accounted company by €87 million, the loan granted by the Group by €27 million, and in the funding of a provision for €149 million.

This test is based on PSA Group's best estimates. The after-tax discount rate applied was 12.5% for 2017-2021 and 13.5% for the terminal value based on a perpetual growth rate of 1%.

## 10.4. KEY FINANCIAL DATA OF EQUITY-ACCOUNTED COMPANIES

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

### A. Dongfeng Motor Group cooperation agreement in the automotive activities

PSA Group and Dongfeng Motor Group have three 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 and Dongfeng Citroën brands in China and Fengshen;
- Dongfeng Peugeot Citroën Automobile Sales Co (DPCS), based in Wuhan, over which the Group has significant influence. It markets in China the vehicles produced by DPCA;
- Dongfeng Peugeot Citroën Automobile International Co (DPCI), based in Wuhan, over which the Group has significant influence. It markets outside China, in the ASEAN zone the vehicles produced by DPCA.

Another jointly controlled company is being created in charge of research and development.

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

EARNINGS ITEMS AT 100%

| | (in million euros) | | (in million yuans) | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | 7,455 | 9,864 | 54,795 | 68,991 |
| Recurring operating income (loss) | 524 | 828 | 3,858 | 5,805 |
| Operating income (loss) | 568 | 843 | 4,181 | 5,903 |
| *Of which depreciation and impairment* | *(299)* | *(297)* | *(2,202)* | *(2,076)* |
| Net financial income (loss) | 55 | 82 | 402 | 573 |
| Income taxes | (138) | (225) | (1,015) | (1,568) |
| **Profit (loss) from continuing operations** | **485** | **700** | **3,568** | **4,908** |
| Profit (loss) from discontinued operations | - | - | - | - |
| **PROFIT (LOSS) OF THE PERIOD** | **485** | **700** | **3,568** | **4,908** |
| Group's share in the profit (loss) of the period (Share in net earnings of companies at equity) | 242 | 350 | | |
| **Income and expenses recognised in equity, net** | **-** | **-** | | |
| **Other information** | | | | |
| Net dividend received from the joint venture(s) by the Group | 260 | 332 | | |

5

BALANCE SHEET ITEMS AT 100%

| | (in million euros) | | (in million yuans) | |
|---|---|---|---|---|
| | 31 December 2016 | 31 December 2015 | 31 December 2016 | 31 December 2015 |
| **Assets** | | | | |
| Non-current assets | 3,380 | 3,263 | 24,746 | 23,040 |
| Current assets | 2,826 | 3,258 | 20,700 | 23,000 |
| *Of which cash and cash equivalents* | *1,224* | *1,880* | *8,957* | *13,271* |
| **Liabilities** | | | | |
| Non-current liabilities (excluding equity) | 287 | 210 | 2,103 | 1,482 |
| *Of which non-current financial liabilities* | *287* | *88* | *2,103* | *622* |
| Current liabilities | 3,711 | 3,977 | 27,166 | 28,081 |
| *Of which current financial liabilities* | *22* | *194* | *164* | *1,367* |
| Equity | 2,208 | 2,334 | 16,177 | 16,477 |
| **Transition table** | | | | |
| Equity | 2,208 | 2,334 | | |
| % of interest | 50% | 50% | | |
| Group's share in equity | 1,104 | 1,167 | | |
| Goodwill | 82 | 84 | | |
| Investments in company at equity | 1,186 | 1,251 | | |

## *B. Changan cooperation agreement*

Since 2011, PSA Group and Changan have owned a joint venture known as Changan PSA Automobile (CAPSA), based in Shenzhen, subject to joint control and classified for accounting purposes as a joint venture. It manufactures and markets motor vehicles under the DS brand in China. The newly built plant began production in 2013.

## EARNINGS ITEMS AT 100%

| | (in million euros) | | (in million yuans) | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Revenue | 368 | 498 | 2,702 | 3,486 |
| Recurring operating income (loss) | (22) | (74) | (161) | (516) |
| Operating income (loss) | (488) | (71) | (3,561) | (496) |
| *Of which depreciation and impairment* | *(464)* | *(32)* | *(3,383)* | *(224)* |
| Net financial income (loss) | (24) | (28) | (177) | (198) |
| Income taxes | (72) | - | (529) | - |
| **Profit (loss) from continuing operations** | **(584)** | **(99)** | **(4,267)** | **(694)** |
| Profit (loss) from discontinued operations | - | - | - | - |
| **PROFIT (LOSS) OF THE PERIOD** | **(584)** | **(99)** | **(4,267)** | **(694)** |
| Group's share in the profit (loss) of the period (Share in net earnings of companies at equity) | (292) | (50) | | |
| **Income and expenses recognised in equity, net** | **-** | **-** | | |
| **Other information** | | | | |
| Net dividend received from the joint venture(s) by the Group | - | - | | |

## BALANCE SHEET ITEMS AT 100%

Data at 31 December 2016 includes the impairment losses at 100% described in Note 10.3.

| | (in million euros) | | (in million yuans) | |
|---|---|---|---|---|
| | **31 December 2016** | **31 December 2015** | **31 December 2016** | **31 December 2015** |
| **Assets** | | | | |
| Non-current assets | 388 | 980 | 2,847 | 6,918 |
| Current assets | 192 | 286 | 1,408 | 2,022 |
| *Of which cash and cash equivalents* | *91* | *56* | *665* | *394* |
| **Liabilities** | | | | |
| Non-current liabilities (excluding equity) | 408 | 454 | 2,990 | 3,211 |
| *Of which non-current financial liabilities* | *408* | *454* | *2,990* | *3,211* |
| Current liabilities | 525 | 572 | 3,845 | 4,041 |
| *Of which current financial liabilities* | *250* | *201* | *1,832* | *1,418* |
| Equity | (353) | 240 | (2,580) | 1,688 |
| **Transition table** | | | | |
| Equity | (353) | 240 | | |
| % of interest | 50% | 50% | | |
| Group's share in equity | (177) | 120 | | |

### C. *Santander agreement and Dongfeng Motor Group agreement in the financing activities*

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

The scope of the partnership with Santander includes at 31 December 2016 eleven European countries as well as Brazil (see Note 2.3).

The partnership with Dongfeng Motor Group concerns the financing activities in China.

EARNINGS ITEMS AT 100%

| *(in million euros)* | 2016 | | | | 2015 | | |
|---|---|---|---|---|---|---|---|
| | **Europe** | **Brazil** | **China** | **Total** | **Europe** | **China** | **Total** |
| **Net banking revenue** | **882** | **13** | **116** | **1,011** | **549** | **95** | **644** |
| General operating expenses and others | (323) | (7) | (28) | (358) | (192) | (23) | (215) |
| **Gross operating income** | **559** | **6** | **88** | **653** | **357** | **72** | **429** |
| Cost of risk | (28) | - | (9) | (37) | (35) | (22) | (57) |
| **Operating income** | **531** | **6** | **79** | **616** | **322** | **50** | **372** |
| Income taxes | (174) | (2) | (20) | (196) | (98) | (13) | (111) |
| **PROFIT (LOSSS) FOR THE PERIOD** | **357** | **4** | **59** | **420** | **224** | **37** | **261** |
| Group's share in the profit (loss) of the period (Share in net earnings of companies at equity) | 179 | 2 | 14 | 195 | 112 | 11 | 123 |
| Income and expenses recognised in equity, net | (3) | - | - | (3) | - | - | - |
| **Other information** | | | | | | | |
| Net dividend received from the joint venture(s) by the Group | (92) | - | - | (92) | - | - | - |

BALANCE SHEET ITEMS AT 100%

| *(in million euros)* | 31 December 2016 | | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|---|
| | **Europe** | **Brazil** | **China** | **Total** | **Europe** | **China** | **Total** |
| Customer loans and receivables | 21,954 | 496 | 2,220 | 24,670 | 14,481 | 2,039 | 16,520 |
| Other assets | 2,419 | 62 | 101 | 2,582 | 1,577 | 101 | 1,678 |
| **TOTAL ASSETS** | **24,373** | **558** | **2,321** | **27,252** | **16,058** | **2,140** | **18,198** |
| Financing liabilities | 17,174 | 461 | 1,357 | 18,992 | 12,107 | 1,255 | 13,362 |
| Other liabilities | 4,383 | 13 | 665 | 5,061 | 2,118 | 637 | 2,755 |
| Equity | 2,816 | 84 | 299 | 3,199 | 1,833 | 248 | 2,081 |
| **TOTAL LIABILITIES** | **24,373** | **558** | **2,321** | **27,252** | **16,058** | **2,140** | **18,198** |

## 10.5. RELATED PARTY TRANSACTIONS – EQUITY-ACCOUNTED COMPANIES

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

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

| *(in million euros)* | **2016** | **2015** |
|---|---|---|
| Sales to manufacturing and sales companies[1] | 857 | 1,369 |
| Sales and assignments to companies in partnership with Santander | 5,172 | 4,617 |
| Purchases[2] | (2,043) | (1,846) |

*(1) Of which €735 million in sales to companies in partnership with DCPA (€1,217 million in 2015) and €33 million in sales to CAPSA (€69 million in 2015).*
*(2) Of which €1,684 million in purchases from GEFCO (€1,729 million in 2015).*

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

| *(in million euros)* | **31 December 2016** | **31 December 2015** |
|---|---|---|
| Long-term loans | 51 | - |
| Loans – due within one year | 27 | - |
| Accounts receivable | 315 | 282 |
| Accounts paybale | (325) | (312) |

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

# NOTE 11 FINANCING AND FINANCIAL INSTRUMENTS – MANUFACTURING AND SALES COMPANIES

## 11.1. ACCOUNTING POLICIES

The principles governing the measurement of financial assets and liabilities within the meaning of IAS 32 and IAS 39 are described in Note 11.8.

## 11.2. NET FINANCIAL INCOME (EXPENSE)

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Interest income[1] | 95 | 187 |
| Finance costs | (335) | (539) |
| Other financial income | 203 | 108 |
| Other financial expenses | (235) | (398) |
| **NET FINANCIAL INCOME (EXPENSE)** | **(272)** | **(642)** |

*(1) Including €85 million for the Automotive Division and Other Businesses (€182 million in 2015).*

Finance costs include in 2016 an exceptional charge of €65 million for the early redemption of bonds by Peugeot S.A. (see Note 11.6.A).

### A. Finance costs

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

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Financial costs | (447) | (600) |
| Foreign exchange gain (loss) on financial transactions and other | (15) | (35) |
| **Finance costs incurred** | **(462)** | **(635)** |
| *Of which Automotive Division and Other Businesses* | *(311)* | *(449)* |
| Capitalised borrowing Costs | 127 | 96 |
| **TOTAL** | **(335)** | **(539)** |

### 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

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Finance costs incurred | (462) | (635) |
| *Of which Automotive Division and Other Businesses* | *(311)* | *(449)* |
| Interest income | 95 | 187 |
| *Of which Automotive Division and Other Businesses* | *85* | *182* |
| **TOTAL** | **(367)** | **(448)** |
| *Of which Automotive Division and Other Businesses* | *(226)* | *(267)* |

## *B. Other financial income and expenses*

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Expected return on pension funds | 26 | 21 |
| Other financial income | 177 | 87 |
| **FINANCIAL INCOME** | **203** | **108** |
| Interest cost on employee benefit obligations | (27) | (30) |
| Ineffective portion of the change in fair value of financial instruments | (45) | (101) |
| Other financial expenses | (163) | (267) |
| **FINANCIAL EXPENSES** | **(235)** | **(398)** |

5

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

Net financial position (net debt) of the manufacturing and sales companies is a financial indicator not defined by IFRS. According to the Group's definition, it is equal to the financial liabilities net of financial assets used as collateral, or that may be utilised to redeem these liabilities, as well as those assigned to specific expenses of the manufacturing and sales companies. This definition remains unchanged from the date of first adoption of IFRS in the Group. The share of these financial assets not readily available is not taken into consideration in the financial security of the manufacturing and sales companies (see Note 11.4).

Financial assets and liabilities with maturities of more than one year at the balance sheet date are classified as non-current. All other assets and liabilities are reported as current.

## *A. Composition of net financial position (net debt)*

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Financial assets and liabilities of the manufacturing and sales companies** | | |
| Non-current financial liabilities | (4,526) | (4,267) |
| Current financial liabilities | (1,661) | (3,229) |
| Other non-current financial assets | 685 | 669 |
| Current financial assets | 629 | 570 |
| Financial investments | 110 | 352 |
| Cash and cash equivalents | 11,576 | 10,465 |
| **(NET DEBT) NET FINANCIAL POSITION OF THE MANUFACTURING AND SALES COMPANIES** | **6,813** | **4,560** |
| Of which external loans and borrowings | 6,804 | 4,061 |
| Of which financial assets and liabilities with finance companies | 9 | 499 |
| **Automotive Division and Other Businesses** | **7,288** | **5,586** |

### B. Change in net financial position (net debt)

In 2016, the Group kept up the proactive refinancing strategy and conservative liquidity policy described in Note 11.7.A.

In 2016, the manufacturing and sales companies have strongly increased their net financial position resulting from the increase of net cash from operating activities exceeding the cash used in investing activities.

Net cash from operating activities for the year totalled positive €4,937 million, representing funds from operations of €4,466 million plus the positive impact of a €471 million decrease in working capital. Changes in working capital are discussed in Note 5.4.A.

Investments for the period in property, plant and equipment and intangible assets amounted to €3,076 million. Other financing resources for the period stood at €280 million.

Other cash inflows for the period were as follows:

- Banque PSA Finance dividend of €434 million including a special dividend of €273 million resulting from the implementation of the partnership with Santander;
- various rights issues resulting especially from equity warrant bonds' conversions for a total amount of €332 million.

These various cash inflows and outflows have resulted in an increase in the net financial position of €2,907 million which breaks down as follows:

- cash reserves increased by €1,359 million.
- net debt before cash and cash equivalents decreased by €1,548 million as a result of the following variations:

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Increase in borrowings | 1,262 | 975 |
| Repayment of borrowings and conversion of bonds | (2,921) | (1,968) |
| (Increase) decrease in non-current financial assets | (70) | (9) |
| (Increase) decrease in current financial assets | 160 | (283) |
| Increase (decrease) in current financial liabilities | 21 | (391) |
| | **(1,548)** | **(1,676)** |
| *Net cash flows with Group finance companies* | *(443)* | *142* |
| **TOTAL** | **(1,991)** | **(1,534)** |

Loan repayments in the amount of €2,921 million include notably (see Note 11.6.A):

- repayment of OCEANE bonds convertible or exchangeable for new or existing shares by Peugeot S.A. at their maturity in the amount of €535 million;
- partial redemptions of bonds by Peugeot S.A. in June 2016 in the amount of €496 million;
- repayment of debts by Peugeot S.A. at their March and October maturities in the amount of €700 million;
- repayment of debts by Faurecia in the total amount of €490 million.

Furthermore, the non-cash changes represented a decrease of €654 million in the net debt of the Group.

## 11.4. FINANCIAL SECURITY

Financial security is made up of available cash, other readily available financial assets and undrawn credit lines.

€585 million (€57 million at 31 December 2015) and €503 million (€478 million at 31 December 2015) in current and non-current financial assets respectively were included in the calculation of financial security, representing a total of €1,088 million (€535 million at 31 December 2015).

| *(in million euros)* | Notes | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| Cash and cash equivalents[(1)] | *11.5.C* | 11,576 | 10,465 |
| Financial investments | *11.5.B* | 110 | 352 |
| Current & non current financial assets | | 1,088 | 535 |
| **Total** | | **12,774** | **11,352** |
| Lines of credit (undrawn) – excluding Faurecia | | 3,000 | 3,000 |
| Lines of credit (undrawn) – Faurecia | | 1,200 | 1,200 |
| **TOTAL FINANCIAL SECURITY** | | **16,974** | **15,552** |
| *of which Faurecia* | | *2,840* | *2,234* |

*(1) Of which €12 million in Argentina (€318 million at 31 December 2015).*

### *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 2020:

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Peugeot S.A. and GIE PSA Trésorerie | 3,000 | 3,000 |
| Faurecia | 1,200 | 1,200 |
| **UNDRAWN CONFIRMED LINES OF CREDIT** | **4,200** | **4,200** |

The €2,000 million tranche of the Peugeot S.A. and GIE PSA Trésorerie facility matures in November 2020. The balance matures in November 2018 for €17 million and in November 2019 for €983 million.

This last €1,000 million tranche has a second optional one-year extension (November 2019 to November 2020) on hand's banks.

This facility is subject to the respect of:

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

The net debt of manufacturing and sales companies is defined and disclosed in Note 11.3. The Group's equity is that listed under "Total Equity" in liabilities.

All of these clauses were complied with at 31 December 2016.

Faurecia's additional borrowing capacity, other than trough Peugeot S.A., results from a new syndicated line of credit arranged on 15 December 2014. It comprises only one €1,200 million tranche expiring in December 2019. This line of credit was renegotiated on 24 June 2016 to extend the maturity to five years from that date, namely 24 June 2021. This credit facility was undrawn at the period-end.

5

## 11.5. BREAKDOWN OF FINANCIAL ASSETS

### *A. Other non-current and current financial assets*

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| *(in million euros)* | Non-current | Current | Non-current | Current |
| Loans and receivables | 285 | 627 | 269 | 562 |
| Financial assets classified as "at fair value through profit or loss" | 380 | - | 348 | - |
| Derivative instruments | 20 | 2 | 52 | 8 |
| **TOTAL FINANCIAL ASSETS, NET** | **685** | **629** | **669** | **570** |

### *B. Financial investments*

Short-term investments are investments of surplus cash flows for which the remaining maturity and investment horizon is less than 12 months. They total €110 million (€352 million as of 31 December 2015).

### *C. 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.

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Mutual fund units and money market securities | 8,389 | 7,740 |
| Cash and current account balances | 3,187 | 2,725 |
| **Total – manufacturing and sales companies** | **11,576** | **10,465** |
| *O/w deposits with finance companies* | *(8)* | *(55)* |
| **TOTAL** | **11,568** | **10,410** |

Cash includes the proceeds from borrowings arranged to meet future financing needs (see Note 11.3.A).

At 31 December 2016, cash equivalents mainly included money market funds for €6,494 million, bank deposits and overnight money market notes in the amount of €1,223 million, and commercial paper for €159 million.

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

## 11.6. BREAKDOWN OF FINANCIAL LIABILITIES

| | Carrying amount at 31 December 2016 | | Carrying amount at 31 December 2015 | |
|---|---|---|---|---|
| | Amortised cost or fair value | | Amortised cost or fair value | |
| *(in million euros)* | Non-current | Current | Non-current | Current |
| Convertible bonds[(1)] | - | - | 1 | 561 |
| Other bonds | 3,706 | 393 | 3,323 | 1,315 |
| Finance lease liabilities | 143 | 23 | 138 | 23 |
| Other long-term borrowings | 674 | 251 | 803 | 472 |
| Other short-term financing and overdraft facilities | - | 981 | - | 853 |
| Derivative instruments and other | 3 | 13 | 2 | 5 |
| **TOTAL FINANCIAL LIABILITIES** | **4,526** | **1,661** | **4,267** | **3,229** |

*(1) The amortised cost of Oceane convertible bonds corresponds to the debt component. The equity component – corresponding to the conversion option – is recognized separately in equity.*

### *A. Main financing transactions during the year*

The financial risk management policy is set out in Note 11.7.A.

The main transactions during the year were as follows:

#### Convertible bond issues by manufacturing and sales companies

Peugeot S.A. redeemed all the Oceane bonds convertible or exchangeable for new or existing shares issued on 23 June 2009 that matured on 4 January 2016, for €535 million.

On 15 January 2016, Faurecia redeemed early the remaining Oceane bonds convertible or exchangeable for new or existing shares issued on 18 September 2012 maturing on 1 January 2018, for €14 million.

#### Bond issues by manufacturing and sales companies (excluding Faurecia)

In March 2016, Peugeot S.A. repaid at maturity the €238 million bond.

In April 2016, Peugeot S.A. issued a €500 million 2.375% bond maturing in April 2023.

In June 2016, Peugeot S.A. made partial redemptions in a total amount of €496 million:

- €75 million on the €378 million bond maturing in July 2017;
- €252 million on the €810 million bond maturing in March 2018;
- €170 million on the €600 million bond maturing in January 2019.

In October 2016, Peugeot Citroën Automobiles repaid early the final €40 million tranche of the €200 million European Investment Bank loan falling due in July 2017.

In October 2016, Peugeot S.A. repaid at maturity the €150 million bond and the €312 million bond.

In 2016, PCA Do Brazil issued four bonds for €71 million (BRL186 million).

### Bond issues by manufacturing and sales companies (Faurecia)

In April 2016, Faurecia issued €700 million in fixed-rate 3.625% bonds maturing in June 2023.

In April 2016, Faurecia completed the early redemption of its €490 million bond maturing in December 2016.

## B. Characteristics of bonds and other borrowings

| *(in million euros)* | Carrying amount at 31 December 2016 Non-current | Current | Issuing currency | Due |
|---|---|---|---|---|
| **Manufacturing and sales companies (excluding Faurecia)** | | | | |
| 2003 bond issue – €600m | 840 | 10 | EUR | Q3/2033 |
| 2012 bond issue – €304m | - | 311 | EUR | Q3/2017 |
| 2013 bond issue – €559m | 557 | 34 | EUR | Q1/2018 |
| 2013 bond issue – €430m | 428 | 27 | EUR | Q1/2019 |
| 2016 bond issue – €500m | 496 | 9 | EUR | Q2/2023 |
| **Faurecia** | | | | |
| 2015 bond issue – €700m | 693 | 1 | EUR | Q2/2022 |
| 2016 bond issue – €700m | 692 | 1 | EUR | Q2/2023 |
| **TOTAL BOND ISSUES** | **3,706** | **393** | | |
| **Manufacturing and sales companies (excluding Faurecia) – euro-denominated loans** | | | | |
| EIB loan[1]- €65m (€125m) | - | 13 | EUR | Q4/2017 |
| EIB loan – €300m | 59 | 57 | EUR | 2017 to 2018 |
| FDES loan(1) – Zero coupon | 24 | - | EUR | Q1/2020 |
| Borrowings – Morocco | 3 | - | EUR | 2021 |
| Borrowings – Iran | - | 24 | EUR | Q1/2017 |
| Borrowings – Spain | 138 | 19 | EUR | 2017 to 2026 |
| Borrowings – Russia | 22 | 31 | EUR | 2017 to 2019 |
| Borrowings – Other France | 56 | - | EUR | 2021 |
| **Manufacturing and sales companies (excluding Faurecia) – foreign currency loans** | | | | |
| Borrowings – Brazil | 169 | 53 | BRL | 2018 to 2024 |
| Borrowings – Russia | 7 | 5 | RUB | Q2/2019 |
| Other borrowings | 8 | 6 | na | na |
| **Faurecia** | | | | |
| Other borrowings | 188 | 43 | EUR | 2017 to 2023 |
| **TOTAL OTHER LONG-TERM BORROWINGS** | **674** | **251** | | |

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

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

| *(in million euros)* | Issuing currency | Carrying amount at 31 December 2016 | Carrying amount at 31 December 2015 |
|---|---|---|---|
| Commercial paper | EUR | - | 31 |
| Short-term loans | N/A | 363 | 440 |
| Bank overdrafts | N/A | 356 | 246 |
| Payments issued[1] | N/A | 112 | 12 |
| Factoring liabilities on assets that have not been derecognised | N/A | 150 | 124 |
| **TOTAL** | | **981** | **853** |

*(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 present value of future payments under finance leases can be analysed as follows by maturity:

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Less than 1 year | - | 43 |
| 1 to 5 years | 94 | 43 |
| Subsequent years | 79 | 82 |
| | **173** | **168** |
| Less interest portion | (7) | (7) |
| **PRESENT VALUE OF FUTURE LEASE PAYMENTS** | **166** | **161** |
| Of which short-term | 23 | 23 |
| Of which long-term | 143 | 138 |

### E. Financing by the assignment of receivables

The Automotive Division and Faurecia meet part of their financing needs by selling receivables to financial institutions. The financing of receivables in the Automotive Division's dealer networks by financing companies in partnership with Santander totalled €4,619 million (€2,573 million in 2015), previously financed by subsidiaries of Banque PSA Finance.

The sold receivables are derecognised when they meet the criteria specified in Note 5.2.

Other financing through the sale of receivables is as follows:

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| *(in million euros)* | Total receivables sold to non-Group financial institutions | Portion sold but not derecognised | Total receivables sold to non-Group financial institutions | Portion sold but not derecognised |
| **Portion financed by third party financial institution** | | | | |
| ***Financed portion***[1] | ***2,266*** | ***83*** | ***1,934*** | **-** |
| › of which Faurecia Group | 864 | 27 | 665 | - |

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

Furthermore, Peugeot S.A. and Faurecia sold and derecognised in 2016 its claim on the French State under the tax credit for competitiveness and employment (*crédit d'impôt pour la compétitivité et l'emploi* – CICE), in a total amount of €87 million. The cash proceeds received in the twelve months to 31 December 2016 amounted to €86 million.

Besides, Faurecia sold and derecognised its 2015 French research tax credits (*crédit d'impôt recherche* – CIR), for a total of €35 million. The cash proceeds received at 31 December 2016 amounted to €34million.

The sale of receivables constitutes usual short-term financing.

No transaction was carried out in December 2016 outside of the sale of receivables programme.

## 11.7. 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.

#### 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:

- issues bonds under an EMTN programme;
- 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.

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.

At 31 December 2016, the net financial position of the manufacturing and sales companies was €6,813 million compared to a €4,560 million net financial position at 31 December 2015. The breakdown of the net financial position can be found in Note 11.3.A, and changes thereto in Note 11.3.B. 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, €1,792 million of which had been drawn down at end-December 2016.

At 31 December 2016, the manufacturing and sales companies had financial security of €16,974 million (see Note 11.4) compared to €15,552 million at end-December 2015.

It covers all currently anticipated financing needs for the manufacturing and sales companies over the coming 12 months.

#### 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 on the basis of market data at the year-end.

| **31 December 2016** *(in million euros)* | Assets | Liabilities | Undiscounted contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2017 | 2018 | 2019 | 2020 | 2021 | > 5 years |
| **Financial liabilities** | | | | | | | | |
| **Bonds – principal repayments** | | | | | | | | |
| Manufacturing and sales companies – excl. Faurecia | | (2,321) | - | (559) | (430) | - | - | (1,100) |
| Faurecia | | (1,385) | - | - | - | - | - | (1,400) |
| **Other long-term debt – principal repayments** | | | | | | | | |
| Manufacturing and sales companies – excl. Faurecia | | (694) | (213) | (162) | (77) | (78) | (109) | (98) |
| Faurecia | | (231) | (40) | (32) | (7) | (132) | (7) | (10) |
| **Total bonds and other borrowings** | | | | | | | | |
| Manufacturing and sales companies – excl. Faurecia | | (3,015) | (213) | (721) | (507) | (78) | (109) | (1,198) |
| Faurecia | | (1,616) | (40) | (32) | (7) | (132) | (7) | (1,410) |
| **Total interest on bonds and other borrowings** | | | | | | | | |
| Manufacturing and sales companies – excl. Faurecia | | (391) | (304) | - | - | - | - | - |
| Faurecia | | (2) | - | - | - | - | - | - |
| **Derivative instruments** | | | | | | | | |
| **Total derivative instruments** | **89** | **(51)** | **16** | **6** | **14** | **-** | **-** | **-** |
| **TOTAL** | **89** | **(5,075)** | **(541)** | **(747)** | **(500)** | **(210)** | **(116)** | **(2,608)** |

### Covenants

None of the borrowings of the manufacturing and sales companies excluding Faurecia are 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, EIB loans are dependent on the Group carrying out the projects being financed and, in some cases, require the Group to pledge a minimum amount of financial assets.

All of these clauses were complied with in 2016.

Drawing on the €3 billion syndicated credit facility established in April 2014 (see Note 11.4) is 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 net debt of manufacturing and sales companies is defined and disclosed in Note 11.3. The Group’s equity is that listed under “Total Equity” in liabilities.

The €1,200 million syndicated line of credit arranged on 15 December 2014 by Faurecia and comprising only one €1,200 million tranche expiring in June 2021 contains only one covenant setting limits on debt.

| | |
|---|---|
| **Adjusted net debt[1]/EBITDA[2] maximum** | **2.50** |

*(1) Consolidated net debt.*
*(2) EBITDA: Faurecia’s Earnings Before Interest, Tax, Depreciation and Amortisation for the last 12 months.*

The compliance with this ratio is a condition to the availability of this credit facility. As of 31 December 2016, 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 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 2.1%, based on the principal borrowed.

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, sale of receivables, short-term loans, commercial paper as applicable) are at variable or renewable rates. The aim of the 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. In order to benefit from historically low interest rates, 2- and 3-year maturity hedges have been set up. These hedges cover a part of the interest on variable rate borrowings, due in 2017 and first quarter of 2018, against a rise in interest rates.

Some of Faurecia’s derivative instruments have qualified for hedge accounting under IAS 39 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 IAS 39 for the application of hedge accounting.

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

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

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| *(in million euros)* | **Intraday to 1 year** | | **2 to 5 years** | **Beyond 5 years** | **Total** |
| | Fixed rate | 824 | 109 | 386 | 1,319 |
| Total assets | Variable rate | 11,490 | - | 50 | 11,540 |
| | Fixed rate | (736) | (1,351) | (2,806) | (4,893) |
| Total liabilities | Variable rate | (1,077) | (36) | - | (1,113) |
| | **FIXED RATE** | **88** | **(1,242)** | **(2,420)** | **(3,574)** |
| **NET POSITION BEFORE HEDGING** | **VARIABLE RATE** | **10,413** | **(36)** | **50** | **10,427** |
| | Fixed rate | (79) | (436) | - | (515) |
| Derivative financial instruments | Variable rate | 79 | 436 | - | 515 |
| | **FIXED RATE** | **9** | **(1,678)** | **(2,420)** | **(4,089)** |
| **NET POSITION AFTER HEDGING** | **VARIABLE RATE** | **10,492** | **400** | **50** | **10,942** |

| | | 31 December 2015 | | | |
|---|---|---|---|---|---|
| *(in million euros)* | | Intraday to 1 year | 2 to 5 years | Beyond 5 years | Total |
| Total assets | Fixed rate | 354 | 145 | 427 | 926 |
| | Variable rate | 11,025 | - | - | 11,025 |
| Total liabilities | Fixed rate | - | (2,382) | (1,686) | (4,068) |
| | Variable rate | (3,266) | - | - | (3,266) |
| **NET POSITION BEFORE HEDGING** | **FIXED RATE** | **354** | **(2,237)** | **(1,259)** | **(3,142)** |
| | **VARIABLE RATE** | **7,759** | **-** | **-** | **7,759** |
| Derivative financial instruments | Fixed rate | (470) | (61) | - | (531) |
| | Variable rate | 531 | - | - | 531 |
| **NET POSITION AFTER HEDGING** | **FIXED RATE** | **(116)** | **(2,298)** | **(1,259)** | **(3,673)** |
| | **VARIABLE RATE** | **8,290** | **-** | **-** | **8,290** |

## 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 and Citroën 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 minimise Automotive Division exchange differences by systematically hedging as soon as the foreign currency invoice is booked.

At Group level, 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 G10 currencies. These hedges are underpinned by governance rules and a strict decision-making process. They are classified as cash flow hedges under IAS 39. The maximum horizon for these hedges is two years. The hedging ratios depend on the maturity.

At 31 December 2016, the Automotive Division had cash flow hedges on the following currencies: GBP, CHF and JPY.

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 on a continuous basis. 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 2016 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 on a central basis, through its Group Finance and Treasury department, which reports to the executive management. Hedging decisions are made by a Market Risk Management Committee that meets on a monthly basis. 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 IAS 39 criteria. Subsidiaries located outside the euro zone receive intragroup loans in their functional currency. These loans are refinanced in euros, and the related currency risk is hedged by swaps.

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

The net position of the manufacturing and sales companies in the main foreign currencies is as follows:

| | 31 December 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | GBP | JPY | USD | PLN | CHF | RUB | CZK | Other | Total |
| Total assets | 233 | 50 | 534 | 19 | 284 | 50 | 117 | 218 | 1,505 |
| Total liabilities | (70) | (12) | (7) | (19) | (1) | (53) | (193) | (15) | (370) |
| Future transactions | (34) | (105) | 89 | (60) | 289 | 13 | (50) | (104) | 38 |
| Exposure to fixed charge coverage commitments | - | (55) | - | - | - | - | - | - | (55) |
| **NET POSITION BEFORE HEDGING** | **129** | **(122)** | **616** | **(60)** | **572** | **10** | **(126)** | **99** | **1,118** |
| Derivative financial instruments | (148) | 67 | (588) | 55 | (572) | 6 | 43 | (112) | (1,249) |
| **NET POSITION AFTER HEDGING** | **(19)** | **(55)** | **28** | **(5)** | **-** | **16** | **(83)** | **(13)** | **(131)** |

| | 31 December 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | GBP | JPY | USD | PLN | CHF | RUB | CZK | Other | Total |
| Total assets | 386 | 45 | 567 | 171 | 29 | 91 | 53 | 234 | 1,576 |
| Total liabilities | (57) | (23) | (25) | (14) | - | - | (101) | (96) | (316) |
| Future transactions | 469 | (130) | 70 | (135) | 140 | - | 37 | (131) | 320 |
| Exposure to fixed charge coverage commitments | - | (106) | - | - | - | - | - | - | (106) |
| **NET POSITION BEFORE HEDGING** | **798** | **(214)** | **612** | **22** | **169** | **91** | **(11)** | **7** | **1,474** |
| Derivative financial instruments | (797) | 108 | (611) | (29) | (169) | (91) | 20 | (43) | (1,612) |
| **NET POSITION AFTER HEDGING** | **1** | **(106)** | **1** | **(7)** | **-** | **-** | **9** | **(36)** | **(138)** |

A 5% increase or decrease 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 2016 (see table below) would have the following direct impact on income before tax and equity:

| *(in million euros)* | JPY/EUR | USD/EUR | PLN/EUR | USD/CAD | CZK/EUR | USD/DZD | CNY/USD | Other |
|---|---|---|---|---|---|---|---|---|
| Hypothetical fluctuation against the euro | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Impact on income before tax | - | - | 1 | 2 | 4 | 4 | 1 | 1 |
| Impact on equity | 3 | 3 | 4 | - | 2 | - | - | - |

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

| | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| *(in million euros)* | UAH/USD | USD/CAD | USD/BRL | USD/ARS | USD/DZD | CNY/USD |
| Total assets | - | - | 91 | 23 | - | 25 |
| Total liabilities | (4) | - | (36) | (174) | (83) | - |
| Future transactions | - | - | - | - | - | - |
| **Net position before hedging** | **(4)** | **-** | **55** | **(151)** | **(83)** | **25** |
| Derivative financial instruments | - | - | (54) | 153 | - | - |
| **NET POSITION AFTER HEDGING** | **(4)** | **-** | **1** | **2** | **(83)** | **25** |

| (in million euros) | 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|
| | UAH/USD | USD/CAD | USD/BRL | USD/ARS | USD/DZD | JPY/RUB |
| Total assets | - | - | 158 | 189 | - | - |
| Total liabilities | (1) | (11) | (41) | (254) | (86) | - |
| Future transactions | - | (9) | - | - | - | - |
| **Net position before hedging** | **(1)** | **(20)** | **117** | **(65)** | **(86)** | **-** |
| Derivative financial instruments | - | 22 | (108) | 174 | - | - |
| **NET POSITION AFTER HEDGING** | **(1)** | **2** | **9** | **109** | **(86)** | **-** |

## 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 and commodity risks, while Faurecia's risks are managed independently. The Automotive Division's commodity risks are reviewed at quarterly intervals by a Metals Committee chaired by the Group's Chief Financial Officer. This committee monitors 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. The hedging ratios depend on the maturity. Cash flow hedges are used only when they qualify for hedge accounting under IAS 39, except in certain cases signed-off by the Managing Board and referred to the Supervisory Board.

The production costs of the Automotive Division and Faurecia are exposed to the risk of changes in certain raw materials prices, 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 traded on organised markets, such as aluminium, copper, lead or precious metals, for which the transaction price 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.

In 2016, commodity hedges concerned purchases of aluminium, copper, lead, platinum and palladium.

For the Automotive Division, in the event of a 23% rise (fall) in base metal prices (aluminium, copper and lead) and a 24% rise (fall) in precious metal prices (platinum and palladium), the impact of the commodity hedges held at 31 December 2016 would have been a €75 million increase (decrease) in consolidated equity at 31 December 2016 (versus €87 million at 31 December 2015). As all commodity hedges qualified as cash flow hedges under IAS 39, 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 2016 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.

Faurecia's sales contracts with customers do not include any indexation clause based on commodity prices. The risk of an unfavourable change in commodity prices is attenuated through a policy of regular price negotiations with customers and tight inventory management. Faurecia does not use derivative instruments to hedge its commodity and energy purchases.

## *B. Hedging instruments*

Derivative instruments are stated at fair value. 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 hedge is demonstrated at inception and in each financial reporting period for which the hedge is designated.

The Group uses two hedging relationships:

- **fair value hedges**:

  The hedged portion of the asset or liability is recognised in the balance sheet and measured at fair value. 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 gain or loss arising from remeasurement at fair value of the hedging instrument is recognised directly in equity, since the gain or loss arising from remeasurement at fair value of the hedged portion of the underlying future transaction is not recognised in the balance sheet. The ineffective portion is recognised in profit or loss. Cumulative gains and losses recognised in equity are reclassified to profit or loss when the hedged item affects profit or loss. The effective portion of the gain or loss arising from remeasurement at fair value of hedges of raw materials purchases does not affect the value at which the raw materials are recognised in inventory.

Besides, the Group implements currency hedges to protect against changes in the value of receivables and payables denominated in foreign currencies. Change in the fair value of these derivatives is recorded in the income statement, offsetting the change in receivables and payables denominated in foreign currencies, recognised in profit or loss. In cases where the Group has documented a hedging relationship, the ineffective portion is recognised in financial income.

Derivative interest rate and currency hedging instruments are measured by using a valuation technique that benchmarks interbank rates (such as Euribor, etc) and daily foreign exchange rates set by the European Central Bank. Derivative commodity hedging instruments are valued by external experts.

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

| (in million euros) | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | | Notional amount | Maturity | | |
| | Assets | Liabilities | | < 1 year | 2 to 5 years | > 5 years |
| **Currency risk** | | | | | | |
| Fair value hedges: | | | | | | |
| › Currency swaps, currency options and forward foreign exchange contracts | 65 | (41) | 820 | 820 | - | - |
| Cash flow hedges: | | | | | | |
| › Currency options and forward foreign exchange contracts | 3 | (7) | 561 | 445 | 116 | - |
| › Cross-currency swaps | - | - | 22 | - | 22 | - |
| Trading instruments(1) | - | - | 2,048 | 2,040 | 8 | - |
| *Of which Intragroup* | - | - | | | | |
| **Total currency risks** | **68** | **(48)** | **3,451** | **3,305** | **146** | **-** |
| **Interest rate risk** | | | | | | |
| Cash flow hedges: | | | | | | |
| › Interest rate swaps and interest rate options | 1 | (2) | 7 | - | 7 | - |
| Trading instruments(2) | - | - | - | - | - | - |
| *Of which Intragroup* | - | - | | | | |
| **Total interest rate risks** | **1** | **(2)** | **7** | **-** | **7** | **-** |
| **Commodity risk** | | | | | | |
| Cash flow hedges: | | | | | | |
| › Swaps | 22 | (3) | 324 | 210 | 114 | - |
| **Total commodity risks** | **22** | **(3)** | **324** | **210** | **114** | **-** |
| **TOTAL** | **91** | **(53)** | **3,782** | **3,515** | **267** | **-** |
| *Of which:* | | | | | | |
| **TOTAL FAIR VALUE HEDGES** | **65** | **(41)** | **820** | **820** | **-** | **-** |
| **TOTAL CASH FLOW HEDGES** | **26** | **(12)** | **914** | **655** | **259** | **-** |

*(1) Currency trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. As IAS 21 requires receivables and payables denominated in foreign currencies to be systematically remeasured at the closing exchange rate with any gains or losses taken to income, the Group has elected not to designate these receivables and payables as part of a documented hedging relationship, although their impact on income is the same.*
*(2) Interest rate trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or investments.*

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

| | 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | | Notional amount | Maturity | | |
| *(in million euros)* | Assets | Liabilities | | < 1 year | 2 to 5 years | > 5 years |
| **Currency risk** | | | | | | |
| Fair value hedges: | | | | | | |
| › Currency swaps, currency options and forward foreign exchange contracts | 51 | (5) | 1,027 | 1,027 | - | - |
| › Cross-currency swaps | - | - | 8 | - | 8 | - |
| Cash flow hedges: | | | | | | |
| › Currency options and forward foreign exchange contracts | 3 | (6) | 483 | 474 | 9 | - |
| › Cross-currency swaps | 50 | - | 51 | - | 51 | - |
| Trading instruments[1] | 24 | (21) | 2,821 | 2,783 | 38 | - |
| *Of which Intragroup* | - | - | | | | |
| **Total currency risks** | **128** | **(32)** | **4,390** | **4,284** | **106** | **-** |
| **Interest rate risk** | | | | | | |
| Cash flow hedges: | | | | | | |
| › Interest rate swaps and interest rate options | 2 | (2) | 10 | - | 10 | - |
| Trading instruments[2] | - | - | - | - | - | - |
| *Of which Intragroup* | - | - | | | | |
| **Total interest rate risks** | **2** | **(2)** | **10** | **-** | **10** | **-** |
| **Commodity risk** | | | | | | |
| Cash flow hedges: | | | | | | |
| › Swaps | 3 | (47) | 483 | 281 | 202 | - |
| **Total commodity risks** | **3** | **(47)** | **483** | **281** | **202** | **-** |
| **TOTAL** | **133** | **(81)** | **4,883** | **4,565** | **318** | **-** |
| *Of which:* | | | | | | |
| **TOTAL FAIR VALUE HEDGES** | **51** | **(5)** | **1,035** | **1,027** | **8** | **-** |
| **TOTAL CASH FLOW HEDGES** | **58** | **(55)** | **1,027** | **755** | **272** | **-** |

*(1) Currency trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. As IAS 21 requires receivables and payables denominated in foreign currencies to be systematically remeasured at the closing exchange rate with any gains or losses taken to income, the Group has elected not to designate these receivables and payables as part of a documented hedging relationship, although their impact on income is the same.*

*(2) Interest rate trading instruments: derivative instruments not qualifying for hedge accounting under IAS 39. This item corresponds to the fair value of economic hedges of borrowings or investments.*

5

## 2) Impact of hedging instruments on income and equity

### a) Impact of cash flow hedges

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Change in effective portion recognised in equity | (10) | (72) |
| Change in ineffective portion recognised in profit or loss | (8) | (10) |
| Effective portion reclassified to the income statement under "Cost of goods and services sold" | (27) | (22) |
| Effective portion reclassified to the income statement under "Finance costs" | (36) | (2) |

### b) Impact of fair value hedges

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Change in ineffective portion recognised in profit or loss | (37) | (91) |
| **NET IMPACT ON INCOME** | **(37)** | **(91)** |

The "Net gain (loss) on hedges of borrowings" presented in Note 11.2.A also includes gains and losses on economic hedges that do not qualify for hedge accounting under IAS 39.

## 11.8. FINANCIAL INSTRUMENTS

### *A. Financial assets and liabilities – definitions*

Financial assets and liabilities within the meaning of IAS 39 include the items listed in the table in Note 11.8.E.

The event generating the balance sheet 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 balance sheet date, monetary items are translated at the closing rate and the resulting exchange difference is recognised in profit or loss, as follows:

- in recurring 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*

IAS 39 provides for different methods of measurement depending on the nature of the financial assets.

#### 1) Financial assets at fair value through profit or loss

These assets are recognised in the balance sheet at fair value. Any change in their fair value is recognised in profit or loss for the period.

#### 2) Loans and receivables

"Loans and receivables" are carried at amortised cost measured using the effective interest method. When their maturities are very short, their fair value corresponds to their carrying amount, including any impairment.

#### 3) Available-for-sale financial assets

"Available-for-sale financial assets" are securities that may be held on a lasting basis or sold in the short term. They are recognised in the balance sheet at fair value. Gains and losses arising from remeasurement at fair value are recognised directly in comprehensive income. Only impairment losses reflecting a prolonged or significant decline in fair value are recognised in the income statement of the period. An impairment loss is systematically recognised in profit or loss where the value falls by over 50% compared to the acquisition cost or over a minimum of three years. Furthermore, a special line-by-line analysis is carried out where the value falls over 30% compared to the acquisition cost or within a minimum of 1 year.

"Investments in non-consolidated companies" are carried on the balance sheet at their acquisition cost, which the Group considers to be representative of fair value, except in cases of impairment.

"Other non-current assets" classified as "available-for-sale" 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 units are measured at fair value. This corresponds to their net asset value at the balance sheet date.

### *D. Recognition and measurement 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 balance sheet*

| | 31 December 2016 | | Analysis by class of instrument | | | | |
|---|---|---|---|---|---|---|---|
| *(in million euros)* | **Carrying amount** | **Fair value** | **Instruments at fair value through profit or loss** | **Available-for-sale financial assets** | **Loans, receivables and other liabilities** | **Borrowings at amortised cost** | **Derivative instruments** |
| Other non-current financial assets | 685 | 685 | 380 | - | 285 | - | 20 |
| Other non-current assets[(1)] | 639 | 639 | - | 249 | 362 | - | 28 |
| Trade receivables | 1,560 | 1,560 | - | - | 1,560 | - | - |
| Other receivables | 1,763 | 1,763 | - | - | 1,722 | - | 41 |
| Current financial assets | 629 | 629 | - | - | 627 | - | 2 |
| Financial investments | 110 | 110 | 110 | - | - | - | - |
| Cash and cash equivalents | 11,576 | 11,576 | 11,576 | - | - | - | - |
| **ASSETS** | **16,962** | **16,962** | **12,066** | **249** | **4,556** | **-** | **91** |
| Non-current financial liabilities | 4,526 | 4,528 | - | - | - | 4,524 | 2 |
| Other non-current liabilities[(2)] | 162 | 162 | - | - | 140 | - | 22 |
| Trade payables | 9,352 | 9,352 | - | - | 9,352 | - | - |
| Other payables | 5,366 | 5,366 | | - | 5,349 | | 17 |
| Current financial liabilities | 1,661 | 1,667 | - | - | - | 1,649 | 12 |
| **LIABILITIES** | **21,067** | **21,075** | **-** | **-** | **14,841** | **6,173** | **53** |

*(1) Other non-current assets exclude the amount of pension plan surpluses (see Note 8.1), which are not financial assets as defined by IAS 39.*
*(2) Excluding liabilities related to vehicles sold with a buyback commitment.*

| | 31 December 2015 | | Analysis by class of instrument | | | | |
|---|---|---|---|---|---|---|---|
| *(in million euros)* | **Carrying amount** | **Fair value** | **Instruments at fair value through profit or loss** | **Available-for-sale financial assets** | **Loans, receivables and other liabilities** | **Borrowings at amortised cost** | **Derivative instruments** |
| Other non-current financial assets | 669 | 669 | 348 | - | 267 | - | 54 |
| Other non-current assets[(1)] | 475 | 475 | - | 202 | 273 | - | - |
| Trade receivables | 1,624 | 1,624 | - | - | 1,624 | - | - |
| Other receivables | 1,716 | 1,716 | - | - | 1,644 | - | 72 |
| Current financial assets | 570 | 570 | - | - | 562 | - | 8 |
| Financial investments | 352 | 352 | 352 | - | - | - | - |
| Cash and cash equivalents | 10,465 | 10,465 | 10,465 | - | - | - | - |
| **ASSETS** | **15,871** | **15,871** | **11,165** | **202** | **4,370** | **-** | **134** |
| Non-current financial liabilities | 4,267 | 4,230 | - | - | - | 4,267 | - |
| Other non-current liabilities[(2)] | 308 | 308 | - | - | 288 | - | 20 |
| Trade payables | 8,858 | 8,858 | - | - | 8,858 | - | - |
| Other payables | 4,806 | 4,806 | | - | 4,750 | | 56 |
| Current financial liabilities | 3,229 | 3,348 | - | - | - | 3,224 | 5 |
| **LIABILITIES** | **21,468** | **21,550** | **-** | **-** | **13,896** | **7,491** | **81** |

*(1) Other non-current assets exclude the amount of pension plan surpluses (see Note 8.1), which are not financial assets as defined by IAS 39.*
*(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 on the basis of 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 balance sheet 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

| *(in million euros)* | 31 December 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Derivative instruments** | **Instruments at fair value through profit or loss** | **Available-for sale financial assets** | **Derivative instruments** | **Instruments at fair value through profit or loss** | **Available-for sale financial assets** |
| **Level 1 fair value inputs: quoted prices in active markets** | | | | | | |
| Other non-current financial assets | - | 380 | - | - | 348 | - |
| Financial investments | - | 110 | - | - | 352 | - |
| Cash and cash equivalents | - | 11,576 | - | - | 10,465 | - |
| **Level 2 fair value inputs: based on observable market data** | | | | | | |
| Other non-current financial assets | 20 | - | - | 54 | - | - |
| Other non-current assets | 28 | - | - | - | - | - |
| Other receivables | 41 | - | - | 72 | - | - |
| Current financial assets | 2 | - | - | 8 | - | - |
| **Level 3 fair value inputs: not based on observable market data** | | | | | | |
| Other non-current financial assets | - | - | 185 | - | - | 138 |
| Other non-current assets | - | - | 64 | - | - | 64 |
| **TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE** | **91** | **12,066** | **249** | **134** | **11,165** | **202** |

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

| *(in million euros)* | 31 December 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Derivative instruments** | **Instruments at fair value through profit or loss** | **Other liabilities** | **Derivative instruments** | **Instruments at fair value through profit or loss** | **Other liabilities** |
| **Level 1 fair value inputs: quoted prices in active markets** | | | | | | |
| **Level 2 fair value inputs: based on observable market data** | | | | | | |
| Non-current financial liabilities | (2) | - | - | - | - | - |
| **Other non-current liabilities** | (22) | - | - | (20) | - | - |
| Other payables | (17) | - | - | (56) | - | - |
| Current financial liabilities | (12) | - | - | (5) | - | - |
| **Level 3 fair value inputs: not based on observable market data** | | | | | | |
| **TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE** | **(53)** | **-** | **-** | **(81)** | **-** | **-** |

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

| | 31 December 2016 | | Fair value level | | |
|---|---|---|---|---|---|
| *(in million euros)* | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| **Liabilities** | | | | | |
| Non-current financial liabilities | 4,524 | 4,526 | 3,702 | 824 | - |
| Current financial liabilities | 1,649 | 1,655 | 395 | 1,260 | - |

| | 31 December 2015 | | Fair value level | | |
|---|---|---|---|---|---|
| *(in million euros)* | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| **Liabilities** | | | | | |
| Non-current financial liabilities | 4,267 | 4,230 | 3,358 | 872 | - |
| Current financial liabilities | 3,224 | 3,343 | 1,995 | 1,348 | - |

## H. Effect of financial instruments on profit or loss

| | 2016 | Analysis by class of instrument | | | | |
|---|---|---|---|---|---|---|
| *(in million euros)* | Income Statement Impact | Instruments at fair value through profit or loss | Available-for sale financial assets | Loans, receivables and other liabilities | Borrowings at amortised cost | Derivative instruments |
| **Manufacturing and sales companies** | | | | | | |
| Total interest income | 11 | - | - | 11 | - | - |
| Total interest expense | (320) | - | - | - | (320) | - |
| Remeasurement[(1)] | 81 | 84 | - | 1 | 1 | (5) |
| Disposal gains and dividends | (138) | - | 35 | (173) | - | - |
| Net impairment | - | - | (4) | 4 | - | - |
| **TOTAL – MANUFACTURING AND SALES COMPANIES** | **(366)** | **84** | **31** | **(157)** | **(319)** | **(5)** |

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

| | 2015 | Analysis by class of instrument | | | | |
|---|---|---|---|---|---|---|
| *(in million euros)* | Income Statement Impact | Instruments at fair value through profit or loss | Available-for sale financial assets | Loans, receivables and other liabilities | Borrowings at amortised cost | Derivative instruments |
| **Manufacturing and sales companies** | | | | | | |
| Total interest income | 8 | - | - | 8 | - | - |
| Total interest income | (504) | - | - | - | (504) | - |
| Remeasurement[(1)] | (80) | 180 | - | (28) | 1 | (233) |
| Disposal gains and dividends | (224) | - | 5 | (229) | - | - |
| Net impairment | (12) | - | (9) | (3) | - | - |
| **TOTAL – MANUFACTURING AND SALES COMPANIES** | **(812)** | **180** | **(4)** | **(252)** | **(503)** | **(233)** |

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

## 11.9. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Guarantees given | 325 | 328 |
| Pledged or mortgaged assets | 538 | 521 |
| | **863** | **849** |

### *Pledged or mortgaged assets*

This item includes the French government bonds (OATs) given as collateral for loans from the European Investment Bank (EIB). When the maturities of French government bonds do not correspond to those of loans, commitments are covered in cash.

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

PLEDGES OR MORTGAGES EXPIRING IN THE YEARS INDICATED

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| 2016 | - | 451 |
| 2017 | 435 | 13 |
| 2018 | 16 | 16 |
| 2019 | 44 | - |
| 2020 | - | - |
| Subsequent years | 43 | 41 |
| **TOTAL PLEDGED OR MORTGAGED ASSETS** | **538** | **521** |
| Total assets | 45,153 | 49,110 |
| Percentage of total assets | 1.2% | 1.1% |

# NOTE 12 FINANCING AND FINANCIAL INSTRUMENTS – FINANCE COMPANIES

## 12.1. 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 at fair value through profit or loss

Marketable securities are carried at fair value through profit or loss if they benefit from interest rate hedges.

Changes in the fair value of the hedged securities are recognised directly in profit or loss, together with the offsetting change fair value of the economic hedges.

#### 2) Loans and receivables

Loans and receivables reported in the balance sheet correspond to Banque PSA Finance's net financial commitment in respect of the loans and receivables. Their carrying amount includes the following items before the effect of hedge accounting:

- outstanding principal;
- accrued interest;
- commissions paid to referral agents as well as directly attributable administrative expenses incurred with third parties on inception of loans and receivables, which are added to the outstanding principal;
- contributions received from the brands, which are deducted from the outstanding principal;
- unamortised loan set-up costs, which are deducted from the outstanding principal;
- deposits received at the inception of finance leases, which are deducted from the amount financed.

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.

Loans and receivables are generally hedged against interest rate risks, with the hedged portion of the loan remeasured at fair value in accordance with hedge accounting policies. 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 11.7.B).

Loans and receivables are tested for impairment when a loss event occurs, corresponding in practice to default on a single instalment. Impairment is measured by comparing the carrying amount of the loan or receivable to the present value of estimated future cash flows discounted at the effective interest rate.

For retail loans and receivables:

- an impairment loss is recognised on sound loans when the borrower defaults on a single instalment. Impairment is assessed based on the probability of the outstanding loan being classified as non-performing and on the discounted average loss ratio;
- impairment losses on non-performing loans are determined based on the average loss ratio discounted at the loans' effective interest rate, which is used to calculate provisions for credit losses on non-performing and doubtful loans.

For other loans and receivables (consisting mainly of wholesale loans), provisions for known credit risks are determined on a case-by-case basis, when the first instalment is missed or at the latest when the loan is reclassified as non-performing. Reclassification occurs when at least one instalment is over 91 days past due, or within a maximum of 451 days if it can be demonstrated that there is no counterparty risk. In the case of an aggravated risk, the loan may be reclassified as non-performing before the 91-day period has expired.

### C. Recognition and measurement of financial liabilities

See Note 11.8.D.

## 12.2. IFRS 5 IMPACT ON THE MAIN INCOME STATEMENT AND BALANCE SHEET ITEMS AS OF 31 DECEMBER 2015

IFRS 5 impacts are described in Note 3.3.A of the 2015 consolidated financial statements.

## 12.3. CURRENT FINANCIAL ASSETS

### *A. Loans and receivables – finance companies*

#### 1) Analysis

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Total net “Retail, Corporate and Equivalent” | 286 | 331 |
| Total net “Corporate Dealers” | 60 | 129 |
| Remeasurement of interest rate hedged portfolios | - | 9 |
| Eliminations | - | (10) |
| **TOTAL** | **346** | **459** |

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 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

| | 31 December 2016 | | |
|---|---|---|---|
| *(in million euros)* | Net “Retail, Corporate and Equivalent” | Net “Corporate Dealers” | Total |
| Unallocated | 14 | (7) | 7 |
| Less than one year | 162 | 55 | 217 |
| Two to five years | 143 | - | 143 |
| Beyond five years | 1 | - | 1 |
| **Total gross loans and receivables outstanding** | 320 | **48** | **368** |
| Guarantee deposits on leases | (1) | - | (1) |
| Depreciation | (9) | (12) | (21) |
| **TOTAL NET LOANS AND RECEIVABLES OUTSTANDING** | 310 | **36** | **346** |

#### 3) Allowances for credit losses

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| *(in million euros)* | Retail, Corporate and Equivalent | Corporate Dealer | Retail, Corporate and Equivalent | Corporate Dealer |
| Performing loans with no past due balances | 291 | 63 | 323 | 128 |
| Performing loans with past due balances and non-performing loans | 22 | 8 | 27 | 8 |
| **Total gross loans and receivables outstanding** | **313** | **71** | **350** | **136** |
| Items taken into account in amortised cost calculations and guarantee deposits | (19) | - | (8) | - |
| Depreciation | (8) | (11) | (11) | (7) |
| **TOTAL NET LOANS AND RECEIVABLES OUTSTANDING** | **286** | **60** | **331** | **129** |

### B. Short-term investments – Finance companies

Short-term investments consist primarily of certificates of deposit held by the securitisation funds.

### C. Cash and cash equivalents

Cash and cash equivalents amounted to €530 million at 31 December 2016 (€486 million at 31 December 2015), including term loans, central bank deposits, French treasury bonds and investments in mutual funds.

## 12.4. FINANCING LIABILITIES – FINANCE COMPANIES

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Other debt securities and bond debt | 301 | 34 |
| Bank borrowings | 125 | 330 |
| | **426** | **364** |
| Customer deposits | 4 | 161 |
| | **430** | **525** |
| *Amounts due to Group manufacturing and sales companies* | *(9)* | *(171)* |
| **TOTAL** | **421** | **354** |

### A. Analysis by maturity

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| › Less than one year | 165 | 169 |
| › Two to five years | 261 | 161 |
| › Beyond five years | - | 34 |
| **TOTAL** | **426** | **364** |

### 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 December 2016 | 31 December 2015 |
|---|---|---|
| EUR | 21 | 73 |
| USD | 237 | - |
| ARS | 108 | - |
| BRL | - | 270 |
| Other currencies | 60 | 21 |
| **TOTAL** | **426** | **364** |

### C. Credit lines

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Commitments of operations to be continued in partnership | | |
| › Lines not transferred | - | 1,382 |
| › Transferred lines | - | 118 |
| Commitments of continuing operations | 365 | 461 |
| **UNDRAWN CONFIRMED LINES OF CREDIT** | **365** | **1,961** |

In the first half of 2016, Banque PSA Finance (i) repaid and cancelled the bank lines of credit on which €185 million had been drawn down, (ii) cancelled the revolving bilateral lines of credit for €1.03 billion and (iii) cancelled the syndicated credit facility of €700 million signed on 5 February 2015. In parallel, Banque PSA Finance arranged a number of new revolving bilateral lines of credit for a total outstanding amount of €360 million. These transactions took place against the background of the partnership between Banque PSA Finance and Santander, resulting in a sharp reduction in Banque PSA Finance's financing needs and associated financial securities.

At 31 December 2016, the credit lines totalling €365 million are detailed as follows:

- €360 million in undrawn revolving bilateral lines of credit for €360 million, comprising mainly long-term financing commitments received;
- €5 million in undrawn various bank lines of credit.

## 12.5. MANAGEMENT OF FINANCIAL RISKS

### *A. Financial risk management policy*

Most of the financing activities for the networks and customers of PSA Group brands are now managed by the joint ventures with Santander, which provides the financing and applies its risk management policy 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 2016**

At 31 December 2016, following the transfer or discontinuation of securitisation activities in tandem with the creation of the joint ventures with Santander and the disposal, in early December 2016, of its savings business (consumer savings) in Belgium, only bond financing remained on the balance sheet of Banque PSA Finance.

Following the redemption of the tranche maturing in April 2016, Banque PSA Finance no longer has any bond tranche backed by a French State guarantee on its balance sheet.

The bank also has cash reserves of €474 million, including €50 million in high-quality liquid assets as of 31 December 2016 (see Note 12.3.C).

**Renewal of bank facilities**

Details of bank facilities are provided in Note 12.4.C.

**Covenants**

The revolving bilateral lines of credit (for a total outstanding amount of €360 million) signed by Banque PSA Finance in the first half of 2016, have the customary acceleration clauses for such arrangements.

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

#### 2) Interest rate risks

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 12.1.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 11.7.B.

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

Offsetting notional amounts have been netted to make the financial statements easier to read.

| | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | | Notional amount | Maturity | | |
| *(in million euros)* | Assets | Liabilities | | < 1 year | 2 to 5 years | > 5 years |
| **Currency risk** | | | | | | |
| Fair value hedges: | | | | | | |
| › Currency swaps | - | - | 92 | 92 | - | - |
| **Interest rate risk** | | | | | | |
| Fair value hedges: | | | | | | |
| › Interest rate swaps | 5 | (1) | 268 | 30 | 238 | - |
| **TOTAL** | **5** | **(1)** | **360** | **122** | **238** | **-** |
| *Of which Intragroup* | - | - | | | | |
| **TOTAL FAIR VALUE HEDGES** | **5** | **(1)** | **360** | **122** | **238** | **-** |
| **TOTAL CASH FLOW HEDGES** | **-** | **-** | **-** | **-** | **-** | **-** |

#### 2) Impact of hedging instruments on income and equity

IMPACT OF FAIR VALUE HEDGES

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Gains and losses on remeasurement of hedged customer loans recognised in profit or loss | 1 | (15) |
| Gains and losses on remeasurement of hedges of customer loans recognised in profit or loss | (2) | 12 |
| **NET IMPACT ON INCOME** | **(1)** | **(3)** |
| Gains and losses on remeasurement of financial liabilities recognised in profit or loss | 10 | 46 |
| Gains and losses on remeasurement of hedges of financial liabilities recognised in profit or loss | (10) | (42) |
| **NET IMPACT ON INCOME** | **-** | **4** |

## 12.6. FINANCIAL INSTRUMENTS

### A. Financial instruments reported in the balance sheet

| | 31 December 2016 | | Analysis by class of instrument | | | | |
|---|---|---|---|---|---|---|---|
| *(in million euros)* | Carrying amount | Fair value | Instruments at fair value through profit or loss | Available-for-sale financial assets | Loans, receivables and other liabilities | Borrowings at amortised cost | Derivative instruments |
| Other non-current financial assets | 37 | 37 | 37 | - | - | - | - |
| Other non-current assets | 7 | 7 | 2 | 5 | - | - | - |
| Loans and receivables – finance companies | 346 | 346 | - | - | 346 | - | - |
| Short-term investments – finance companies | 103 | 103 | 103 | - | - | - | - |
| Other receivables | 92 | 92 | - | - | 87 | - | 5 |
| Cash and cash equivalents | 530 | 530 | 530 | - | - | - | - |
| **ASSETS** | **1,115** | **1,115** | **672** | **5** | **433** | **-** | **5** |
| Financing liabilities – finance companies | 430 | 430 | - | - | - | 430 | - |
| Other payables | 74 | 74 | - | - | 73 | - | 1 |
| **LIABILITIES** | **504** | **504** | **-** | **-** | **73** | **430** | **1** |

### 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.

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

| *(in million euros)* | 31 December 2016 | | Fair value level | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | | |
| Loans and receivables – finance companies | 346 | 346 | - | - | 346 |
| **Liabilities** | | | | | |
| Financing liabilities – finance companies | 425 | 425 | 299 | - | 126 |

### D. Effect of financial instruments on profit or loss

| *(in million euros)* | 2016 | Analysis by class of instrument | | | | |
|---|---|---|---|---|---|---|
| | Income Statement Impact | Instruments at fair value through profit or loss | Available-for sale financial assets | Loans, receivables and other liabilities | Borrowings at amortised cost | Derivative instruments |
| **Finance companies** | | | | | | |
| Total interest income | 72 | - | - | 72 | - | - |
| Total interest expense | (36) | - | - | - | (36) | - |
| Remeasurement[(1)] | (5) | (2) | - | 1 | 10 | (14) |
| Net impairment | (5) | - | - | (5) | - | - |
| **TOTAL – FINANCE COMPANIES** | **26** | **(2)** | **-** | **68** | **(26)** | **(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 IAS 39 is recognised in "recurring operating income".

## 12.7. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

| *(in million euros)* | 31 December 2016 | 31 December 2015 | | |
|---|---|---|---|---|
| | | Commitments of operations to be continued in partnership | | Commitments of continuing operations |
| | | Transferred | Not transferred | |
| Financing commitments to customers | 10 | 203 | - | 5 |

# NOTE 13 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-accounted companies, 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-accounted companies, 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.

## 13.1. INCOME TAXES OF FULLY-CONSOLIDATED COMPANIES

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| **Current taxes** | | |
| Corporate income taxes | (596) | (361) |
| **Deferred taxes** | | |
| Deferred taxes arising in the year | 40 | (147) |
| Impairment losses on and unrecognised deferred tax assets | 39 | (198) |
| **TOTAL** | **(517)** | **(706)** |

### *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.

The Group has also elected to file a consolidated tax return in other countries that have Group relief schemes.

Comparative (within the automotive sector and with other similar taxes in Europe) and in-depth analysis of indirect taxes has led the Group to classify the Corporate Value Added Tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE) in income taxes and withholding taxes on management fees in recurring operating income. This has the effect of reclassifying a net expense of €72 million in the year ended 31 December 2016, previously classified in recurring operating income, in income taxes. The same accounting treatment would have resulted in net reclassifications of €84 million in the year ended 31 December 2015.

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 supplementary contributions.

The Amending Finance Act of 29 December 2013 raising this tax rate to 38% applies up to December 2015. The cap on offsetting tax loss carryforwards against taxable profit for the year is maintained at 50% in 2016.

The 2017 Finance Act changed the income tax rate in France to 28.92% from 2020, including the additional contribution.

The deferred tax assets and liabilities have been remeasured to reflect the new rates.

### *C. Impairment losses on deferred taxes*

Deferred taxes are determined as described above. Deferred taxes were tested for impairment on the basis of five-year tax estimates, consistent with the impairment testing of the Automotive Division CGU.

Tax loss carryforwards relating to the French tax group available for offsetting against net deferred tax liabilities (subject to the 50% cap) are recognised are the balance sheet.

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

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

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Pre-tax profit (loss) from continuing operations | 2,343 | 1,334 |
| Pre-tax profit (loss) before tax on expenses related to operations to be continued in partnership | (16) | (174) |
| Pre-tax profit (loss) from operations to be continued in partnership | 248 | 342 |
| **Income (loss) before tax of fully-consolidated companies** | **2,575** | **1,502** |
| *French statutory income tax rate for the period* | *34.4%* | *38.0%* |
| **Theoretical tax expense for the period based on the French statutory income tax rate** | **(887)** | **(571)** |
| **Tax effect of the following items:** | | |
| › Permanent differences | 114 | (185) |
| › Income taxable at reduced rates | 70 | 25 |
| › Tax credits | 27 | 13 |
| › Profit in France not subject to the surtax | - | 25 |
| › Effect of differences in foreign tax rates and other(1) | 83 | 154 |
| **Income tax before impairment losses on the French tax group** | **(593)** | **(539)** |
| › Assets on French tax consolidation deficits of Peugeot S.A. generated during the year and unrecognised or impaired(1) | 76 | (170) |
| › Other impairment losses | (37) | (28) |
| **INCOME TAX EXPENSE** | **(554)** | **(737)** |
| › of which tax expense on continuing operations | (517) | (706) |
| › of which tax expense on expenses related to operations to be continued in partnership | 6 | 60 |
| › of which tax expense on operations to be continued in partnership | (43) | (91) |

*(1) The change in the tax rate in France resulted in the downward revision of deferred tax by €160 million. The net effect given the impairment of deferred tax assets is a tax benefit of €80 million.*

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

## 13.3. CHANGE IN TAX ITEMS ON THE BALANCE SHEET

### *A. Analysis by nature*

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Current Taxes** | | |
| Assets | 164 | 119 |
| Liabilities | (172) | (164) |
| | **(8)** | **(45)** |
| **Deferred Taxes** | | |
| *Assets before offsetting of French tax group loss* | *1,170* | *1,163* |
| *Offsetting of French tax group loss* | *(577)* | *(582)* |
| Net assets | 593 | 581 |
| Liabilities | (895) | (969) |
| | **(302)** | **(388)** |

### B. Movements for the year

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Current taxes** | | |
| **At beginning of period** | **(45)** | **(70)** |
| IFRS 5 declassification | - | (6) |
| Expense | (596) | (361) |
| Payments | 599 | 385 |
| Translation adjustments and other charges | 34 | 7 |
| **AT END OF PERIOD** | **(8)** | **(45)** |
| **Deferred Taxes** | | |
| **At beginning of period** | **(388)** | **(50)** |
| IFRS 5 declassification | - | (42) |
| Expense | 79 | (216) |
| Equity | (20) | 15 |
| Translation adjustments and other charges | 27 | (95) |
| **AT END OF PERIOD** | **(302)** | **(388)** |

## 13.4. DEFERRED TAX ASSETS AND LIABILITIES

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Tax credits** | **-** | **10** |
| **Deferred tax assets on tax loss carryforwards** | | |
| **Gross(1)** | **5,190** | **5,164** |
| Valuation allowances | (1,719) | (1,643) |
| Previously unrecognised deferred tax assets(2) | (2,894) | (2,939) |
| Deferred tax asset offset (French tax group)(3) | (453) | (415) |
| Other deferred tax assets offset | (9) | - |
| **Total deferred tax assets on tax loss carryforwards** | **115** | **167** |
| Other deferred tax assets | 478 | 404 |
| **DEFERRED TAX ASSETS** | **593** | **581** |
| Deferred tax liabilities before offsetting of the French tax group(4) | (1,348) | (1,384) |
| Deferred tax liabilities offset (French tax group)(1) | 453 | 415 |
| **DEFERRED TAX LIABILITIES** | **(895)** | **(969)** |

*(1) The gross amount of deferred tax assets corresponding to tax loss carryforwards represents all deferred tax assets corresponding to tax losses that can be carried forward, regardless of whether they were recognised on the balance sheet at 31 December 2016.*
*(2) Of the impaired unrecognised deferred tax assets, €722 million (€677 million at 31 December 2015) are related to Faurecia, and €1,833 million are related to the French tax group (€1,973 million at 31 December 2015), including €32 million recognised directly in equity.*
*(3) Offsetting consists of presenting on the face of the balance sheet the net deferred tax position of the French tax group, with deferred tax assets covered by deferred tax liabilities, taking into account the legal restrictions on the use of tax loss carryforwards (see Note 13.1).*
*(4) The main temporary differences that generate deferred tax liabilities arise from the capitalisation of research and development costs and differences in amortisation or depreciation methods or periods.*

Tax loss carryforwards relating to the French tax group totalled €12,045 million at 31 December 2016.

# NOTE 14 EQUITY AND EARNINGS PER SHARE

## 14.1. EQUITY

### A. Capital management policy

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

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

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

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

There are no financial covenants based on consolidated equity. The drawdown on the confirmed credit facilities of Peugeot S.A. and GIE PSA Trésorerie is subject to compliance with an equity-based financial ratio (see Note 11.4).

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

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

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

### B. Analysis of share capital and changes in the year

#### Rights issues

##### Capital increase consecutive to the exercise of equity warrants

As part of the capital increases carried out in the first half of 2014, equity warrants were issued to former shareholders, exercisable from the second year. At 31 December 2016, 146,650,320 warrants had been exercised, out of a total of 342,060,365 warrants issued. Their exercise resulted in the delivery of 51,327,559 new shares and a cash inflow of €330 million. The number of warrants outstanding as at year-end was 132,528,775, corresponding to 46,835,071 shares at an exercise price of €6.43 each.

##### Grants of performance shares by Peugeot S.A.

The performance share plans established in the first half of 2015 and in the first half of 2016 are described in Note 6.2.B.

#### Analysis of share capital

| *(in euros)* | 2016 | 2015 |
|---|---|---|
| Share capital at beginning of period | 808,597,336 | 783,088,675 |
| Rights issue reserved to the employees | - | 3,499,973 |
| Equity warrants converted into shares | 51,327,559 | 22,008,688 |
| **SHARE CAPITAL AT END OF PERIOD** | **859,924,895** | **808,597,336** |

#### Situation at 31 December 2016

Share capital amounted to €859,924,895 at 31 December 2016, 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. Following the capital increases carried out in the first half of 2015, the stakes of SOGEPA, Dongfeng Motor Group and the Peugeot family (FFP and Établissements Peugeot Frères) each stood at 12.86% (13.7% at 31 December 2015). Pursuant to Article 11 of the Articles of Association revised at the Shareholders' Meeting of 25 April 2014, shares registered in the name of the same holder for at least two years carry double voting rights.

In accordance with the agreements concluded as part of the capital increases carried out in 2014, the Peugeot family companies undertook to neutralise the impact of their double voting rights at the Shareholders' Meeting by aligning their voting rights with the number of shares held by DFG and SOGEPA after said capital increases, i.e. 110,622,220 shares.

The share price on 31 December 2016 was €15.50.

## C. Treasury stock

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

The Group may use the buyback authorisations given at Shareholders' Meetings to buy back Peugeot S.A. shares. No shares were bought back in 2016.

Changes in treasury stock are presented in the following table:

### 1) Number of shares held

| *(number of shares)* | Notes | 2016 Transactions | 2015 Transactions |
|---|---|---|---|
| **At beginning of period** | | **9,113,263** | **12,788,339** |
| Delivery of treasury shares as part of the capital increase reserved for employees | | - | (1,199,990) |
| Conversion of OCEANE bonds | | - | (2,475,086) |
| **AT PERIOD-END** | | **9,113,263** | **9,113,263** |
| **Allocation** | | | |
| › Shares held for allocation on conversion of 23 June 2009 OCEANE bonds | | - | 7,543,682 |
| › Shares held for allocation on exercise of outstanding stock options | *6.2.A* | - | 1,569,581 |
| › Shares held for allocation on exercise of future stock options | | 4,448,263 | - |
| › Coverage of the 2015 performance share plan | *6.2.B* | 2,465,000 | - |
| › Coverage of the 2016 performance share plan | *6.2.B* | 2,200,000 | - |
| | | **9,113,263** | **9,113,263** |

No purchases or cancellation of shares were made in 2015 or 2016.

### 2) Change in value

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| **At beginning of period** | **(238)** | **(296)** |
| Shares delivered following the conversion of OCEANE bonds | - | 33 |
| Shares delivered to employees as part of the "Accelerate" reserved capital *increase* | - | 25 |
| **AT PERIOD-END** | **(238)** | **(238)** |
| Average price per share *(in euros)* | 21.51 | |

The purchase price of treasury shares is deducted from equity.

The share price on 31 December 2016 was €15.50.

## D. Reserves and retained earnings, excluding minority interests

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

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Peugeot S.A. legal reserve | 80 | 78 |
| Other Peugeot S.A. statutory reserves and retained earnings | 13,650 | 12,042 |
| Reserves and retained earnings of subsidiaries, excluding minority interests | (1,695) | (2,135) |
| **TOTAL** | **12,035** | **9,985** |

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

| *(in million euros)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Reserves available for distribution:** | | |
| › Without any additional corporate tax being due | 12,582 | 10,974 |
| › After deduction of additional tax[1] | 1,068 | 1,068 |
| **TOTAL** | **13,650** | **12,042** |
| **Tax on distributed earnings** | **198** | **198** |

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

## *E. Minority interests*

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

## 14.2. BASIC EARNINGS PER SHARE

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

### *A. Basic earnings per share – Attributable to equity holders of the parent*

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

The average number of shares outstanding is calculated by taking into account the number of shares issued and cancelled during the period and changes in the number of shares held in treasury stock.

| | 2016 | 2015 |
|---|---|---|
| Consolidated basic earnings of continuing operations – attributable to equity holders of the parent *(in million euros)* | 1,525 | 648 |
| Consolidated basic earnings – attributable to equity holders of the parent *(in million euros)* | 1,730 | 899 |
| Average number of €1 par value shares outstanding | 802,566,768 | 787,640,535 |
| **Basic earnings per €1 par value share of continuing operations – attributable to equity holders of the parent** *(in euros)* | **1.90** | **0.82** |
| **BASIC EARNINGS PER €1 PAR VALUE SHARE - ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** *(in euros)* | **2.16** | **1.14** |

### *B. Diluted earnings per share – Attributable to equity holders of the parent*

Diluted earnings per share are calculated by the treasury stock method. This consists of taking into account the exercise of stock options, performance share grants to employees and the conversion of OCEANE convertible bonds when it is not accretive.

The Peugeot S.A. OCEANE bonds, performance share grants (see Note 6.2.B) and the equity warrants had a potential dilutive effect on 31 December 2016.

The following tables show the effects of the calculation:

#### 1) Effect on the average number of shares

| | Notes | 2016 | 2015 |
|---|---|---|---|
| Average number of €1 par value shares outstanding | | 802,566,768 | 787,640,535 |
| Dilutive effect, calculated by the treasury stock method, of: | | | |
| › Outstanding OCEANE convertible bonds | | - | 35,963,672 |
| › Equity warrants | *14.1.B* | 91,404,878 | 106,823,333 |
| › Performance share plans | *6.2.B* | 4,115,300 | 1,848,975 |
| **Diluted average number of shares** | | **898,086,946** | **932,276,515** |

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

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Consolidated profit (loss) from continuing operations – attributable to equity holders of the parent | 1,525 | 648 |
| Dilutive effect of Faurecia (Oceane bond conversions, stock options and performance share grants) | - | (1) |
| **CONSOLIDATED PROFIT (LOSS) FROM CONTINUING OPERATIONS (AFTER FAURECIA DILUTION EFFECT)** | **1,525** | **647** |
| Diluted earnings of continuing operations – attributable to equity holders of the parent per €1 par value share *(in euros)* | 1.70 | 0.70 |

### 3) Effect of Faurecia dilution on consolidated earnings – attributable to equity holders of the parent

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Consolidated profit (loss) attributable to equity holders of the parent | 1,730 | 899 |
| Dilutive effect of Faurecia (Oceane bond conversions, stock options and performance share grants) | - | (1) |
| **CONSOLIDATED PROFIT (LOSS) AFTER FAURECIA DILUTION** | **1,730** | **898** |
| Diluted earnings attributable to equity holders of the parent per €1 par value share *(in euros)* | 1.93 | 0.96 |

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 stock options' plans do not have any material dilutive impact in 2015 and 2016.

# NOTE 15 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The statement of cash flows is partitioned into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities depending on the nature of the transactions.

The Group's main choices as regards presentation were as follows:

- interest flows were kept under cash flows from operating activities;
- payments received in connection with grants were allocated by function to cash flows from investing activities or cash flows from operating activities depending on the nature of the grant;
- the conversion options of convertible bonds (involving both optional and mandatory conversion) are presented on a capital increase line under cash flows from financing activities;
- voluntary contributions paid into pension funds are recognised under cash flows from operating activities;
- payments made on the deferred portion of a fixed asset purchase are presented under cash flows from investing activities for the period ("Change in amounts payable on fixed assets");
- tax payments are classified under cash flows from operating activities;
- bonds' redemptions are classified under cash flows from financing activities.

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

| *(in million euros)* | Notes | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| Cash and cash equivalents | *11.5.C* | 11,576 | 10,465 |
| Payments issued | *11.6.C* | (112) | (12) |
| **Net cash and cash equivalents – manufacturing and sales companies** | | **11,464** | **10,453** |
| **Net cash and cash equivalents – finance companies** | *12.3.C* | **530** | **893** |
| *Elimination of intragroup transactions* | | *(8)* | *(55)* |
| **TOTAL** | | **11,986** | **11,291** |

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

| *(in million euros)* | Notes | 2016 | 2015 |
|---|---|---|---|
| Depreciation and amortisation expense | *4.2* | (2,576) | (2,636) |
| Impairment of: | | | |
| › capitalised development costs | *7.1.B* | (47) | (58) |
| › intangible assets | *7.1.B* | 2 | 5 |
| › property, plant and equipment | *7.2.B* | 120 | 205 |
| Other | | 4 | (8) |
| **TOTAL** | | **(2,497)** | **(2,492)** |

## 15.3. INTEREST RECEIVED AND PAID BY THE MANUFACTURING AND SALES COMPANIES

Interest received and paid by manufacturing and sales companies is included in working capital provided by operations, and is as follows:

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Interest received | 86 | 175 |
| Interest paid | (377) | (534) |
| **NET INTEREST RECEIVED (PAID)** | **(291)** | **(359)** |



## 15.4. DETAIL OF CASH FLOW FROM OPERATIONS TO BE CONTINUED IN PARTNERSHIP

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Other expenses related to the non-transferred financing of operations to be continued in partnership | (11) | (115) |
| Change in liabilities related to the financing of operations to be continued in partnership | (2,299) | (8,124) |
| **NET CASH RELATED TO THE NON-TRANSFERRED DEBT OF FINANCE COMPANIES TO BE CONTINUED IN PARTNERSHIP** | **(2,310)** | **(8,239)** |
| Profit (loss) from operations to be continued in partnership | 204 | 251 |
| Change in assets and liabilities of operations to be continued in partnership | 759 | 599 |
| Net dividends received from operations to be continued in partnership | (120) | (88) |
| **NET CASH FROM THE TRANSFERRED ASSETS AND LIABILITIES OF OPERATIONS TO BE CONTINUED IN PARTNERSHIP** | **843** | **762** |

## 15.5. DETAIL OF FREE CASH FLOW FROM MANUFACTURING AND SALES OPERATIONS

Operational free cash flow includes cash flows generated by operations net of investing activities excluding non-recurring items. It is determined as follows:

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Net cash from (used in) operating activities of continuing operations | 4,937 | 5,432 |
| Net cash from (used in) investing activities of continuing operations | (2,673) | (2,692) |
| Dividends received from Banque PSA Finance | 434 | 918 |
| ***Free cash flow*** | **2,698** | **3,658** |
| Minus, net cash from non-recurring operating operations | 164 | (145) |
| **OPERATIONAL FREE CASH FLOW FROM MANUFACTURING AND SALES OPERATIONS** | **2,534** | **3,803** |

Non-recurring operational cash flows mainly include cash flows from restructuring, changes in equity investments and the exceptional portion of the dividend paid by Banque PSA Finance in 2016.

# NOTE 16 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

Off-balance sheet commitments given in the normal course of business were as follows at 31 December 2016:

| *(in million euros)* | Notes | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| Manufacturing and sales companies | | | |
| › Financing commitments | *11.9* | 863 | 849 |
| › Operating commitments | *7.4* | 2,413 | 2,722 |
| | | **3,276** | **3,571** |
| **Finance companies** | *12.7* | **10** | **208** |

## 16.1. CONTINGENT LIABILITIES

On 25 March 2014, the European Commission and the Department of Justice of the United States of America and on 27 November 2014, the Competition Commission of South Africa, initiated an enquiry covering certain suppliers of emission control systems on the basis for suspicions of anti-competitive practices in this segment. Faurecia is one of the companies covered by these enquiries. These enquiries are ongoing. Furthermore, on 24 March 2016, two class actions were filed against several suppliers of emissions control systems, alleging anticompetitive practices in regard to Exhaust Systems, and seeking unspecified amounts of civil damages. Faurecia Emissions Control Technologies US, LLC is one of the companies named as defendants, and Faurecia S.A. has been named as an additional defendant. On 9 November 2016 a third class action was filed. In the event anti-competitive practices are proven, possible sanctions include fines, criminal charges or civil damages. At present the Group is unable to predict the consequences of such enquiries and class actions including the level of fines or sanctions that could be imposed: therefore, no accruals were accounted for as of 31 December 2016.

The Group has duly noted that the Directorate General for Competition, Consumer Affairs and Fraud Control (DGCCRF) has sent its conclusions on the investigations in connection with the polluting emissions of diesel vehicles to the Public Prosecutor in January 2017. The Group believes that it is compliant with applicable regulations.

## 16.2. 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 2015, 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 in December 2012, the Group gave guarantees regarding the satisfactory performance of the logistics contracts and a five-year exclusivity clause. At 31 December 2016, the Group had not identified any material risks associated with these representations and warranties.

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.

# NOTE 17 RELATED PARTY TRANSACTIONS

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

Transactions with companies accounted for by the equity method are disclosed in Note 10.5. Other than these transactions, there were no significant transactions with other related parties.

# NOTE 18 SUBSEQUENT EVENTS

On 25 January 2017, The PSA Group and the CK Birla Group sign joint-venture agreements to produce and sell vehicles and components in India by 2020. The partnership entails two joint-venture agreements between the PSA Group and the CK Birla Group companies. As part of the first agreement, the PSA Group will hold a majority stake in the joint-venture company being set-up with HMFCL for the assembly and distribution of PSA passenger cars in India. As per the second agreement, a 50:50 joint-venture is being set-up between the PSA Group and AVTEC Ltd for manufacture and supply of powertrains. The manufacturing sites for both vehicle assembly and powertrains will be based in the state of Tamil Nadu. The initial manufacturing capacity will be set at about 100,000 vehicles per year.

# NOTE 19 FEES PAID TO THE AUDITORS

| *(in million euros)* | Mazars 2016 | Mazars 2015 | Ernst & Young 2016 | Ernst & Young 2015 | PricewaterhouseCoopers 2016 | PricewaterhouseCoopers 2015 |
|---|---|---|---|---|---|---|
| **Audit** | | | | | | |
| Statutory and contractual audit services | | | | | | |
| › Peugeot S.A. | 0.2 | 0.2 | 0.3 | 0.3 | - | - |
| › Fully-consolidated subsidiaries | 2.3 | 2.3 | 7.7 | 8.6 | 4.5 | 3.8 |
| *o/w France* | *1.4* | *1.2* | *2.8* | *2.5* | *1.2* | *1.2* |
| *o/w International* | *0.9* | *1.1* | *4.9* | *6.1* | *3.3* | *2.6* |
| **Sub-total** | **2.5** | **2.5** | **8.0** | **8.9** | **4.5** | **3.8** |
| O/w Faurecia | - | - | 4.1 | 4.8 | 4.5 | 3.8 |
| Excluding Faurecia | 2.5 | 2.5 | 3.9 | 4.1 | - | - |
| | *100%* | *100%* | *92%* | *93%* | *82%* | *90%* |
| **Other services provided to subsidiaries** | | | | | | |
| › Peugeot S.A. | - | - | - | 0.1 | - | - |
| › Fully-consolidated subsidiaries | - | - | 0.7 | 0.6 | 1.0 | 0.4 |
| *o/w France* | - | - | *0.7* | *0.6* | *0.8* | *0.2* |
| *o/w International* | - | - | - | - | *0.2* | *0.2* |
| **Sub-total** | **-** | **-** | **0.7** | **0.7** | **1.0** | **0.4** |
| O/w Faurecia | - | - | 0.5 | 0.6 | 0.8 | 0.2 |
| Excluding Faurecia | - | - | 0.2 | 0.1 | 0.2 | 0.2 |
| | | | *8%* | *7%* | *18%* | *10%* |
| **TOTAL** | **2.5** | **2.5** | **8.7** | **9.6** | **5.5** | **4.2** |
| O/w Faurecia | - | - | 4.6 | 5.4 | 5.3 | 4.0 |
| Excluding Faurecia | 2.5 | 2.5 | 4.1 | 4.2 | 0.2 | 0.2 |

Faurecia's Statutory Auditors are PricewaterhouseCoopers and EY.

## NOTE 20 CONSOLIDATED COMPANIES AT 31 DECEMBER 2016

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.

| Company | Country | % interest |
|---|---|---|
| **Other businesses** | | |
| Peugeot S.A. | France | 100 |
| Financière Pergolèse | France | 100 |
| GIE PSA Trésorerie | France | 100 |
| Grande Armée Participations | France | 100 |
| SARAL | Luxembourg | 100 |
| PSA International S.A. | Switzerland | 100 |
| Groupe GEFCO | France | 25* |
| Groupe PMTC – Peugeot Motocycles | France | 49* |
| **Automotive** | | |
| Peugeot Citroën Automobiles S.A. | France | 100 |
| Peugeot Algérie S.p.A. | Algeria | 100 |
| Circulo de Inversores S.A. | Argentina | 100 |
| Peugeot Citroën Argentine | Argentina | 100 |
| Citroën Osterreich GmbH | Austria | 100 |
| Peugeot Austria GmbH | Austria | 100 |
| Peugeot Autohaus GmbH | Austria | 100 |
| Citroën Bélux | Belgium | 100 |
| Peugeot Belgique Luxembourg | Belgium | 100 |
| S.A. Peugeot Distrib. Service | Belgium | 100 |
| Citroën Do Brasil | Brasil | 100 |
| PCI Do Brasil LTDA | Brasil | 100 |
| Peugeot Citroën Comercial Exportadora LT | Brasil | 100 |
| Peugeot Citroen Do Brasil Automoveis LTDA | Brasil | 100 |
| Auto. Franco Chilena SA | Chile | 100 |
| Peugeot Chile | Chile | 100 |
| Peugeot Citroën (China) Automotive Trade Co | China | 100 |
| PSA (Shanghai) Management Co. Limited | China | 100 |
| Citroën Hrvatska | Croatia | 100 |
| Peugeot Hrvatska | Croatia | 100 |
| Citroën Ceska Republika S.R.O. | Czech Republic | 100 |
| PCA Logistika CZ | Czech Republic | 100 |
| Peugeot Ceska Republika S.R.O. | Czech Republic | 100 |
| Citroën Danmark A/S | Denmark | 100 |
| Automobiles Citroën | France | 100 |
| Automobiles Peugeot | France | 100 |
| Centrauto | France | 100 |
| Citroën Argenteuil | France | 100 |
| Citroën Champ de Mars | France | 100 |
| Citroën Dunkerque | France | 100 |
| Conception d'équipements Peugeot Citroën | France | 100 |
| DJ 56 | France | 100 |
| Française de Mécanique | France | 100 |
| GEIE Sevelind | France | 100 |
| Mécanique et Environnement SAS | France | 100 |
| Peugeot Citroën Mécaniques Est SNC | France | 100 |
| Peugeot Citroën Mécaniques N-Ouest SNC | France | 100 |
| Peugeot Citroën Pièces de rechange | France | 100 |
| Peugeot Média Production | France | 100 |
| Peugeot Saint Denis Automobiles | France | 100 |
| Peugeot-Citroën Aulnay SNC | France | 100 |
| Peugeot-Citroën Mulhouse SNC | France | 100 |
| Peugeot-Citroën Rennes SNC | France | 100 |
| Peugeot-Citroën Sochaux SNC | France | 100 |
| Prince Garage des petits ponts | France | 100 |
| PSA Innovation et Design | France | 100 |
| S.I.A. de Provence | France | 100 |
| Sabrie | France | 100 |
| SEVELNORD | France | 100 |
| SNC Peugeot Poissy | France | 100 |
| Société Commerciale Automobile | France | 100 |
| Société de Pièces et Services Automobile de l'Ouest | France | 100 |
| Société Lilloise de Services et de Distribution de Pièces de Rechange | France | 100 |
| Société Lyonnaise de Pièces et Services Automobile | France | 100 |
| Société Mécanique Automobile de l'Est | France | 100 |
| Société Nouvelle Armand Escalier | France | 100 |
| Société Pièces et Entretien Automobile Bordelais | France | 100 |
| Sté Commerciale Citroën | France | 100 |
| Sté Commerciale de Distribution Pièces de Rechange et Services | France | 100 |
| Technoboost | France | 60 |
| Citroën Deutschland GmbH | Germany | 100 |
| Peugeot Citroën Deutschland GmbH | Germany | 100 |
| Peugeot Citroën Retail Deutchland GmbH | Germany | 100 |
| Peugeot Deutschland GmbH | Germany | 100 |
| Citroën Hungaria KFT | Hungary | 100 |
| Peugeot Hungaria KFT | Hungary | 100 |
| Citroën Italia S.p.A. | Italy | 100 |
| Peugeot Automobili Italia S.p.A. | Italy | 100 |
| Peugeot Citroën Retail Italia S.p.A. | Italy | 100 |
| PSA Services SRL | Italy | 100 |
| Peugeot Citroën Japon Co. Ltd. | Japan | 100 |
| Peugeot Tokyo | Japan | 100 |
| Peugeot Mexique | Mexico | 100 |

| Company | Country | % interest |
|---|---|---|
| Servicios Automotores Franco-Mexicana S De RL De Cv | Mexico | 100 |
| Citroën Polska SP. ZO.O. | Poland | 100 |
| Peugeot Polska SP. ZO.O. | Poland | 100 |
| Automoveis Citroën S.A. | Portugal | 100 |
| Peugeot Citroën Automoveis Portugal S.A. | Portugal | 99 |
| Peugeot Portugal Automoveis Distribucao | Portugal | 100 |
| Peugeot Portugal Automoveis S.A. | Portugal | 100 |
| Peugeot Citroën Russie | Russian Federation | 100 |
| Citroën Slovakia s.r.o. | Slovakia | 100 |
| PCA Slovakia | Slovakia | 100 |
| Peugeot Slovaquie | Slovakia | 100 |
| PSA Services Centre Europe | Slovakia | 100 |
| Citroën Slovenija d.o.o. | Slovenia | 100 |
| Peugeot Slovenija d.o.o. | Slovenia | 100 |
| Peugeot Citroën South Africa | South Africa | 100 |
| Automoviles Citroën Espana S.A. | Spain | 100 |
| Comercial Citroën | Spain | 97 |
| Hispanomocion S.A. | Spain | 100 |
| PCA Espana S.A. | Spain | 100 |
| Peugeot Espana S.A. | Spain | 100 |
| Citroën Sverige AB | Sweden | 100 |
| Citroën (Suisse) | Switzerland | 100 |
| Löwen-Garage AG Berne | Switzerland | 97 |
| Peugeot Citroën Gestion International | Switzerland | 100 |
| Peugeot Suisse S.A. | Switzerland | 100 |
| Citroën Nederland B.V. | The Netherlands | 100 |
| PCMA Holding B.V. | The Netherlands | 70 |
| Peugeot Nederland N.V. | The Netherlands | 100 |
| Peugeot Otomotiv Pazarlama | Turkey | 100 |
| Tekoto Ankara AS | Turkey | 100 |
| Tekoto Bursa AS | Turkey | 100 |
| Tekoto Istanbul AS | Turkey | 100 |
| Peugeot Citroën Ukraine LLC | Ukraine | 100 |
| Aston Line Motors Ltd | United Kingdom | 100 |
| Boomcite Ltd | United Kingdom | 100 |
| Citroën UK Ltd | United Kingdom | 100 |
| Melvin Motors (Bishopbriggs) Ltd | United Kingdom | 100 |
| Peugeot Citroën Automobile UK | United Kingdom | 100 |
| Peugeot Citroën Retail Group Ltd | United Kingdom | 100 |
| Peugeot Motor Company | United Kingdom | 100 |
| Rootes Ltd | United Kingdom | 100 |

| Company | Country | % interest |
|---|---|---|
| Warwick Wright Motors Chiswick Ltd | United Kingdom | 100 |
| Toyota PCA Czech | Czech Republic | 50** |
| Societa Europea Veicoli Leggeri S.P.A. | Italy | 50** |
| PCMA Automotiv RUS OOO | Russian Federation | 70** |
| Changan PSA Automobile Limited | China | 50* |
| Dongfeng Peugeot Citroën Automobiles | China | 50* |
| Dongfeng Peugeot Citroën Automobiles International Pte Ltd | China | 50* |
| Dongfeng Peugeot Citroën Automobiles Sales Company Ltd | China | 50* |
| Wuhan Shelong Hongtai Automotive Ko Ltd | China | 10* |
| STAFIM | Tunisia | 34* |
| STAFIM-GROS | Tunisia | 34* |
| **Automotive Equipment** | | |
| Faurecia | France | 47 |
| Faurecia Argentina SA | Argentina | 47 |
| Faurecia Exteriors Argentina | Argentina | 47 |
| Faurecia Sistemas De Escape Argentina | Argentina | 47 |
| Automotive Exteriors Belgium | Belgium | 47 |
| Faurecia Autocomponent Exterior Systems Holding | Belgium | 47 |
| Faurecia Automotive Belgium | Belgium | 47 |
| Faurecia Industrie N.V. | Belgium | 47 |
| Faurecia Automotive Do Brasil | Brasil | 47 |
| Faurecia Sistemas De Escapamento Do Brasil Ltda | Brasil | 47 |
| Faurecia Automotive Seating Canada Ltd | Canada | 47 |
| Faurecia Emissions Ctrl Techn. Canada Ltd | Canada | 47 |
| Changchun Faurecia Xuyang Automotive Seat Co | China | 28 |
| Changsha Faurecia Emissions Control Technologies Co. Ltd | China | 47 |
| Chengdu Faurecia Limin Automotive Systems Company Limited | China | 37 |
| Chongqing Guangneng Faurecia Interior Syst. Company Ltd | China | 23 |
| Cummings Beijing | China | 47 |
| Dongfeng Faurecia Automotive Interior Systems Co. Ltd | China | 23 |
| Emcon Emmi Tech. Chongqing Co Limited | China | 34 |
| Emcon Env Tech. Yantai Co Limited | China | 47 |
| Emissions Control Technologies (Shangaï) Co Limited | China | 31 |
| Emissions Control Technologies Foshan Company Limited | China | 24 |
| Emissions Control Technologies Ningbo Hangzhou Bay New District | China | 31 |
| Faurecia (Changchun) Automotive Systems | China | 47 |
| Faurecia (China) Holding Co. Ltd | China | 47 |
| Faurecia (Guangzhou) Automotive Systems Co | China | 47 |
| Faurecia (Nanjing) Automotive Systems Co | China | 47 |

5

| Company | Country | % interest |
|---|---|---|
| Faurecia (Quingdao) Exhaust Systems Co Ltd | China | 47 |
| Faurecia (Shangai) Automotive Systems | China | 47 |
| Faurecia (Shenyang) Automotive Systems Co Ltd | China | 47 |
| Faurecia (Wuhan) Automotive Components Systems Co | China | 47 |
| Faurecia (Wuhan) Automotive Seating Co Ltd | China | 47 |
| Faurecia (Wuhu) Exhaust Systems Co Ltd | China | 47 |
| Faurecia (Wuxi) Seating Components Co Ltd | China | 47 |
| Faurecia (Yancheng) Automotive Systems Company Limited | China | 47 |
| Faurecia Changchung Xuyang Interiors Systems Co | China | 28 |
| Faurecia Emiss. Ctrl Tech. Develop. (Shanghai) Cy Ltd | China | 47 |
| Faurecia Emissions Ctrl Technologies (Chengdu) Co | China | 24 |
| Faurecia Exhaust Systems Changchun Company Ltd | China | 24 |
| Faurecia Honghu Exhaust Systems Shangai Company Ltd | China | 31 |
| Faurecia Nhk (Xiangyang) Automotive Seating Co Ltd | China | 24 |
| Faurecia Tongda Exhaust System (Wuhan) Company Ltd | China | 23 |
| Faurecia-Gsk Automotive Seating Co Ltd | China | 24 |
| Foshan Faurecia Xuyang Interior Syst. Cny Limited | China | 28 |
| Nanchang | China | 24 |
| Ningbo | China | 42 |
| Powergreen Emissions Control Technologies Co. Ltd | China | 42 |
| Shanghai Faurecia Automotive Seating Co Ltd | China | 26 |
| Emcon Tech. Czech Republic | Czech Republic | 47 |
| Faurecia Automotivr Czech Republic | Czech Republic | 47 |
| Faurecia Components Pisek S.R.O. | Czech Republic | 47 |
| Faurecia Exhaust Systems Moravia S.R.O. | Czech Republic | 47 |
| Faurecia Exhaust Systems S.R.O. | Czech Republic | 47 |
| Faurecia Interior Systems Bohemia S.R.O. | Czech Republic | 47 |
| Faurecia Interiors Pardubice S.R.O | Czech Republic | 47 |
| Automotive Sandouville | France | 47 |
| Etud. Et Constr. Sièges pr l'Automobile | France | 47 |
| Faurecia ADP Holding | France | 28 |
| Faurecia Automotive Holdings Inc | France | 47 |
| Faurecia Automotive Industrie | France | 47 |
| Faurecia Automotives Composites | France | 47 |
| Faurecia Bloc Avant | France | 47 |
| Faurecia Exhaust International | France | 47 |
| Faurecia Exteriors International | France | 47 |
| Faurecia Industrie | France | 47 |
| Faurecia Intérieur Industrie | France | 47 |
| Faurecia Intérieurs Mornac | France | 47 |
| Faurecia Intérieurs Saint Quentin | France | 47 |
| Faurecia Investissement | France | 47 |
| Faurecia Metalloproduckia Holding | France | 33 |
| Faurecia Seating Flers | France | 47 |
| Faurecia Services Groupe | France | 47 |
| Faurecia Sièges d'Automobiles SAS | France | 47 |
| Faurecia Systèmes d'échappements | France | 47 |
| Hambach Automotive Exteriors SAS | France | 47 |
| SIEBRET | France | 47 |
| SIEDOUBS | France | 47 |
| SIELEST | France | 47 |
| SIEMAR | France | 47 |
| TRECIA SAS | France | 47 |
| EMCON Tech. Germany Augsburg | Germany | 47 |
| EMCON Tech. Germany Finnentrop | Germany | 47 |
| EMCON Tech. Germany Novaferra | Germany | 47 |
| Faurecia Abgastechnik GmbH | Germany | 47 |
| Faurecia Angell-Demmel GmbH | Germany | 47 |
| Faurecia Automotive GmbH | Germany | 47 |
| Faurecia Autositze GmbH | Germany | 47 |
| Faurecia Exteriors GmbH | Germany | 47 |
| Faurecia Kunstoffe Automobilsysteme | Germany | 47 |
| SAI Automotive Peine GmbH | Germany | 47 |
| EMCON Technologies KFT | Hungary | 47 |
| EMCON Technologies India PVT Limited | India | 34 |
| Faurecia Automotiv Seating India Private | India | 47 |
| Faurecia Azin Pars Company | India | 23 |
| Faurecia Emissions Control TEC | India | 47 |
| Faurecia Technology Center India Pty Ltd | India | 47 |
| Faurecia Emissions Control Technologies Italy SRL | Italy | 47 |
| Faurecia Japan K.K. | Japan | 47 |
| Howa Interior's | Japan | 23 |
| Faurecia Ast Luxembourg SA | Luxembourg | 47 |
| Faurecia Hicom Emissions Control Technologies (M) SDN BHD | Malaya | 30 |
| EMCON Tech. Hldgs 2 S. DE RL | Mexico | 47 |
| Exhaust Services Mexicana SA | Mexico | 47 |
| Faurecia Howa Interiors De Mexico SA de CV | Mexico | 24 |
| Faurecia Sistemas Automotrices De Mexico | Mexico | 47 |
| Servicios Corporativos De Personal Especializado | Mexico | 47 |
| Faurecia Equipements Automobiles Maroc | Morocco | 47 |
| Faurecia Automotive Polska Spolka Akcyjna | Poland | 47 |
| Faurecia Gorzow Sp Z.o.o. | Poland | 47 |
| Faurecia Grojec R&D Center Sp Z.O.O. | Poland | 47 |
| Faurecia Legnica Sp Z.O.O. | Poland | 47 |
| Faurecia Walbrzych Sp Z.O.O. | Poland | 47 |

| Company | Country | % interest |
|---|---|---|
| EDA Estofagem De Assentos | Portugal | 47 |
| Faurecia Assentos De Automovel | Portugal | 47 |
| Faurecia Sistemas De Escape | Portugal | 47 |
| Faurecia Sistemas De Interior De Portugal | Portugal | 47 |
| SASAL | Portugal | 47 |
| Euro Automotive Plastic Systems | Rumania | 23 |
| Faurecia Seating Talmaciu S.R.L. | Rumania | 47 |
| Faurecia Autocomponent Exterior Systems | Russian Federation | 47 |
| Faurecia Automotive Development | Russian Federation | 47 |
| Faurecia Metallo Produckcia Exhaust Systems | Russian Federation | 33 |
| OOO Faurecia Automotiv | Russian Federation | 28 |
| Faurecia Slovakia S.R.O. | Slovakia | 47 |
| E.C.T. S.A. Cape Town | South Africa | 47 |
| Faurecia Exhaust Systems South Africa Ltd | South Africa | 47 |
| Faurecia Interior Syst. Pretoria (Proprietary) Ltd | South Africa | 47 |
| Faurecia Interior Systems South Africa (Pty) Ltd | South Africa | 47 |
| Fau Jit And Sequencing Korea | South Korea | 47 |
| Faurecia Automotive Seating Korea Limited | South Korea | 47 |
| Faurecia Emissions Control Systems Korea | South Korea | 47 |
| Faurecia Shin Sung Co Ltd | South Korea | 28 |
| Faurecia Trim Korea Ltd | South Korea | 47 |
| Asientos De Castilla Leon | Spain | 47 |
| Asientos De Galicia S.L. | Spain | 47 |
| Asientos Del Norte | Spain | 47 |
| Emcon Technologies Spain S.L. | Spain | 47 |
| Faurecia Asientos Para Automovil Espana | Spain | 47 |
| Faurecia Automotive Espana | Spain | 47 |
| Faurecia Automotive Exteriors Espana S.A. | Spain | 47 |
| Faurecia Interior Systems Espana | Spain | 47 |
| Faurecia Interior Systems Salc Espana S.L. | Spain | 47 |
| Faurecia Sistemas De Escape Espana | Spain | 47 |
| Incalplas S.L. | Spain | 47 |
| Tecnoconfort | Spain | 23 |
| Valencia Modulos De Puerta SL | Spain | 47 |
| Faurecia Interior Systems Sweden Ab | Sweden | 47 |
| E.C.T. Co Limited | Thailand | 47 |
| Faurecia & Summit Interior Systems | Thailand | 23 |
| Faurecia Interior Systems Thailand | Thailand | 47 |
| Emcon Technologies Dutch Hldgs B.V. | The Netherlands | 47 |
| Faurecia Automotive Seating B.V. | The Netherlands | 47 |
| Faurecia Emissions Control Technologies Netherlands B.V. | The Netherlands | 47 |
| Faurecia Netherlands Holding B.V. | The Netherlands | 47 |
| Faurecia Informatique Tunisie | Tunisia | 47 |
| Sté Tunisienne d'Équipements Automobiles | Tunisia | 47 |

| Company | Country | % interest |
|---|---|---|
| Faurecia Polifleks Otomotiv Sanayi Ve Ticaret Anonim Sirketi | Turkey | 47 |
| EMCON Technologies UK Limited | United Kingdom | 47 |
| Faurecia Automotiv Seating UK Ltd | United Kingdom | 47 |
| Faurecia Midlands Ltd | United Kingdom | 47 |
| SAI Automotive Fradley | United Kingdom | 47 |
| SAI Automotive Washington Limited | United Kingdom | 47 |
| Faurecia Automotiv Seating Inc | United States of America | 47 |
| Faurecia E.C.T. USA LLC | United States of America | 47 |
| Faurecia Exhaust Systems Inc | United States of America | 47 |
| Faurecia Interior Louisville LLC | United States of America | 47 |
| Faurecia Interior Systems Holdings LLC | United States of America | 47 |
| Faurecia Interior Systems Inc | United States of America | 47 |
| Faurecia Interior Systems Saline LLC | United States of America | 47 |
| Faurecia Madison Automotive Seating Inc | United States of America | 47 |
| Faurecia North America Holdings LLC | United States of America | 47 |
| Faurecia Usa Holdings, Inc | United States of America | 47 |
| FNK North America | United States of America | 47 |
| FAURECIA Automitive del Urugay | Uruguay | 47 |
| SAS Automotriz Argentina SA | Argentina | 23* |
| SAS Automotive Belgium | Belgium | 23* |
| FMM Pernambuco Componentes Automotivos LTDA | Brasil | 16* |
| SAS Automotive Do Brasil | Brasil | 23* |
| Changchun Faurecia Xuyang Automotive components technologies R&D | China | 21* |
| Changchun Huaxiang Faurecia Auto. Plastic Components Co | China | 23* |
| Dongfeng Faurecia Automotive Exterior Systems Co. Limited | China | 23* |
| Dongfeng Faurecia Automotive Parts Sales Co. Ltd | China | 23* |
| Dongguan CSM Faurecia Automotive Systems Company Limited | China | 23* |
| Faurecia Changchun Xuyang Faurecia Acoustics & Soft Trim Co Ltd | China | 19* |
| Jinan Faurecia Limin Interior & Exterior Systems Company Limited | China | 23* |
| Lanzhou Faurecia Limin Interior & Exterior Systems Company | China | 23* |
| SAS (WUHU) Automotive Systems Co Ltd | China | 23* |
| Wuhan Hongtai Changpeng Automotive Components Co. Limited | China | 23* |

| Company | Country | % interest |
|---|---|---|
| Xiangtan Faurecia Limin Interior & Exterior Systems CNY Ltd | China | 23* |
| Zhejiang Faurecia Limin Interior & Exterior Systems CNY Ltd | China | 23* |
| SAS Autosystemtechnik Sro | Czech Republic | 23* |
| Amminex Emissions Systems APS | Denmark | 20* |
| Automotive Performance Materials (APM) | France | 23* |
| Cockpit Automotive Systems Douai | France | 23* |
| SAS Automotiv France | France | 23* |
| SAS Autosystemtechnik GmbH and Co Kg | Germany | 23* |
| SAS Autosystemtechnik Verwaltung GmbH | Germany | 23* |
| NHK F. Krishna India Automotive Seating Private Limited | India | 9* |
| Faurecia NHK Co Limited | Japan | 23* |
| Faurecia SAS Automotive Systems & Services SA de CV | Mexico | 23* |
| Faurecia SAS Automotive Systems SA de CV | Mexico | 23* |
| SAS Autosystem de Portugal Unipessoal Ltda | Portugal | 23* |
| Vanpro Assentos Limitada | Portugal | 23* |
| Faurecia Automotive S.r.o. | Slovakia | 23* |
| Kwang Jin Faurecia Limited | South Korea | 23* |
| Componentes de Vehiculos de Galicia | Spain | 23* |
| Copo Iberica | Spain | 23* |
| Industrias Cousin Frères S.L. | Spain | 23* |
| SAS Autosystemtechnik SA | Spain | 23* |
| SAS Otosistem Tecknit Ticaret ve Limited | Turkey | 23* |
| Teknik Malzeme Tvsas | Turkey | 23* |
| Faurecia DMS Leverage Lender LLC | United States of America | 21* |
| Faurecia JV in Detroit | United States of America | 21* |
| SAS Automotive USA Inc. | United States of America | 23* |
| **Finance** | | |
| Banque PSA Finance | France | 100 |
| PSA Assurance S.A.S. | France | 100 |
| BPF Algérie | Algeria | 100 |
| FCT Auto ABS German Loans – Compartiment 2011-2 | Germany | 100 |
| Auto ABS DFP Master Compartment Germany 2013 | Germany | 100 |
| FCT Auto ABS – Compartiment 2013-1 | Germany | 100 |
| Auto ABS German Lease Master | Germany | 100 |
| Auto ABS German Loans Master | Germany | 100 |
| PSA Finance Argentina Compania Financiera S.A. | Argentina | 50 |
| PSA Finance Belux | Belgium | 100 |
| Banco PSA Finance Brasil S.A. | Brasil | 100 |
| PSA Arrandamento Mercantil S.A. | Brasil | 100 |
| Fonds D'investissements en Droits de Créances | Brasil | 100 |
| PSA Financial D.O.O. | Croatia | 100 |
| PSA Finance Hungaria ZRT. | Hungary | 100 |
| PSA Factor Italia S.p.a. | Italy | 100 |
| PSA Renting Italia S.p.a | Italy | 100 |
| Auto ABS S.R.L. – Compartiment 2012-2 | Italy | 100 |
| ABS Italian Loans Master S.R.L. | Italy | 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 S.A. de CV SOFOM | Mexico | 100 |
| PSA Finance Nederland B.V. | The Netherlands | 100 |
| PSA Financial Holding B.V. | The Netherlands | 100 |
| PSA Financial Services Nederland B.V. | The Netherlands | 100 |
| PEUGEOT Finance International N.V. | The Netherlands | 100 |
| PSA Finance Polska SP. Z.O.O. | Poland | 100 |
| PSA Finance Ceska Republika s.r.o. | Czech Republic | 100 |
| Economy Drive Cars Limited | United Kingdom | 100 |
| Vernon Wholesale Investment Company Ltd | United Kingdom | 100 |
| Bank PSA Finance Rus | Russian Federation | 100 |
| PSA Finance Slovakia s.r.o. | Slovakia | 100 |
| BPF Financiranje D.O.O. | Slovenia | 50 |
| BPF Pazarlama A.H.A.S. | Turkey | 100 |
| CREDIPAR | France | 50* |
| Cie pour la Location de Véhicules – CLV | France | 50* |
| Société Financière de Banque – SOFIB | France | 50* |
| FCT Auto ABS – Compartiment 2011-1 | France | 50* |
| FCT auto ABS – Compartiment 2012-1 | France | 50* |
| Auto ABS DFP Master Compartment France 2013 | France | 50* |
| FCT Auto ABS French Loans Master | France | 50* |
| Auto ABS FCT2 2013-A | France | 50* |
| FCT Auto ABS – Compartiment 2013-2 | France | 50* |
| FCT Auto ABS3 – Compartiment 2014-01 | France | 50* |
| Dongfeng Peugeot Citroën Auto Finance Company Ltd | China | 25* |
| PSA Financial Services Spain E.F.C. S.A. | Spain | 50* |
| FTA Auto ABS – Compartiment 2012-3 | Spain | 50* |
| PSA Insurance Europe Ltd | Malta | 50* |
| PSA Life Insurance Europe Ltd | Malta | 50* |
| PSA Finance UK Ltd | United Kingdom | 50* |
| Auto ABS UK Loans PLC – Compartiment 2012-5 | United Kingdom | 50* |
| PSA Finance Suisse S.A. | Switzerland | 50* |
| Auto ABS Swiss Lease 2013 GmbH | Switzerland | 50* |

# 5.7. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit ovpinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the group's 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 Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Peugeot S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the managing board. Our role is to express an opinion on these consolidated financial statements based on our audit.

## I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

5

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 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.

## II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- The preparation of the consolidated financial statements requires your group to make estimates and assumptions regarding the valuation of certain assets, liabilities, income and expenses, the most significant of which are outlined in note 1.2 to the consolidated financial statements "Accounting principles – Use of Estimates and Assumptions". For all of these matters, we examined the appropriateness of the accounting rules and methods used and the information given in this note to the consolidated financial statements. In addition, we examined the consistency of the assumptions used, their translation into figures, and the available documentation, and on that basis we assessed the reasonableness of the estimates made.
- Notes 7.3 "Asset Impairment" and 10.3 "Share in net earnings of companies at equity" to the consolidated financial statements describe the accounting methods and assumptions used for impairment tests. We verified that the impairment tests were carried out correctly, and the reasonableness of the underlying estimates and assumptions, we reviewed the calculations which led to the recognition of the impairment and we verified that these notes to the consolidated financial statements provide relevant information.
- As indicated in note 13 to the consolidated financial statements "Income taxes", deferred tax assets and liabilities are accounted for in the statement of financial position. This note indicates, amongst other things, that the existing tax-loss carry forwards relating to the French tax consolidation which have not been offset by deferred tax liabilities as of December 31, 2016 have not been recognized, on the basis of tax estimates consistent with the impairment testing of the Automotive Division CGU. We examined the group's tax forecasts, deferred tax assets and liabilities timelines and the consistency of overall assumptions used for this depreciation.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## III. SPECIFIC VERIFICATION

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

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

Courbevoie and Paris-La Défense, February 23, 2017

The statutory auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Jean-François Bélorgey |

# PEUGEOT S.A. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

6

# 6.1. INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

| *(in million euros)* | 2016 | 2015 |
|---|---|---|
| Operating income | 244.0 | 182.2 |
| Operating expenses | (258.5) | (196.2) |
| **Net operating income (expense) (Note 20)** | **(14.5)** | **(14.0)** |
| Investment income | 676.3 | 1114.0 |
| Other financial income | 4.9 | 13.8 |
| Financial provision reversals and expense transfers | 1071.4 | 2395.8 |
| **Financial income** | **1,752.6** | **3,523.6** |
| Charges to financial provisions | (103.7) | (4.9) |
| Other financial expenses | (151.5) | (250.0) |
| **Financial expenses** | **(255.2)** | **(254.9)** |
| **Net financial income (expense)** | **1,497.4** | **3,268.7** |
| **Recurring income before tax** | **1,482.9** | **3,254.7** |
| On management transactions | - | - |
| On capital transactions | 10.6 | 11.1 |
| Non-recurring provision reversals and expense transfers | - | 40.9 |
| **Non-recurring income** | **10.6** | **52.0** |
| On management transactions | (0.6) | (1.7) |
| On capital transactions | (3.2) | (150.8) |
| Non-recurring charges to provisions and expense transfers | (28.4) | - |
| **Non-recurring expenses** | **(32.2)** | **(152.5)** |
| **Net non-recurring income (expense) (Note 22)** | **(21.6)** | **(100.5)** |
| **Non-discretionary profit-sharing** | **-** | **-** |
| Income tax benefit (Note 23) | 149.9 | 160.8 |
| **NET PROFIT FOR THE YEAR** | **1,611.2** | **3,315.0** |

# 6.2. BALANCE SHEETS AT 31 DECEMBER 2016

## ASSETS

| *(in million euros)* | 31/12/2016 Total | Depreciation, amortization and impairment | Net | 31/12/2015 Net |
|---|---|---|---|---|
| **Intangible assets** | **0.1** | **-** | **0.1** | **0.1** |
| **Property plant and equipment (Note 4)** | **3.2** | **(3.2)** | **-** | **-** |
| **Investments** | | | | |
| Shares in subsidiaries and affiliates (Note 5) | 16,582.8 | (643.8) | 15,939.0 | 14,953.9 |
| Advances to subsidiaries and affiliates (Note 6) | 1,363.7 | - | 1,363.7 | 3,148.2 |
| Other investments (Note 7) | 151.9 | (30.5) | 121.4 | 252.7 |
| Long-term loans and receivables (Note 8) | 24.7 | (1.1) | 23.6 | 62.5 |
| | **18,123.1** | **(675.4)** | **17,447.7** | **18,417.3** |
| **Total non-current assets (Note 3)** | **18,126.4** | **(678.6)** | **17,447.8** | **18,417.4** |
| **Current assets** | | | | |
| Trade receivables | 42.4 | (1.7) | 40.7 | 15.7 |
| Other receivables and prepayments to suppliers (Note 9) | 349.2 | - | 349.2 | 421.0 |
| Marketable securities (Note 10) | 239.5 | (61.7) | 177.8 | 82.0 |
| Cash equivalents (Note 12) | 3,271.2 | - | 3,271.2 | 1,661.9 |
| Cash | - | - | - | 0.2 |
| **Total current assets** | **3,902.2** | **(63.4)** | **3,838.9** | **2,180.8** |
| Prepaid expenses | - | - | - | 0.1 |
| Bond redemption premiums | 2.2 | - | 2.2 | 5.3 |
| **TOTAL ASSETS** | **22,030.9** | **(742.0)** | **21,288.9** | **20,603.6** |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| *(in million euros)* | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Shareholders' equity** | | |
| Share capital (Note 14) | 859.9 | 808.6 |
| Additional paid-in capital | 3,784.0 | 3,505.3 |
| Revaluation reserve | 454.5 | 454.5 |
| **Other reserves** | | |
| Reserves and retained earnings | 12,120.1 | 8,805.1 |
| Net profit for the year | 1,611.2 | 3,315.0 |
| Untaxed provisions | 1.2 | 1.2 |
| **Total equity (Note 15)** | **18,830.9** | **16,889.7** |
| Provisions for contingencies and charges (Note 13) | 167.2 | 89.3 |
| **Long- and short-term debt** | | |
| Bonds (Note 16) | 1,869.7 | 3,134.5 |
| Other long and short-term debt (Note 16) | 0.6 | 17.8 |
| | **1,870.3** | **3,152.3** |
| **Trade payables** | | |
| Trade payables | 38.4 | 24.4 |
| Accrued taxes and payroll costs | 124.4 | 116.9 |
| | **162.8** | **141.3** |
| **Due to suppliers of fixed assets (Note 17)** | **61.9** | **75.4** |
| **Other liabilities** | **193.6** | **250.3** |
| **Total liabilities** | **2,288.6** | **3,619.3** |
| Deferred income | 2.2 | 5.3 |
| **TOTAL LIABILITIES & EQUITY** | **21,288.9** | **20,603.6** |

# 6.3. CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

| *(in million euros)* | **2016** | **2015** |
|---|---|---|
| **Net profit for the year** | **1,611.2** | **3,315.0** |
| Net change in provisions | (889.6) | (2,419.4) |
| Net gains (losses) on disposals of fixed assets | (7.4) | 139.8 |
| Other net financial and net non-recurring income and expenses | - | (6.2) |
| **Funds from operations** | **714.2** | **1,029.2** |
| Change in working capital requirement | 9.1 | (6.4) |
| **Net cash from operating activities** | **723.3** | **1,022.8** |
| (Acquisitions) disposals of intangible assets and property and equipment | - | - |
| Proceeds from disposals of shares in subsidiaries and affiliates | 10.6 | 11.0 |
| Purchases of shares in subsidiaries and affiliates | (20.0) | (4,075).6 |
| **Net cash used in investing activities** | **(9.4)** | **(4,064.6)** |
| Dividends paid | - | - |
| Capital increase | 330.0 | 168.0 |
| (Purchases) sales of Peugeot S.A. shares | - | 12.0 |
| Increase (decrease) in other long-term debt | (1,230.9) | (845.2) |
| (Increase) decrease in long-term loans and receivables | 1,730.9 | 884.7 |
| Change in other financial assets and liabilities | 64.7 | 34.2 |
| **Net cash from/(used in) financing activities** | **894.7** | **253.7** |
| **Net decrease in cash and cash equivalents** | **1,608.6** | **(2,788.1)** |
| Cash and cash equivalents at beginning of period | 1,662.0 | 4,450.1 |
| **Cash and cash equivalents at end of period** | **3,270.6** | **1,662.0** |
| **Breakdown of cash and cash equivalents at end of period** | - | - |
| Cash equivalents (Note 12) | 3,271.2 | 1,661.9 |
| Cash | - | 0.1 |
| Bank overdrafts | (0.6) | - |
| **TOTAL** | **3,270.6** | **1,662.0** |

# 6.4. NOTES TO PEUGEOT S.A. FINANCIAL STATEMENTS

## For the year ended 31 December 2016

### CONTENTS

## APPENDIX

The following disclosures constitute the notes to the balance sheet at 31 December 2016, before appropriation of net profit for the year, which shows total assets of €21,288.9 million and to the income statement for the year then ended, which shows net profit of €1,611.2 million.

The financial statements cover the twelve-month period from 1 January to 31 December 2016.

Notes are an integral part of the financial statements. All amounts are in millions of euros unless otherwise specified.

The financial statements for 2016 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on 16 February 2017 with the Note 29, taking into account events that occurred in the period up to the Supervisory Board Meeting on 22 February 2017.

These financial statements are included in the consolidated financial statements of PSA Group.

# NOTE 1 ACCOUNTING POLICIES AND METHODS

General accounting principles intended to provide a true and fair view of the business have been applied, including the principle of prudence and the following basic assumptions:

- the going concern;
- the continuity of accounting methods from one year to the next;
- segregation of accounting periods; and
- in accordance with the general rules for the preparation and presentation of annual financial statements (Regulation ANC 2014-03 of 5 June 2014, validated by a Decree of 8 September 2014).

Items recorded in the accounts are stated in accordance with the historical cost convention.

The main accounting policies applied are as follows:

## A. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition cost, including incidental expenses but excluding transaction costs. As an exception to this principle, assets acquired before 31 December 1976 that were included in the legal revaluation are stated at valuation. These assets are fully amortised using the straight-line method over an estimated useful life of 10 years.

## B. SHARES IN SUBSIDIARIES AND AFFILIATES

Since 2007, the cost of shares in subsidiaries and affiliates includes transaction costs.

In prior years, these investments were stated at purchase cost excluding transaction costs, except for investments acquired before 31 December 1976 that were included in the legal revaluation.

Investments in subsidiaries are estimated at their value in use, generally based on the economic value of the consolidated shareholders' equity of the business they represent, or, where this is not available, on the share of equity calculated in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

In the case of a prolonged decline in the value in use of an investment to below cost, a provision is recorded for the difference.

If an investment has a negative value in use and circumstances warrant it, a provision for contingencies is booked.

If sold, shares are valued using weighted average cost (WAC).

## C. OTHER INVESTMENTS

### *Treasury Shares*

Peugeot S.A. shares held for allocation on the conversion of OCEANE bonds are recorded at cost under "Other investments".

A provision for impairment is recorded at the year-end if the carrying amount of the shares exceeds their value in use.

### *Units in FCPR Investment Funds*

Units in FCPR investment funds are recorded in "Other investments" in full for the amount booked under "Due to suppliers of fixed assets". The liability is gradually cancelled as payments are made. If the units' net asset value is below cost, a provision is recorded.

## D. LOANS AND RECEIVABLES

Loans and receivables are stated at their nominal amount. A provision is booked to cover any probable losses.

## E. MARKETABLE SECURITIES

### *Treasury Shares*

Peugeot S.A. shares held for allocation on exercise of stock-options are recorded in "Marketable securities" at acquisition cost.

Shares allocated to performance share grants and likely to be delivered at the end of the vesting period are recorded at a new gross value equal to the carrying amount at the day on which their allocation was decided.

Shares allocated to performance share grants and not likely to be delivered, and those allocated to future grants, are recorded at their purchase cost. A provision for impairment is recorded when the market value is less than the carrying amount.

### *Other Marketable Securities*

Other marketable securities consist of money market securities purchased under resale agreements. Interest income on these securities is recognised in "Financial income." No impairment provisions are recorded for these securities if there is no tangible probability of default by the issuer or of loss expected at the time of purchase by a third party (firm commitment to buy at an agreed upon date).

### F. UNTAXED PROVISIONS

Untaxed provisions primarily concern reinvested capital gains on sales of shares in subsidiaries and affiliates qualifying for rollover relief under former Article 40 of France's Tax Code.

### G. BORROWINGS

Borrowings are stated at their nominal amount. Debt issuance costs are not capitalised but are expensed in full in the period when they are incurred.

When the face value of non-convertible bonds is higher than the amount received by Peugeot S.A., the discount is amortised over the life of the bond.

OCEANE bonds are convertible bonds that give the holder the right to exchange them for Company shares, which may be new issues or existing shares purchased on the market, at the issuer's discretion. They are initially recognised under "Bonds" for their face value. The liability is decreased by the face value of bonds converted during the year, with the difference between the face value of the converted bonds and the par value of the corresponding shares recognised as a conversion premium.

### H. RETIREMENT COMMITMENTS

Company employees are entitled to length-of-service awards payable on retirement and supplementary pension benefits under defined contribution or defined benefit plans.

The Company has not elected to recognise its retirement obligations in the balance sheet. Further information on these is provided in Note 25.

### I. INCOME TAXES

Peugeot S.A. and its over 95%-owned subsidiaries in France elected to file a consolidated tax return, in accordance with Article 223A of the French General Tax Code.

The effects of Group relief recorded in the Company's income statement comprise:

- the total income corresponding to the sum of the tax due by profitable subsidiaries;
- the net tax expense or tax benefit resulting from setting off the taxable profits and losses of the companies in the tax group;
- the income corresponding to any repayments from profitable subsidiaries to which tax savings were transferred in prior periods;
- any adjustments of income tax expense for prior periods;
- charges to provisions for contingencies set up to cover the estimated net income tax expense that may be due following periodic tax audits of subsidiaries in the tax group.

### J. CHANGES IN MEASUREMENT METHOD

There were no changes in measurement method during the year.



## NOTE 2 SIGNIFICANT EVENTS

### 2.1. EXERCISE OF EQUITY WARRANTS (BSA)

Following the 2014 capital increase, the shareholders at the time were allocated equity warrants at the rate of one warrant per share held. Since 29 April 2015, the shareholders have been able to exercise their equity warrants, with ten warrants permitting the subscription of 3.5 new shares at €6.43 per share. The total number of new shares that can be created is 119,721,128.

At 31 December 2016, 209,531,590 equity warrants were exercised out of a total of 342,060,365 warrants issued, generating 73,336,247 new shares in the amount of €471.5 million.

### 2.2. BOND ISSUE

Issue of a new €500 million bond in April 2016 (see Note 16).

### 2.3. REDEMPTION OF BONDS

As part of its debt management, Peugeot S.A. called several bonds in the amount of €496.0 million (Note 16).

### 2.4. EQUITY INVESTMENTS

On 28 September 2016, at the time PSA-Ventures was created, Peugeot S.A. subscribed to all of its equity for €20 million.

On 24 November 2016, Peugeot S.A. sold all of its shares in PSA Assurances SAS to BPF for €9.9 million.

### 2.5. PERFORMANCE SHARE GRANTS

On 27 April 2016, the Shareholders' Meeting authorised the Managing Board to grant existing performance shares, subject to performance conditions and up to 0.85% of Peugeot S.A.'s share capital. The Managing Board decided, at their meetings of 2 June and 28 November 2016, to allocate 4,665,000 treasury stocks to performance share grants.

These grants led to the recognition of a provision for expenses related to the probable share grants. The probability of allocation is assessed on a grant-by-grant basis, in accordance with the terms and conditions of each grant.

Any provisions are recorded on a straight-line basis over the option's vesting period. The charge is recognised in the statement of income under "Personnel costs" by recording an expense transfer in the amount of €13.1 million.

### 2.6. VALUE IN USE OF AUTOMOTIVE SUBSIDIARIES

In light of the change in economic value of the shares of the Automotive Division at 31 December 2016, a €972.0 million reversal of the provision for impairment loss was recognised.

## NOTE 3 FIXED ASSETS AT 31 DECEMBER 2016

### NON-CURRENT FINANCIAL ASSETS

| *(in million euros)* | Invested entities (Note 5) | Loans & advances to loans (Note 6) | Other long-term investments (Note 7) | Long-term loans & receivables (Note 8) |
|---|---|---|---|---|
| Cost at 1 January 2016 | 16,565.9 | 3,148.2 | 382.0 | 63.6 |
| › Additions | 20.0 | 2.5 | - | - |
| › Disposals | (3.1) | (1,787.0) | (230.1) | (38.9) |
| **Cost at 31 December 2016** | **16,582.8** | **1,363.7** | **151.9** | **24.7** |
| *Historical cost excluding revaluations(1)* | *16,113.1* | *1,363.7* | *151.9* | *24.7* |
| Impairment at 1 January 2016 | (1,612.0) | - | (129.3) | (1.1) |
| › Additions | (3.8) | - | - | - |
| › Reversals | 972.0 | - | 98.8 | - |
| › Other changes | - | - | - | - |
| **Provisions for impairment at 31 December 2016** | **(643.8)** | **-** | **(30.5)** | **(1.1)** |
| **NET COST AT 31 DECEMBER 2016** | **15,939.0** | **1,363.7** | **121.4** | **23.6** |

*(1) 1976 legal revaluation.*

## NOTE 4 TANGIBLE AND INTANGIBLE FIXED ASSETS

No additions to or removals of property, plant and equipment or intangible assets were conducted in fiscal 2016.

## NOTE 5 SHARES IN SUBSIDIARIES AND AFFILIATES

### A. GROSS VALUES

On 28 September 2016, at the time PSA-Ventures was created, Peugeot S.A. subscribed to all of its equity of 20,000 shares, for €20 million.

On 24 November 2016, Peugeot S.A. sold its stake in the subsidiary PSA Assurances SAS to BPF S.A. for €9.9 million. This transaction resulted in a disposal gain of €7.4 million.

On 29 December 2016, all shares in Peugeot Services Italie were sold to the subsidiary Peugeot Italie for a disposal value identical to that recognised on the balance sheet, i.e. €0.6 million.

### B. CARRYING VALUES

#### *1) Automotive Division*

Peugeot S.A. owns automotive subsidiaries through five central companies, namely PCA, Automobiles Peugeot, Automobiles CITROËN, Conception d'Équipements Peugeot Citroën and DS Automobiles, which are inseparable. The shares taken altogether had a gross value of €13,836.3 million at 31 December 2016.

At year-end 2016, the net carrying amount of these investments, i.e. €12,864.3 million, was compared with the cumulative economic value of Automotive Division activities outside China and activities in China.

Based on this comparison, an impairment reversal of €972.0 million was recognised. The increase in the economic value in 2016 resulted largely from the cash flows generated in 2016.

### *2) Faurecia*

At 31 December 2016 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 127,340,515 voting rights) represented at 31 December 2016 46.33% of the capital and 62.94% of the voting rights.

The stock market value of the Faurecia shares held by Peugeot S.A. at 31 December 2016 was €2,356.0 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.

### *3) Grande Armée Participations*

At 31 December 2016, the value of the investment in this subsidiary was assessed on the basis of its adjusted equity. A provision for impairment in the amount of €3.8 million was recorded, bringing the impairment of the investment to €342.1 million.

### *4) Peugeot Motocycles*

On 19 January 2015, the Group signed a strategic partnership agreement with Mahindra & Mahindra Group, under the terms of which Peugeot S.A. lost the exclusive control of Peugeot Motorcycles and now holds only 49.0% of the equity, or 300,415 shares. Since 2015, the shares with a gross value of €301.6 million have been fully impaired.

## C. PLEDGED SECURITIES

At 31 December 2016, none of the Group's securities were pledged.

# NOTE 6 LOANS AND ADVANCES TO INVESTED ENTITIES

## A. GIE PSA TRÉSORERIE

The main transactions during the year were as follows:

- On 04 January 2016 the June 2009 OCEANE loan of €575 million matured and was repaid in the amount of €535.4 million.
- Reimbursement of €169.7 million of a €600 million loan maturing on 18 January 2019 paying interest at a nominal rate of 6.500%.
- Reimbursement of €251.6 million of a €810 million loan maturing on 06 March 2018 paying interest at a nominal rate of 7.375%.
- On 30 March 2016 the September 2011 loan of €500 million matured and was repaid in the amount of €237.7 million.
- Reimbursement of €74.7 million of a €379 million loan maturing on 11 July 2017 paying interest at a nominal rate of 5.625%.
- On 28 October 2016 the October 2010 loan of €500 million and an additional of €150 million loan issued on 26 January 2011 matured and were repaid in the amount of €461.8 million.

Transactions in 2015:

- Reimbursement of €63.9 million of a €302 million loan maturing on 30 March 2016 paying interest at a nominal rate of 6.875%.
- Reimbursement of €108.9 million of loans in a total amount of €571 million maturing on 28 October 2016 paying interest at an initial fixed rate of 5%, which include the loan of €421 million issued on 28 October 2010 and an additional €150 million loan issued on 26 January 2011.
- Reimbursement of €137.2 million of a €516 million loan maturing on 11 July 2017 paying interest at a nominal rate of 5.625%.
- Reimbursement of €189.9 million of a €1,000 million loan maturing on 06 March 2018 paying interest at a nominal rate of 7.375%.
- On 29 June 2015 the June 2010 loan of €500 million matured and was repaid in the amount of €345.2 million.
- At 31 December 2015 the conversion of 1,576,481 OCEANE bonds meant a redemption of €39.5 million of principle on the loan granted to the GIE.

## B. OTHER LOANS

At 31 December 2016, accrued interest recognised on all loans made by Peugeot S.A. amounted to €68.8 million, versus €124.8 million in 2015.

# NOTE 7 OTHER LONG-TERM INVESTMENTS

As stated in Note 11, Peugeot S.A. treasury shares are allocated by the Managing Board. Depending how they are allocated, these shares are classified either as "Other long-term investments" or as "Marketable securities" (see Note 10.A).

| *(in million euros)* | Treasury shares (Note 7.A.) | Other Shares (Note 7.B.) | Balance as of 31/12/2016 |
|---|---|---|---|
| Cost at 1 January 2016 | 206.2 | 175.8 | 382.0 |
| › Additions | - | - | 0.0 |
| › Disposals | (206.2) | (23.9) | (230.1) |
| **Cost at 31 December 2016** | **-** | **151.9** | **151.9** |
| Impairment at 1 January 2016 | (87.6) | (41.7) | (129.3) |
| › Additions | - | - | - |
| › Reversals | 87.6 | 11.2 | 98.8 |
| **Provisions for impairment at 31 December 2016** | **-** | **(30.5)** | **(30.5)** |
| **NET COST AT 31 DECEMBER 2016** | **-** | **121.4** | **121.4** |

## A. PEUGEOT S.A. SHARES

Changes in treasury shares classified as "other long-term investments":

| | Hedge of a future liquidity contract | | Hedge of convertible bonds from the 2009 issue | |
|---|---|---|---|---|
| *(in million euros)* | Number | Gross | Number | Gross |
| **Total at 1 January 2016** | **-** | **-** | **7,543,682** | **206.2** |
| Capital increase: sales of pre-emptive subscription rights | - | - | - | - |
| › Shares allocated to the Accelerate matching contribution | - | - | - | - |
| › Shares reclassified: change of category(1) | - | - | (7,543,682) | (206.2) |
| › Shares covering bond conversions | - | - | - | - |
| **Total at 31 December 2016** | **-** | **-** | **-** | **-** |
| **Impairment at 1 January 2016** | | **-** | | **(87.6)** |
| › Provisions | | | | - |
| › Shares reclassified into other categories: net value reclassification(1) | - | - | - | 87.6 |
| › Reversals | - | - | - | - |
| **PROVISIONS FOR IMPAIRMENT AT 31 DECEMBER 2016** | | **-** | **-** | **-** |

(1) *Recategorisation made by the Managing Board.*

## B. 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 2016 the monies already called and paid into the Fund were valued at €63.9 million. The total provision for FAA shares amounted to €30.5 million. An impairment reversal of €11.2 million was thus recognised over the period.

FAA units not yet called at 31 December 2016 amounted to €57.4 million. The liability is carried in the balance sheet under "Due to suppliers of fixed assets" (see Note 1.C).

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 8 LONG-TERM LOANS AND RECEIVABLES

The deposit of €30 million made by Peugeot S.A. on 20 December 2012, pursuant to the programme of securitisation of the Group's trade receivables, was decreased by a repayment at 26 March of €15.0 million, to a balance of €15.0 million in our financial statements at 31 December 2016.

Repayments of €27.7 million on a deposit with the European Investment Bank (guaranteeing loans issued by that institution to Group subsidiaries) were recorded for the period. The balance recognised in our financial statements at 31 December 2016 totalled €6.5 million.

# NOTE 9 OTHER RECEIVABLES AND PREPAYMENTS TO SUPPLIERS

| *(in million euros)* | **31/12/2016** | **31/12/2015** |
|---|---|---|
| Recoverable taxes(1) | 165.3 | 221.8 |
| Shareholder advances(2) | 183.3 | 199.2 |
| Other | 0.6 | 0.0 |
| **TOTAL** | **349.2** | **421.0** |

*(1) Of which receivables from the State as research Tax Credits in the amount of €118.6 million in 2016, versus €113.3 million in 2015, and Competitiveness and Employment Tax Credit (CICE) in the amount of €14.4 million in 2016 (of which €66 million was mobilised in advance during 2016) versus €86.7 million in 2015.*
*(2) Of which receivables related to the December VAT consolidation in the amount of €110.8 million versus €104.8 million in 2015.*

# NOTE 10 MARKETABLE SECURITIES

| *(in million euros)* | **Treasury shares (Note 10.A.)** | **Other marketable securities (Note 10.B.)** | **Balance as of 31/12/2016** |
|---|---|---|---|
| Cost at 1 January 2016 | 32.1 | 57.5 | 89.6 |
| › Additions | 206.2 | - | 206.2 |
| › Disposals | (42.3) | (14.0) | (56.3) |
| **Cost at 31 December 2016** | **196.0** | **43.5** | **239.5** |
| Impairment at 1 January 2016 | (6.7) | (0.9) | (7.6) |
| › Additions | (96.8) | - | (96.8) |
| › Reversals | 42.4 | 0.3 | 42.7 |
| **Provisions for impairment at 31 December 2016** | **(61.1)** | **(0.6)** | **(61.7)** |
| **NET COST AT 31 DECEMBER 2016** | **134.9** | **42.9** | **177.8** |

## A. PEUGEOT S.A. SHARES

Changes treasury shares classified as "marketable securities":

| | **Hedge of stock-option plans** | | **Allocations to performance share grants** | | **Unallocated shares** | |
|---|---|---|---|---|---|---|
| *(in million euros)* | **Number** | **Gross** | **Number** | **Gross** | **Number** | **Gross** |
| **Total at 1 January 2016** | **1,569,581** | **32.1** | **-** | **-** | **-** | **-** |
| › Capital increase: sales of pre-emptive subscription rights | - | - | - | - | - | - |
| › Shares allocated to the Accelerate matching contribution | - | - | - | - | - | - |
| › Shares reclassified: change of category(1) | (1,569,581) | (32.1) | 4,665,000 | 77.0 | 4,448,263 | 119.0 |
| **TOTAL AT 31 DECEMBER 2016** | **-** | **-** | **4,665,000** | **77.0** | **4,448,263** | **119.0** |

*(1) Recategorisations made by the Managing Board.*

6

## B. OTHER MARKETABLE SECURITIES

At 31 December 2016 most of the OAT debt securities held by Peugeot S.A. are purchased under resale agreements and lodged with the European Investment Bank as collateral for loans made by the bank to Group subsidiaries.

These resale agreements (for renewable three-month periods) are included in "Other marketable securities" in an amount of €43.5 million at 31 December 2016.

# NOTE 11 TREASURY SHARES, PERFORMANCE SHARE PLAN AND STOCK OPTION PLANS

## A. PEUGEOT S.A. SHARES

### *At 31 December 2016*

At year-end, Peugeot S.A. held 9,113,263 securities, acquired at a total cost of €196.0 million. These securities break down into the following two categories, based on the purpose for which they were acquired:

| *(in million euros)* | Number of shares | Gross Value | Impairment | Net Value |
|---|---|---|---|---|
| **"Other long-term investments" (Note 7)** | | | | |
| Shares held for allocation on conversion of the OCEANE bonds issued on 23/06/2009 | - | - | - | - |
| Shares held for the purpose of setting up a future liquidity contract | - | - | - | - |
| **Sub-total – "Other investments"** | **-** | **-** | **-** | **-** |
| **"Other marketable securities" (Note 10)** | | | | |
| Shares held for allocation on exercise of stock options | 4,665,000 | 77.0 | (10.3) | 66.7 |
| Shares allocated to future grants | 4,448,263 | 119.0 | (50.8) | 68.2 |
| Other allocations | - | - | - | - |
| **Sub-total – "Marketable securities"** | **9,113,263** | **196.0** | **(61.1)** | **134.9** |
| **TOTAL AT 31 DECEMBER 2016** | **9,113,263** | **196.0** | **(61.1)** | **134.9** |

The application of valuation methods specific to each category of shares as described in Notes 1.E as well as transfers due to the reallocation and cancellation of certain options resulted a net reversal of €87.6 million in other investments and a net reversal of €54.4 million in marketable securities.

Following these reversals recorded during the year, total impairment recognised on Peugeot S.A. shares held by the Company amounted to €61.1 million at 31 December 2016 versus €94.3 million at 31 December 2015.

## B. PERFORMANCE SHARE PLAN

### *1) 2015 share grant*

As a reminder, a performance share grant was implemented on 27 February 2015 (see Note 11.B to the 2015 company financial statements), subject to performance conditions and relating to 2,465,000 new shares to be issued.

The Managing Board, on 28 November 2016, decided that the delivery of shares to the grantees of said grant would not be carried out via the creation of new shares but by the allocation of existing treasury shares held by the Company.

### *2) 2016 share grant*

In view of the authorisation granted at the Extraordinary Shareholders' Meeting of 27 April 2016, the Peugeot S.A. Managing Board adopted a long-term discretionary profit-sharing plan in the form of the allocation of performance shares subject to performance conditions, with effect from 2 June 2016. This plan relates to a maximum number of 2,200,000 existing treasury shares held by the Company. Vesting is subject to two performance conditions. The first half will be linked to the operating margin of the Automotive Division over 2016, 2017 and 2018, and the second half to the Group's revenue growth between 2015 and 2018, at constant exchange rates.

For all grantees, the performance shares will be acquired in two tranches, following two vesting periods:

- an initial vesting period of three years, expiring on 3 and 16 June 2019 for 50% of the shares; and
- a second period of four years, expiring on 3 and 16 June 2020 for the remaining 50%.

For both of the aforementioned tranches, vesting will be subject to a condition of presence within the PSA Group at the end of the vesting period in question.

### C. STOCK OPTION PLANS

No stock option plans were set up during 2016 and no options were exercised.

The characteristics of the Company's stock option plan are presented below:

| | Date of Managing Board decision | Vesting date | Last exercise date | Number of initial grantees | Exercise price (in euros) | Number of options granted |
|---|---|---|---|---|---|---|
| 2008 Plan | 20/08/2008 | 22/08/2011 | 19/08/2016 | 194 | 21.58 | 1,345,000 |

One of the vesting conditions of the stock options is generally the grantee's continued presence within the Company at the vesting date.

Changes in the number of options outstanding under this plan (exercisable for €1 par value shares) are shown below:

| *(number of options)* | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Total at 1 January** | **1,569,581** | **2,942,961** |
| Adjusted number of options granted following the capital increase(1) | - | - |
| Options granted | - | - |
| Options exercised | - | - |
| Cancelled options | - | (32,188) |
| Expired options | (1,569,581) | (1,341,192) |
| **TOTAL AT 31 DECEMBER** | **-** | **1,569,581** |
| o/w exercisable options | - | 1,569,581 |

*(1) In compliance with Articles R. 228-91 par. 1° a) and R. 225-140 of the French Commercial Code.*

## NOTE 12 CASH AND CASH EQUIVALENTS

Cash equivalents correspond to cash advances made to GIE PSA Trésorerie, manager of the cash pool for the Group's manufacturing and sales companies. The funds are immediately available to meet the Company's day-to-day cash needs and bear interest at a rate based on the average monthly EONIA.

The cash advances are used by GIE PSA Trésorerie to meet the short-term financing needs of Group subsidiaries. External investments consist of units in money market funds with a capital guarantee and a guaranteed yield, retail certificates of deposit and money market notes at overnight rates.

At 31 December 2016, advances to GIE PSA Trésorerie totalled €3,271.2 million.

## NOTE 13 PROVISIONS RECOGNISED AT 31 DECEMBER 2016

| Type of provisions *(in million euros)* | At 1 January | Charges for the year | Used in the year | Reversals for the year | Other movements | At 31 December |
|---|---|---|---|---|---|---|
| **Provisions** | | | | | | |
| Provisions for tax risks | 74.9 | - | - | - | - | 74.9 |
| Other provisions for contingencies and charges | 14.4 | 81.9 | (3.8) | (0.2) | - | 92.3 |
| | **89.3** | **81.9** | **(3.8)** | **(0.2)** | **-** | **167.2** |
| **Provisions for impairment of investments** | | | | | | |
| Shares in subsidiaries and affiliates (Note 5.B) | 1,612.0 | 3.8 | - | (972.0) | - | 643.8 |
| Advances to subsidiaries and affiliates (Note 6) | - | - | - | - | - | - |
| Other investments (Note 7) | 129.3 | - | - | (98.8) | - | 30.5 |
| Loans | 1.1 | - | - | - | - | 1.1 |
| | **1,742.4** | **3.8** | **-** | **(1,070.8)** | **-** | **675.4** |
| **Provisions for impairment of current assets** | | | | | | |
| Marketable securities (Note 10.A) | 7.6 | 96.8 | - | (0.4) | (42.2) | 61.7 |
| Non-performing loans | 1.5 | 0.2 | - | - | - | 1.7 |
| Bond redemption premiums | **9.1** | **97.0** | **-** | **(0.4)** | **(42.2)** | **63.4** |
| **TOTAL** | **1,840.8** | **182.6** | **(3.8)** | **(1,071.5)** | **(42.2)** | **906.0** |
| Movements classified under: | | | | | | |
| › operations | | 53.6 | (3.8) | - | - | |
| › financing | | 100.6 | - | (1,071.5) | - | |
| › non-recurring | | 28.4 | - | - | - | |
| › income tax (Note 23) | | - | - | - | - | |

## NOTE 14 SHARE CAPITAL

| *(number of shares)* | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **At 1 January** | **808,597,336** | **783,088,675** |
| Shares issued during the year | 51,327,559 | 25,508,661 |
| **AT 31 DECEMBER** | **859,924,895** | **808,597,336** |

### CAPITAL INCREASE

The 51,327,559 new shares created during the year correspond to the exercise of equity warrants allocated as part of the 2014 capital increase. (Note 2.1). At 31 December 2016, 209,531,590 equity warrants were exercised out of a total of 342,060,365 warrants issued in the amount of €471.5 million. The number of equity warrants yet to be exercised at 31 December 2016 was 132,528,775, representing 46,385,071 shares at an exercise price of €6.43.

### SITUATION AT 31 DECEMBER 2016

Share capital amounted to €859,924,895 at 31 December 2016, 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. Following the capital increases of the first half of 2015, SOGEPA, Dongfeng Motor Group and the Peugeot family group (FFP and Établissements Peugeot Frères) each held a 12.86 equity stake (13.7% at 31 December 2015). Pursuant to Article 11 of the By-laws revised at the Shareholder's Meeting of 25 April 2014, shares registered in the name of the same holder for at least two years carry double voting rights. At 31 December 2016 a total of 332,840,827 shares carried double voting rights. Under the agreements reached at the time of the 2014 capital increases, the companies in the Peugeot family group agreed to neutralize the impact of their double voting rights in the Shareholders' Meeting by setting them equal to the number of shares held by DFG and SOGEPA as a result of these capital increases, or 110,622,220 shares.

The share price on 31 December 2016 was €15.50.

# NOTE 15 CHANGES IN EQUITY

| *(in million euros)* | 31/12/2015 | Capital increase | Appropriation voted at AGM 27/04/2016 | Other movements for the year | 31/12/2016 |
|---|---|---|---|---|---|
| **Share capital** | **808.6** | 51.3 | - | - | **859.9** |
| **Additional paid-in capital** | **3,505.3** | **278.7** | **-** | **-** | **3,784.0** |
| **Revaluation reserve**[(1)] | | | | | |
| Equity investments | 454.5 | - | - | - | 454.5 |
| | **454.5** | **-** | **-** | **-** | **454.5** |
| **Reserves and retained earnings** | | | | | |
| Legal reserve | 78.3 | - | 2.6 | - | 80.9 |
| Long-term capital gains reserve | 1,068.5 | - | - | - | 1,068.5 |
| Other reserves | 4,751.4 | - | - | - | 4,751.4 |
| Retained earnings | 2,906.9 | - | 3,312.4 | - | 6,219.3 |
| | **8,805.1** | - | **3,315.0** | **-** | **12,120.1** |
| **Net profit for the year** | **3,315.0** | - | (3,315.0) | 1,611.2 | **1,611.2** |
| **Untaxed provisions** | **1.2** | - | - | - | **1.2** |
| **TOTAL** | **16,889.7** | **330.0** | **-** | **1,611.2** | **18,830.9** |

*(1) 1976 legal revaluation.*

# NOTE 16 LONG-AND SHORT-TERM DEBT

| *(in million euros)* | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Other bond debt | 1,869.7 | 3,134.5 |
| Other long- and short-term debt | 0.6 | 17.8 |
| **TOTAL** | **1,870.3** | **3,152.3** |

Peugeot S.A. issues bonds under an EMTN programme, arranges confirmed lines of credit for its financial security.

Peugeot S.A. and GIE PSA Trésorerie have, from April 2014 forward, a confirmed line of credit in the amount of €3 billion with a maturity extended to 10 November 2015. It comprises a €2 billion five-year tranche A extended to 2020 and a €1.0 billion three-year tranche B extended to 2018, retaining the two optional one-year extensions. A first request was made on 8 November 2016 to extend tranche B until 8 November 2019 (tranche A would run until 10 November 2020). It was undrawn at 31 December 2016.

This facility is subject to the respect of:

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

The net debt of manufacturing and sales companies is defined and disclosed in Note 11.3. The Group's equity is that listed under "Total Equity" in liabilities.

At 31 December 2016, these covenants were complied with.

## PEUGEOT S.A. BOND ISSUES

The main transactions during the year were as follows:

- On 04 January 2016 Peugeot S.A. redeemed the maturing June 2009 OCEANE bond of €575.0 million and repaid €535.4 million;
- On 30 March 2016 Peugeot S.A. redeemed the maturing September 2011 bond of €500.0 million and repaid €237.7 million;
- On 15 April 2016, Peugeot S.A. issued €500 million in fixed-rate 2.375% bonds maturing in April 2023.
- On 22 June 2016 Peugeot S.A. effected a partial buyback of bonds for €496.0 million;
- On 28 October 2016 Peugeot S.A. redeemed the maturing October 2010 bond of €500 million an additional of €150 million loan issued on 26 January 2011 and repaid €461.8 million.

At the same date accrued interest recognised on these bonds amounted to €77.3 million versus €124.8 million in 2015.

## BREAKDOWN OF BONDS BY MATURITY

| *(in million euros)* | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total at 31/12/2016 |
|---|---|---|---|---|---|---|---|---|
| Other bonds | 303.6 | 558.5 | 430.4 | - | - | - | 500.0 | 1,792.5 |
| Convertible bonds | - | - | - | - | - | - | - | - |
| **TOTAL** | **303.6** | **558.5** | **430.4** | **-** | **-** | **-** | **500.0** | **1,792.50** |

# NOTE 17 MATURITIES OF RECEIVABLES AND PAYABLES AT 31 DECEMBER 2016

| **Receivables** *(in million euros)* | Total | Due within one year | Due beyond one year |
|---|---|---|---|
| Advances to subsidiaries and affiliates | 1,363.7 | 374.9 | 988.8 |
| Loans(1) | 24.7 | - | 24.7 |
| **Non-current assets** | **1,388.4** | **374.9** | **1,013.5** |
| Trade receivables | 42.4 | 42.3 | 0.1 |
| Other receivables and prepayments to suppliers | | | |
| › Tax prepayments and tax credits | 158.7 | 158.7 | - |
| › Subsidiaries | 183.3 | 183.3 | - |
| › Other | 7.2 | 7.2 | - |
| › Total | 349.2 | 349.2 | - |
| Marketable securities | 239.5 | 26.0 | 213.5 |
| Cash equivalents | 3,271.2 | 3,271.2 | - |
| **Current assets** | **3,902.2** | **3,688.7** | **213.6** |
| Prepaid expenses | - | - | - |
| **TOTAL** | **5,290.7** | **4,063.6** | **1,227.1** |

*(1) Surety deposit on the securitisation of the Group's commercial paper and 1% construction loan. See Note 13 for information on asset impairment.*

| **Payables** *(in million euros)* | Total | Due within one year | Due beyond one year |
|---|---|---|---|
| **Long- and short-term debt** | **1,870.3** | **381.4** | **1,488.9** |
| **Trade payables** | **162.8** | **162.8** | **-** |
| **Due to suppliers of fixed assets** | **61.9** | **-** | **61.9** |
| Shareholder advances | 192.0 | 192.0 | - |
| Other | 1.6 | 1.6 | - |
| **Other liabilities** | **193.6** | **193.6** | **-** |
| **TOTAL LIABILITIES** | **2,288.6** | **737.8** | **1,550.8** |
| **Deferred income** | **2.2** | **2.2** | **-** |

On 31 December 2016, the liabilities due beyond five years amounted to €500 million and related to the 2.375% fixed-rate bonds issued in April 2016.

Of the €61.9 million of debt for fixed assets, €57.4 million at 31 December 2016 are imputed to FAA payments that had not been called.

## NOTE 18 ACCRUED INCOME AND EXPENSES

Accrued income and expenses included in other balance sheet items are as follows:

| *(in million euros)* | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Accrued income** | | |
| Advances to subsidiaries and affiliates | 68.8 | 124.8 |
| Trade receivables | 40.3 | 13.0 |
| Other receivables and prepayments to suppliers | 0.6 | - |
| Marketable securities | 14.2 | 14.9 |
| Cash equivalents | - | - |
| **TOTAL** | **123.9** | **152.7** |

| *(in million euros)* | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Accrued expenses** | | |
| Long- and short-term debt | 77.3 | 124.8 |
| Trade payables | 37.6 | 24.2 |
| Accrued taxes and payroll costs | 27.5 | 23.7 |
| Other liabilities | - | - |
| Cash equivalents | - | 4.1 |
| **TOTAL** | **142.3** | **176.8** |

6

## NOTE 19 ITEMS REFERRING TO RELATED PARTIES AND ASSOCIATED COMPANIES

| *(in million euros)* | Related party transactions(1) |
|---|---|
| **Balance sheet items** | |
| **Assets** | |
| Shares in subsidiaries and affiliates (Note 5) | 16,582.8 |
| Advances to subsidiaries and affiliates (Note 6) | 1,363.7 |
| Trade receivables | 42.4 |
| Other receivables and prepayments to suppliers | 183.3 |
| Cash equivalents (Note 12) | 3,271.2 |
| **Liabilities & Equity** | |
| Long- and short-term debt | - |
| Trade payables | 0.7 |
| Due to suppliers of fixed assets | 4.5 |
| Other liabilities | 192.0 |
| **Income statement items** | |
| Financial expenses | - |
| Impairment on equity investments: expenses (Note 5) | (3.8) |
| Investment income | 548.5 |
| Impairment of investments and in loans and advances to subsidiaries and affiliates: reversals (Notes 5 & 6) | 972.0 |
| Other financial income | 132.8 |

*(1) Companies consolidated in the consolidated financial statements of PSA Group, including those accounted for by the equity method, members of the managing bodies and shareholders holding over 10% of Peugeot S.A. capital.*

Other than these transactions, there were no significant transactions with other related parties.

## NOTE 20 BREAKDOWN OF OPERATING INCOME AND EXPENSE FOR THE PERIOD ENDING 31 DECEMBER 2016

| *(in million euros)* | **31/12/2016** | **31/12/2015** |
|---|---|---|
| Revenue (Note 21) | 226.5 | 179.8 |
| Other income | - | - |
| Expense transfers | 13.7 | 1.7 |
| Reversals of provisions for contingencies and charges | 3.8 | 0.7 |
| **Operating income** | **244.0** | **182.2** |
| Other purchases and external charges(1) | (113.1) | (101.3) |
| Taxes other than on income | (7.0) | (7.9) |
| Wages and salaries | (47.2) | (47.2) |
| Payroll taxes | (36.2) | (25.3) |
| Other expenses | (1.4) | (1.3) |
| Additions to provisions for contingencies and charges | (53.6) | (13.2) |
| **Operating expenses** | **(258.5)** | **(196.2)** |
| **NET OPERATING INCOME** | **(14.5)** | **(14.0)** |

*(1) This heading primarily includes the following items:*
*- the lease on the building at 75 avenue de la Grande-Armée in Paris, after selling it in 2011. The yearly rent is €15.6 million;*
*- the commissions and brokerage fees on borrowings were €68.2 million, including €67.3 million for transactions on borrowings.*

## NOTE 21 REVENUE

Revenue breaks down as follows:

### A. BY BUSINESS SEGMENT

| *(in million euros)* | **31/12/2016** | **31/12/2015** |
|---|---|---|
| Service revenues(1) | 216.7 | 170.1 |
| Rental income | 9.8 | 9.7 |
| **TOTAL** | **226.5** | **179.8** |

*(1) Services consist primarily of participation in study costs, Group management and operational expenses billed by the parent company to its subsidiaries in the amount of €112.2 million, and borrowing costs rebilled to GIE PSA Trésorerie in the amount of €63.6 million.*

### B. BY GEOGRAPHICAL SEGMENT

Substantially all of the Company's revenue is generated in France.

## NOTE 22 BREAKDOWN OF NON-RECURRING INCOME AND EXPENSE FOR THE PERIOD ENDING 31 DECEMBER 2016

| *(in million euros)* | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Net gains on property disposals | - | - |
| Net gains on treasury share disposals (Note 14) | - | - |
| Net gains on disposals of shares in subsidiaries and affiliates | 10.6 | 11.0 |
| Reversals of provisions for claims and litigation and tax audits | - | 15.0 |
| Reversal of revaluation reserve (Note 15) | - | - |
| Other | - | 26.0 |
| **Non-recurring income** | **10.6** | **52.0** |
| Fines relating to claims and litigation and tax audits | (0.6) | (1.7) |
| Carrying amount of divested assets | - | (4.2) |
| Carrying amount of divested shares in subsidiaries and affiliates | (3.2) | (146.6) |
| Carrying amount of divested treasury shares | - | - |
| Net income from sale of pre-emptive subscription rights | - | - |
| Other[1] | (28.4) | - |
| **Non-recurring expenses** | **(32.2)** | **(152.5)** |
| **NET NON-RECURRING INCOME (EXPENSE)** | **(21.6)** | **(100.5)** |

## NOTE 23 INCOME TAXES

In view of the Group's tax regime (see Note 1.I), tax income and expense recognised in profit and loss are as follows:

| *(in million euros)* | 31/12/2016 | 31/12/2015 |
|---|---|---|
| Tax payable to Peugeot S.A. by profitable members of the tax group[1] | (57.6) | (73.8) |
| Return by profitable members of the tax group of tax savings previously transferred by Peugeot S.A. grantees | 33.4 | 28.5 |
| Group relief | 205.2 | 206.1 |
| Adjustments for tax expense | (31.1) | - |
| Change in provision for tax savings to be transferred to loss-making subsidiaries | - | - |
| Change in provision for tax risks | - | - |
| **NET INCOME TAX BENEFIT** | **149.9** | **160.8** |

*(1) In 2016, the tax due to Peugeot S.A. from consolidated subsidiaries was a negative amount of €57.6 million, in accordance with the rules governing tax consolidation and the allocation of fax credits.*

In 2016, the overall income of the Group as consolidated entity for tax purposes was a profit of €24.3 million at the standard tax rate, and a profit of €184.5 million at the reduced rate. In 2016 the tax group had unused tax loss carryforwards totalling €12,045.5 million.

## NOTE 24 FINANCIAL COMMITMENTS

| *(in million euros)* | 31/12/2016 | 31/12/2015 |
|---|---|---|
| **Commitments received** | | |
| › Syndicated line of credit(1) | 3,000.0 | 3,000.0 |
| › Bank guarantee | 16.5 | 10.1 |
| › Income tax reallocations(2) | 448.0 | 481.4 |
| **TOTAL** | **3,464.5** | **3,491.5** |
| **Commitments given** | | |
| Guarantees for loans obtained by: | | |
| › Peugeot S.A. subsidiaries(3) | 890.8 | 1,152.2 |
| › Other companies | - | - |
| Other commitments given on behalf of: | | |
| › Peugeot S.A. subsidiaries(4) | 312.2 | 435.1 |
| › Other companies | 6.2 | - |
| **TOTAL** | **1,209.2** | **1,587.3** |
| Commitments received from and given to related parties are as follows: | | |
| › Commitments received | 448.0 | 491.5 |
| › Commitments given | 1,203.0 | 1,587.3 |

**Commitments received include:**

(1) *On 10 November 2015, Peugeot S.A. signed an amendment to the new €3 billion syndicated credit facility (initiated in 2014) that extended its maturity. It comprises a €2 billion five-year (10 November 2020) tranche A and a €1 billion three-year (2018) tranche B and retains the two optional one-year extensions. A first request was made on 8 November 2016 to extend tranche B until 8 November 2019 (tranche A would run until 10 November 2020).*

(2) *Allocations to certain subsidiaries of income tax previously paid by Peugeot S.A., which these subsidiaries have undertaken to repay to Peugeot S.A. when they return to profit.*

**Commitments given include:**

(3) *For €600 million in guarantees made by Peugeot S.A. in 2011 as part of a €600 million bond issue by GIE PSA Trésorerie maturing September 2033. The other guarantees mostly concern loans obtained by subsidiaries from the European Investment Bank and the EBRD.*
*For €133.2 million in guarantees given in 2012 by Peugeot S.A. as part of the debt incurred by PCMA Russie.*

(4) *€53.8 million, the equivalent of outstanding loans by Banque PSA Finance to Group subsidiaries at 31 December 2016, that Peugeot S.A. is committed to repaying in the event of default by the subsidiaries concerned.*
*€99.3 million, representing the letters of intent signed by Peugeot S.A. to guarantee the rental payments due under the leases signed by France and UK Retail.*
*€29.8 million, representing tax guarantees to the Italian authorities.*

## NOTE 25 PENSION OBLIGATIONS

For greater detail, please refer to Note 6.1 and 6.3 to the consolidated financial statements.

At 31 December 2016, the projected benefit obligation amounted to €47.5 million.

Benefit compensation for services rendered is funded in the amount of €30.7 million paid into external funds.

Members of the Group's managing bodies with a supplementary defined benefit pension plan providing added pension, accounting for at most 30% of the reference compensation. Upon proposal by the Chairman of the Managing Board, the PSA Supervisory Board approved the principle of terminating this scheme in December 2015. A new scheme based on a defined contribution model has been in place since 1 January 2016. This means that the Company will no longer offer guaranteed levels of retirement income, but will pay out an annual benefit that is directly tied to the Group's results and performance.

## NOTE 26 UNRECOGNISED DEFERRED TAXES

Deferred taxes arising from differences between the recognition of income and expenses for financial reporting and tax purposes represented a net deferred tax asset of €239.4 million at 31 December 2016, comprising €105.7 million for losses carried forward and €133.7 million as a temporary difference. There are no deferred tax liabilities.

## NOTE 27 MANAGEMENT COMPENSATION

The Group is managed by the Managing Board.

The Group's managing bodies correspond to the Executive Committee, which includes the members of the Managing Board and other members of executive management.

Compensations are detailed in Note 6.3 to the consolidated financial statements.

The following table presents details of performance shares awarded to senior management in 2015 and 2016 and Peugeot S.A. stock options granted to senior management in the past and still outstanding:

| *(number of options)* | **31/12/2016** | **31/12/2015** |
|---|---|---|
| Performance shares held at 31 December | 1,585,000 | 865,000 |
| Stock options held at 31 December | - | 168,601 |

Furthermore, the charge recorded in 2016 in relation to the contribution to the new defined-contribution pension plan for members of the Managing Board and the other Executive Committee members amounted to €4.2 million, comprised of €2.1 million paid to a pension fund and €2.1 million paid in cash to grantees (taking into account a scheme based on taxation upon first deposit).

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 28 AVERAGE WORKFORCE

| *(number of employees)* | **31/12/2016** | **31/12/2015** |
|---|---|---|
| Managers | 246 | 270 |
| Other | 59 | 58 |
| **TOTAL** | **305** | **328** |

## NOTE 29 SUBSEQUENT EVENTS

Between 31 December 2016 and 22 February 2017, the date on which the financial statements were approved by the Supervisory Board, no event likely to significantly impact the economic decisions made on the basis of these financial statements occurred.

# NOTE 30 SUBSIDIARIES AND EQUITY INVESTMENTS AT 31 DECEMBER 2016

*(in thousands of euros or of national currencies)*

| Company or group | | Share Capital | Shareholders' equity other than capital | Share of equity held *(as a percentage)* | Book value of shares held – Gross | Book value of shares held – Net | Amount of deposits and endorsements given by the Company | Profit (loss) for the last reporting period | Revenues excluding sales taxes of the past financial year | Profit (loss) for the last reporting period | Dividends received by the Company during the period | Observations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I – Detailed information regarding securities with a gross value exceeds 1% of share capital:** | | | | | | | | | | | | |
| **A – Subsidiaries (at least 50% owned)** | | | | | | | | | | | | |
| Peugeot Citroën Automobiles Route de Gisy, 78 Vélizy | | 300,177 | 811,096 | 100.00 | 12,559,342 | | - | 344,374 | 51,789,085 | 491,116 | - | |
| Automobiles Citroën 12, rue Fructidor, Paris 17e | | 159,000 | 117,285 | 100.00 | 625,654 | | - | 8,336 | 6,974,473 | 98,569 | 30,600 | |
| Automobiles Peugeot 75, avenue de la Grande-Armée, Paris 16e | | 172,712 | 193,396 | 100.00 | 480,545 | | - | 8,336 | 11,341,930 | 162,405 | 122,467 | |
| Conception d'Équipements Peugeot Citroën 9, ave du Maréchal Juin, 92 Meudon la Forêt | | 22,954 | 23,447 | 84.54 | 170,304 | | - | - | 135,757 | 7,791 | 1,047 | |
| DS Automobiles 75, avenue de la Grande-Armée, Paris 16e | | 500 | (24) | 100.00 | 500 | | - | - | 104 | (24) | - | |
| **TOTAL OF AUTOMOTIVE DIVISION SUBSIDIARIES** | | | | | **13,836,345** | **13,836,345** | | | | | | |
| Grande Armée Participations 75, avenue de la Grande-Armée, Paris 16e | | 60,435 | 6,364 | 100.00 | 408,923 | 66,803 | - | - | - | 265 | 2,003 | |
| Banque PSA Finance 75 avenue de la Grande-Armée, Paris 16e | | 177,408 | 1,565,673 | 74.93 | 380,084 | 380,084 | - | | 160,858 | 435,371 | 325,341 | |
| PSA International S.A. 62, quai Gustave Ador, 1207 Genève (Suisse) | CHF | 5,979 | 221,190 | - | - | - | - | - | 30,597 | 20,883 | | 1 EUR = 1,073900 CHF |
| | EUR | 5,568 | 205,969 | 100.00 | 6,844 | 6,844 | - | - | 28,491 | 19,446 | 18,150 | |
| Société Anonyme de Réassurance Luxembourgeoise 6 B, route de Trêves L2633 Senningerberg – Luxembourg | | 10,500 | 156,122 | 100.00 | 11,267 | 11,267 | - | - | 28,936 | - | - | |
| PSA Ventures 75, avenue de la Grande-Armée, Paris 16e | | 20,000 | (2) | 100.00 | 20,000 | 20,000 | | | | (2) | | |
| **B – Affiliates (10 to 50% owned)** | | | | | | | | | | | | |
| Faurecia 2, rue Hennape, 92 Nanterre | | 966,251 | 2,083,138 | 46.33 | 1,609,405 | 1,609,405 | - | - | 302,200 | 99,945 | 41,574 | |
| GEFCO 77 à 81, rue des Lilas d'Espagne, Courbevoie (Hauts-de-Seine) | | 8,000 | 247,287 | 24.96 | 8,094 | 8,094 | - | - | 36,412 | 29,774 | 7,288 | |
| Peugeot Motocycles Rue du 17 Novembre, 25 Mandeure | | 9,809 | (26,922) | 49.00 | 301,597 | - | - | - | 98,014 | (25,548) | - | |
| **II – Aggregate information about investments representing less than 1% of the Company's share capital:** | | | | | | | | | | | | |
| **A – Subsidiaries not listed in I:** | | | | | | | | | | | | |
| a) French subsidiaries (total) | | - | - | - | 15 | 15 | - | 600,000 | - | - | - | |
| b) Foreign subsidiaries (total) | | - | - | - | - | - | - | - | | | 21 | |
| **B – Affiliates not listed in I:** | | | | | | | | | - | - | | |
| a) French companies (total) | | - | - | - | - | - | - | - | - | - | - | |
| b) Foreign companies (total) | | - | - | - | 212 | 212 | - | - | - | - | - | |

# 6.5. COMPANY FINANCIAL RESULTS FOR THE PAST FIVE YEARS

| *(in euros)* | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **I – Year-end financial position** | | | | | |
| a) Share capital[(1)] | 859 924 895 | 808,597,336 | 783,088,675 | 354,848,992 | 354,848,992 |
| b) Shares outstanding | 859,924,895 | 808,597,336 | 783,088,675 | 354,848,992 | 354,848,992 |
| **II – Results of operations** | | | | | |
| a) Net revenues | 907,696,000 | 1,307,530,034 | 730,869,845 | 796,836,770 | 1,555,591,599 |
| b) Income before tax, employee profit-sharing, depreciation, amortisation and provisions | 571,740,325 | 2,920,816,409 | 109,199,914 | 293,062,589 | 1,884,037,150 |
| c) Employee profit-sharing (charge for the year) | - | - | - | - | - |
| d) Income tax[(2)] | 149,903,370 | 160,797,535 | 159,993,931 | 98,941,511 | 1,284,142,729 |
| e) Income after tax, employee profit-sharing, depreciation, amortisation and provisions | 1,611,204,755 | 3,315,010,317 | 300,166,206 | 453,603,708 | 61,213,741 |
| **f) Dividends** | | | | | |
| **III – Per share data** | | | | | |
| a) Income after tax and employee profit-sharing, before depreciation, amortisation and provisions | 0.84 | 3.81 | 0.34 | 1.10 | 8.93 |
| b) Income after tax, employee profit-sharing, depreciation, amortisation and provisions | 1.87 | 4.10 | 0.38 | 1.28 | 0.17 |
| c) Dividend per share: | | | | | |
| › Net dividend distributed | - | - | - | - | - |
| › Income taxes already paid to Treasury (tax credit) | - | - | - | - | - |
| **= Total revenu** | - | - | - | - | - |
| **IV – Employees** | | | | | |
| a) Average number of employees | 305 | 328 | 359 | 324 | 341 |
| b) Total payroll | 42,377,993 | 41,760,374 | 38,646,265 | 32,337,988 | 33,613,058 |
| c) Total benefits (social security, retirement pensions, etc.) | 36,185,688 | 25,349,667 | 16,192,375 | 14,424,534 | 11,183,125 |

*(1) 2015: Changes in equity are the result of the 2015 capital increase, the equity warrants and OCEANE bonds converted to shares between 2009 and 2015.*
*(2) Since 1 January 1990, in compliance with Article 223-A et seq. of the French General Tax Code, a consolidated tax return has been filed by the Company and its French subsidiaries that are at least 95% owned. The income tax charge includes current taxes for the year and movements in provisions for deferred taxes.*

# 6.6. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

*This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.*

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of Peugeot S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the managing board. Our role is to express an opinion on these financial statements based on our audit.

## I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

## II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

At each balance sheet date, your company determines the value in use of its "Shares in subsidiaries and affiliates" and "Other investments" according to the methods described in notes 1B and 1C to the financial statements, and sets aside a provision for impairment when the carrying amount exceeds the value in use, as specified in notes 5 and 7 to the financial statements. As part of our assessment of the accounting principles applied and of significant estimates made to prepare the financial statements, we verified the appropriateness of the accounting methods described in the notes to the financial statements and correct application thereof, as well as of the reasonableness of the underlying estimates.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the managing board and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French commercial code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders or the holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, March 10th, 2017

The statutory auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Jean-François Bélorgey |

# 6.7. STATUTORY AUDITORS' REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.*

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby report to you on related party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the principal terms, conditions and benefits for the company of the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R. 225-58 of the French Commercial Code ("*Code de commerce*"), it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is our responsibility to report to the shareholders the information pursuant to Article R. 225-58 of the *Code de commerce* relating to agreements and commitments previously approved by the Shareholders' Meeting during the year.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

## 1. AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE SHAREHOLDERS' MEETING

### Agreements and commitments authorized during the year

In accordance with Article L. 225-88 of the French Commercial Code (*Code de commerce*), we were informed of the following agreement authorized by the Supervisory Board of Peugeot S.A.

### Related party agreements taken in favor of a Managing Board's member, Mr. Picat, concerning the continuation of the benefits of the defined contribution pension plan set up on January 1, 2016

First, it is recalled that the commitment of a new pension plan applicable to the Managing Board's members from January 1, 2016 has been authorized by the Supervisory Board of Peugeot S.A. on December 15, 2015 and approuved by the Annual Shareholders' Meeting of April 27, 2016.

On July 26, 2016, the Supervisory Board of Peugeot S.A., on the proposal of the Chairman of the Managing Board and having regard to the recommandation of the Appointments, Compensation and Governance Committee, decided to appoint Mr. Picat to the Managing Board beginning on September 1, 2016 and until the end date of the current appointment, on April 2, 2017. Following this decision, the Supervisory Board of Peugeot S.A. has authorised, at the same date, to keep the benefits of the new defined contribution pension plan applicable to the Managing Board and to the Executive Committee since January 1, 2016 to Mr. Picat.

This plan grants a yearly contribution to the pension plan, equal to 25% of the sum of fixed and variable yearly salary. This yearly contribution is composed of 50% of subscription to an independent organization within the frame of an optional pension plan with fixed contributions (article 82 of the French Tax Code ("*Code général des impôts*")) and withhold until pension withdrawal, and 50% of cash considering pre-taxes. In 2016, this contribution amounts for Mr. Picat to €107.872.

Concerning the previous pension plan the Supervisory Board has terminated, Mr. Picat is granted a contribution of an amount calculated from the rights cumulated until the end of 2015, reduced by a coefficient based on the age, the time spent in the plan and the time spent in the Group. The contribution is composed of 50% of subscription to an independent organization and withhold until pension withdrawal and 50% of cash. The contribution will be spread over 3 years (2016, 2017 and 2018) and is contingent on the presence within the Group at the end of each year.

The first contribution of Mr. Picat for 2016 amounts to €39,000 (subject to taxes, net amount is around 50% of the previous).

Decisions of the Supervisory Board of Peugeot S.A. have been taken considerate the advantages and disadvantages linked to the transition from the pension plan with fixed contributions to the new pension plan. In particular the fact that it is less costly for the Group.

## Agreements and commitments authorized after the year-end

We have been informed of the following agreements and commitments authorized after the year-end by your Supervisory Board.

## Commitments made to the Managing Board's members, in regards of the renewal of their appointment to the Managing Board on April 2, 2017 and relating to the continuation of the benefits of the defined contribution pension plan

First, it is recalled that the Supervisory Board of Peugeot S.A. has authorized, on December 15, 2015, the commitment relating to the termination of the pension plan with fixed contributions practical to the Managing Board members on December 31, 2015 and the deletion of associated advantages and the commitment of a new pension plan from January 1, 2016. These commitments have been approved by the Annual Shareholders Meeting of April 27, 2016 and were subject of the Statutory Auditors' Special Report signed February 24, 2016.

On February 22, 2017, the Supervisory Board of Peugeot S.A. has authorized, considering the renewal of the appointments of the Managing Board's members, expiring on April 2, 2017, authorized in the same meeting, to keep the benefits of new contributions pension plan for Managing Board's members under the same financial terms as authorized on December 15, 2015 and approved by the Annual General Meeting of April 27, 2016 for Messrs. Tavares, Chasseloup de Chatillon and Quémard and as authorized during the Supervisory Board meeting of July 26, 2017 for Mr.Picat  as detailed in the preceding paragraph of this report.

The implementation of the new pension scheme, applicable to the Managing Board's members, grants a yearly contribution to the pension plan, equal to 25% of the sum of fixed and variable yearly salary. This yearly contribution is composed of 50% of subscription to an independent organization within the frame of an optional pension plan with fixed contributions (article 82 of the French Tax Code ("*Code général des impôts*")) and withhold until pension withdrawal and 50% of cash considering pre-taxes.

In accordance with the February 22, 2017 Supervisory Board's decision, the contribution for 2016 amounts to €829,155 for Mr. Tavares, €329,059 for Mr. Chasseloup de Chatillon and €334,257 for Mr. Quémard. The contribution for Mr. Picat, member of the Managing Board since September 1, 2016, is mentioned in the preceding paragraph of this report.

Concerning the previous pension plan the Supervisory Board has terminated, Mr. Tavares, Mr. Chasseloup de Chatillon, Mr. Olivier (Managing Board member until August 31, 2016) and Mr. Quémard, are granted a contribution of an amount calculated from rights cumulated on the previous pension plan until the end of 2015, reduced by a coefficient based on the age, the time spent in the plan and the time spent in the Group. The contribution is composed of 50% of subscription to an independent organization and withhold until pension withdrawal and 50% of cash. Contributions will be spread over 3 years (2016, 2017 and 2018) and are contingent on the presence within the Group at the end of each year.

The first contribution for 2016 amounts to: €470,000 for Mr. Tavares, €332,000 for Mr. Chasseloup de Chatillon, €486,667 for Mr. Olivier (Managing Board member until August 31, 2016) and €510,000 for Mr. Quémard. The 2016 contribution of Mr. Picat (Managing Board member since September 1, 2016) is mentioned in the preceding paragraph of this report.

Decisions of the Supervisory Board of Peugeot S.A. have been taken considerate the advantages and disadvantages linked to the transition from the pension plan with fixed contributions to the new pension plan. In particular the fact that it is less costly for the Group.

## 2. AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

### Agreements and commitments approved in previous years and continued over the current year

In accordance with Article R. 225-57 of the French commercial code (*Code de Commerce*), we were informed that the following agreements and commitments approved by your Shareholders' Meeting in previous years remained in force during the past year.

### Agreement between entities with common directors or shareholder with more than 10% of your company's capital

#### 2.1. Agreements concluded in the context of the acquisition of minority interest into the capital of Peugeot S.A. by Dongfeng Motor Group Company Ltd ("DongFeng") and the French State

The Supervisory Board of Peugeot S.A. approved on February 18, 2014 ("Memorandum of Understanding") and on March 18, 2014 ("Master Agreement" as well as other agreements mentioned below) the following agreements:

- A "Memorandum of Understanding" dated February 18, 2014, with DongFeng, the French State, EPF and FFP designed to, firstly, formalize the principles applicable to capital transactions regarding the minority participations operations by DongFeng and the French state, as well as governance rules to set up after these capital transactions and, secondly, frame discussions and work to be done for the implementation of these capital transactions, this implementation being subject to the subsequent signing of a final legal documentation;
- A "Master Agreement" dated March 26, 2014, with DongFeng, the French state, EPF and FFP in accordance with the Memorandum of Understanding, and substituing the latter, designed to detail the terms andconditions of capital transactions and governance rules of these capital transactions.

In application of the Master Agreement arrangements, the following agreements which remained in force during the past year were signed by Peugeot S.A. April 28, 2014:

- "Shareholders Agreement", signed with DongFeng, the French state, EPF and FFP, designed to frame the rules and principles applicable between the parties after the entry of DongFeng and the French state into capital of Peugeot S.A. in terms of governance and acquisition or sale of shares. The rules and principles contained in the Shareholders Agreement are the ones set out in section 22 of the Registration Document filed with the AMF April 2, 2014;
- Letter Agreement signed with EPF and FFP on the commitment of EPF and FFP to neutralize, for 2 years from the capital increase with preferential right souscritption, the impact of their double voting rights for the number of shares held after the capital increase with preferential subscription rights. Under this Letter Agreement, Peugeot S.A. agrees to ensure the practical application of the commitment taken by EPF and FFP, on any Shareholders Meeting to be held within the period of 2 years. The commitment of EPF and FFP to neutralize the impact of their double voting rights came to and end on April 29, 2016.

*Shareholders with more than 10% concerned: Etablissements Peugeot Frères and FFP*

*Directors concerned at the time of approval of the convention: Mrs Marie-Hélène Peugeot Roncoroni, Permanent representative of EPF in the Supervisory Board of Peugeot S.A. et Messrs Thierry Peugeot, Vice-Chairman and Chief Operating Officer of EPF and Chairman of the Supervisory Board of Peugeot S.A., Jean-Philippe Peugeot, Chairman and Chief Executive Officer of EPF, Vice-Chairman and Director of FFP et Vice-Chairman of the Supervisory Board of Peugeot S.A. and Robert Peugeot, Permanent representative of FFP on the Supervisory Board of Peugeot S.A.*

#### 2.2 Guarantee granted to issues of debt securities of the company Banque PSA Finance ("BPF") from the French state

The Supervisory Board of Peugeot S.A. has authorized on December 16, 2014 the conclusion of the support protocol granted by the French state, consisting in guarantee on some issues of debt securities by BPF on December 23, 2014.

This protocol replaces the protocol signed between the same parties on October 28, 2013 to take into consideration the entry of the French state into capital of Peugeot S.A. in May 2014 and the conclusion in 2014 of a framework agreement between BPF and Santander Consumer Finance on a partnership in Europe concerning automobile financing, which allows refinancing BPF without resort to the French State guarantee and, therefore, an early waiver of any future issuance of bonds guaranteed by the State.

This protocol provides:

- A control of the garantee granted by the State, consisting of a monitoring committee composed of representatives of the PSA Peugeot Citroën Group and the French state and including for Peugeot S.A. and BPF periodic information on the financial position of BPF to the French state;
- The need for Peugeot S.A. to obtain prior approval from the French State, if BPF does not reach solvency and liquidity ratios, to distribute dividends, reserves, premiums or any other assets, to buy back shares or to reduce capital, and to grant to members of the Peugeot S.A. Managing Board variable remunerations, bonuses or severance pay, stock options or stock purchase, free stocks or other securities giving access to the capital.

As the joint ventures between Banque PSA Finance and Santander Consumer Finance started their activities during February 2015 in France and in the United Kingdom, Banque PSA Finance has announced that the French State guarantee will no longer be used for debt securities issuance.

As of 31 December 2016, after payment of the original bond with a maturity date of April 2016, Banque PSA Finance no longer carries debts guaranteed by the French State.

*Directors concerned at the time of approval of the convention: Mr Bezard, Representative of French State in the Supervisory Board of Peugeot S.A.*

### 2.3 Cash collateral to secure the payment obligations of Automobile Peugeot S.A. ("AP"), Automobile Citroën S.A. ("AC") and Peugeot Citroën Automobiles S.A. ("PCA")

On December 18, 2012, the Supervisory Board of Peugeot S.A. authorized a cash collateral to secure the payment obligations of AP, AC and PCA.

In the context of a sale of receivables program arranged by Crédit Agricole Corporate and Investissement Bank in which PCA, AP and AC participated, Peugeot S.A. provided a cash collateral in favor of Ester Finance Titrisation, dealer of the receivables, in order to secure the payment obligations of PCA, AP and AC in respect of the program documentation.

For that purpose, the « Cash Collateral Agreement » was signed on December 20, 2012 between Peugeot S.A., Crédit Agricole Corporate and Investment Bank and Ester Finance Titrisation. Originally, the cash-collateral agreement amounted to €30,000,000. It amounts to €15,000,000 as of December 31, 2016.

In 2016, the guarantee commission charged by Peugeot S.A. to each of the three entities (AP, AC and PCA) amounts to €7,426.

*Common directors at the signing date of the agreement: Mr. Varin, Chairman of the Managing Board of Peugeot S.A. and Chairman of the Board of Directors of PCA, Mr. Faury, Member of the Managing Board of Peugeot S.A.and Director and Chief Operating Officer of PCA, Mr. Chasseloup de Chatillon, Member of the Managing Board of Peugeot S.A. and Permanent Representative of Peugeot S.A. at the Board of Directors of AP and Director of AP and PCA, and Mr. Saint-Geours, Member of the Managing Board of Peugeot S.A. and Chairman of the Board of Directors of AP and AC.*

*Common directors at the signing date of this report: Mr. Tavares, Chairman of the Managing Board of Peugeot S.A. and Chairman of the Board of Directors of PCA and Mr. Chasseloup de Chatillon, Member of the Managing Board of Peugeot S.A. and Permanent Representative of Peugeot S.A. at the Board of Directors of AP and Director of AP and PCA.*

### 2.4 Share of Group general and administrative expenses

In 2016, a total amount of €109,122,425 was received by Peugeot S.A. in respect of subsidiaries' share of Group general and administrative expenses.

*Common directors at the date of this report:*

- *For PCA: Mr. Tavares, Chairman of the Managing Board of Peugeot S.A. and Chairman of the Board of Directors of PCA.*
- *For AP and AC: Mr Chasseloup de Chatillon, Member of the Managing Board of Peugeot S.A. and Permanent Representative of Peugeot S.A. at the Board of Directors of AP and Director of AC).*
- *For Banque PSA Finance "BPF": Mr. Tavares, Chairman of the Managing Board of Peugeot S.A. and Director of BPF and Mr Chasseloup de Chatillon, Member of the Managing Board of Peugeot S.A. and Permanent Representative of Peugeot S.A. at the Board of Directors of BPF.*

Courbevoie and Paris-La Défense, March 10th, 2017

The statutory auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jérôme de Pastors | Jean-Louis Simon | Christian Mouillon | Jean-François Bélorgey |

# INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

# 7.1. INFORMATION ABOUT THE COMPANY

## 7.1.1. Name of the Company

The name of the Company is Peugeot S.A.

The name "PSA Group" refers to the entire Group of companies owned by the Peugeot S.A. holding company.

## 7.1.2. Registered office – Governing law – Legal form

### REGISTERED OFFICE AND ADMINISTRATIVE HEADQUARTERS

75, avenue de la Grande-Armée – 75116 Paris – France.

The telephone number of the corporate office is + 33 (0)1 40 66 55 11.

### GOVERNING LAW

The Company is governed by the laws of France.

### LEGAL FORM

It is incorporated as a *société anonyme* (Joint Stock Corporation) governed by a Managing Board and a Supervisory Board under the terms of the French Commercial Code.

## 7.1.3. Date of incorporation and length of life

The Company was established in 1896. Its term will end on 31 December 2058, unless it is wound up before this date or its term is extended.

## 7.1.4. Place of registration and Company registration number

The Company is registered in the Paris Trade and Companies Register under number 552 100 554. Its APE business identifier code is 7010Z.

## 7.1.5. By-laws

The full text of the Company's By-laws is available at www.groupe-psa.com, under Governance.

### 7.1.5.1. CORPORATE PURPOSE

***(Summary of Article 3 of the By-laws)***

The Company's purpose is to participate, directly or indirectly, in any and all industrial, commercial or financial activities, in France or abroad, related to:

- the manufacture, sale or repair of all forms of motor vehicles;
- the manufacture and sale of all steel products, tools and tooling;
- the manufacture and sale of all manufacturing, mechanical and electrical engineering equipment;
- the grant of short, medium and long-term consumer finance, the purchase and sale of all marketable securities and all financial and banking transactions;
- the provision of all transport and other services;
- the acquisition of all real property and property rights, by any appropriate means;

and generally to conduct any and all commercial, industrial, financial, securities or real estate transactions related directly or indirectly to any of the above purposes or any other purpose that contributes to the development of the Company's business.

### 7.1.5.2. EQUITY THRESHOLDS THAT MUST BE DISCLOSED TO THE COMPANY PER THE BY-LAWS

***(Excerpt from Article 7 of the By-laws)***

Apart from the duty to notify the Company of share ownership, any individual or legal entity who should possess directly or indirectly a number of shares representing a fraction equal to or greater than 2% of the share capital or voting rights of the Company must so inform the Company in writing, within four trading days of crossing this threshold, stating the total number of shares and of voting rights in his, her or its possession at the date of that declaration. Above the aforementioned threshold of 2% the same duty to declare referred to in the preceding paragraph shall apply, with the same time frame and in the same manner, each time another 1% threshold in share capital or voting rights is crossed, and this shall include declaration thresholds provided in law and regulations. For purposes of applying these provisions, the shares or voting rights possessed shall be the shares and voting rights listed in Article L. 233-9-I of the French Commercial Code.

Should a shareholder fail to perform this duty to inform provided in the By-laws, that shareholder will be deprived of voting rights for those shares that exceed the fraction that ought to have been declared, if at the time of a Shareholders' Meeting, the failure to declare having been noted, one or more shareholders holding among them at least 5% of the share capital so request and place that request in the minutes of that meeting. The loss of voting rights will continue for any Shareholders' Meeting held until a period of two years has expired from the time a proper declaration has been made.

There are no other clauses in the By-laws limiting voting rights.

### 7.1.5.3. IDENTITY OF SHAREHOLDERS

***(Article 7 of the By-laws)***

The Company is entitled, under the applicable laws and regulations, to request information on the identity of the holders of securities granting immediate or future voting rights at its Shareholders' Meetings and the number of voting rights held.

### 7.1.5.4. RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHED TO EXISTING SHARES

***(Article 8 of the By-laws)***

In addition to the statutory voting rights attached to the shares, each share entitles its holder to a fractional share of the Company's profits and liquidation surplus equal to the fraction of the issued capital represented by the share.

All shares rank *pari passu* as regards taxation. As a result, they entitle their holders to the same net amount, based on their par value and cum-rights date, for any allocation or return of capital during the Company's life or its liquidation.

### 7.1.5.5. GOVERNANCE

***(Articles 9 and 10 of the By-laws)***

For any details concerning the management and supervisory bodies, please refer to Chapter 3 above.

### 7.1.5.6. SHAREHOLDERS' MEETINGS

***(Summary of Article 11 of the By-laws)***

The special guidelines about the participation of shareholders in the Shareholders' Meeting are given in Article 11 of the By-laws, concerning Shareholders' Meetings.

Meetings are held at the registered office or at any other venue indicated in the notice of meeting.

Fully-paid shares registered in the name of the same holder for at least two years shall carry double voting rights at Shareholders' Meetings.

Remote voting may be used in accordance with the terms and conditions set down in the applicable laws and regulations.

Shareholders may send their proxy and postal voting forms either in paper form or, by electronic communication, including via the Internet.

The formalities for attending the Shareholders' Meeting to be held on 10 May 2017 are set out in the Notice of meeting published at least 35 days before the meeting in the *Bulletin d'Annonces Légales Obligatoires* and on the Group's website.

Every Shareholder may attend the Shareholder's Meetings upon evidence that his/her shares are held in a registered account or in bearer form by an authorised intermediary at midnight (Paris time) of the second business day preceding the meeting.

Note that Internet voting has been arranged for the 2017 Shareholders' Meeting.

### 7.1.5.7. FINANCIAL YEAR

***(Summary of Article 12 of the By-laws)***

Each financial year shall cover a 12-month period commencing on 1 January and ending on 31 December.

The distributable profit as defined by law is at the disposal of the Shareholders' Meeting. Apart from exceptions resulting from the law, the Shareholders' Meeting makes the final decision as to its appropriation.

# 7.2. INFORMATION ABOUT THE COMPANY'S SHARE CAPITAL

## 7.2.1. Share capital and voting rights

The issued capital amounted to €859,924,895 at 31 December 2016. It was divided into 859,924,895 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)* | 2016 | 2015 | 2014 |
|---|---|---|---|
| Share capital at beginning of period | 808,597,336 | 783,088,675 | 354,848,992 |
| Capital increase reserved for DFG and the French State | | | 428,239,683 |
| Rights issue reserved to the employees | | 3,499,973 | - |
| Shares from the conversion of BSA | 51,327,559 | 22,008,688 | - |
| **CAPITAL AT END OF PERIOD** | **859,924,895** | **808,597,336** | **783,088,675** |

*BSA: equity warrants.*

## 7.2.3. Shares not representing capital

Not applicable.

## 7.2.4. Conditions imposed by the By-laws governing changes in the share capital

None.

## 7.2.5. Stock options and performance share grants

No stock options were granted since 2009.

A performance share grant was set up on 27 February 2015, in view of the authorisations given at the Extraordinary Shareholders' Meeting of 24 April 2013 and by the Supervisory Board on 17 February 2015. The arrangements are detailed in Note 6.2 to the 2016 consolidated financial statements and in section 3.4. above.

A performance share grant was set up on 2 June 2016, in view of the authorisations given at the Extraordinary Shareholders' Meeting of 27 April 2016 and by the Supervisory Board on 27 April 2016. The arrangements are detailed in Note 6.2 to the 2016 consolidated financial statements and in Section 3.4 above.

## 7.2.6. Potential share capital

The potential share capital is comprised of equity warrants (BSA):

### EQUITY WARRANTS (BSA):

In April 2014, a bonus issue of 342,060,365 equity warrants was carried out for existing Peugeot S.A. shareholders, on the basis of one warrant for each share held, and exercisable after the second year. On the basis of the new 3.5 exercise ratio pursuant to the rights issues that occurred during the first half of 2014, the maximum amount of the capital increase liable to arise from this issue is €770 million for 119,721,318 new shares.

Between 1 January 2016 and 31 December 2016, the equity warrant holders exercised 146,650,320 equity warrants, leading to the creation of 51,327,559 shares.

For more information, refer to Note 14.1.B to the 2016 consolidated financial statements.

## 7.2.7. Authorisations in effect

The following financial authorisations have been granted by shareholders to the Managing Board.

In accordance with the 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 2016 AND USE MADE OF THEM DURING THE 2016 FINANCIAL YEAR

| | **Authorisation** | **Validity** | **From** | **To** | **Used in 2016** |
|---|---|---|---|---|---|
| **1 – Ordinary Shareholders' Meeting** | | | | | |
| Trading in own shares<br>*(13th Resolution of the 2016 AGM)* | › Acquisition of up to 71,749,079 shares and up to 10% of the share capital<br>› Maximum purchase price: €30 | 18 months | 27 April 2016 | 27 October 2017 | None |
| **2 – Extraordinary Shareholder's Meeting** | | | | | |
| Capital reductions by cancellation of shares bought back by the Company, not to exceed 10% of the share capital<br>*(10th Resolution of the 2015 AGM)* | › Up to 10% of the Company's share capital in any 24 months | 26 months | 29 April 2015 | 29 June 2017 | None |
| Performance share grants of existing or unissued shares in the Company<br>*(14th Resolution of the 2016 AGM)* | › Up to 0.85% of the Company's share capital in any 24 months | 26 months | 27 April 2016 | 27 June 2018 | None |
| Issues of shares and/or marketable securities carrying rights to shares with preferential subscription rights directly or indirectly convertible into shares by incorporating reserves, profits or premiums inter alia<br>*(12th Resolution of the 2015 AGM)* | › Aggregate nominal total amount of capital increase not to exceed €196,647,162<br>› Aggregate nominal total amount of any debt securities issued not to exceed €2,100 million | 26 months | 29 April 2015 | 29 June 2017 | None |
| Issues without preferential subscription rights of shares and/or securities directly or indirectly convertible into shares, by a public offering or private placement<br>*(13th and 14th Resolutions of the 2015 AGM)* | › Aggregate nominal total amount of capital increase not to exceed €78,658,865<br>› Aggregate nominal total amount of debt not to exceed €2,100 million<br>› in the event that debt securities are issued | 26 months | 29 April 2015 | 29 June 2017 | None |
| Increase in the number of securities offered with or without PSR for issues that are oversubscribed<br>*(15th Resolution of the 2015 AGM)* | › Authorisation to increase the number of securities offered under any issues decided pursuant to the Resolutions 12, 13 and 14 approved at the Shareholders' Meeting of 29 April 2015, provided that the ceilings specified in the resolutions and 15% of the initial issue are not exceeded | 26 months | 29 April 2015 | 29 June 2017 | None |
| Issues of shares or securities carrying rights to shares without preferential subscription rights in connection with a stock-for-stock offer initiated by the Company<br>*(16th Resolution of the 2015 AGM)* | › Aggregate nominal total amount of capital increase not to exceed €78,658,865<br>› Aggregate nominal total amount of any debt securities issued not to exceed €2,100 million | 26 months | 29 April 2015 | 29 June 2017 | None |
| Issues of shares and/or securities carrying rights to shares of the Company without PSR, in payment for another company's securities, other than in connection with a stock-for-stock offer initiated by the Company<br>*(17th Resolution of the 2015 AGM)* | › Up to 10% of the share capital | 26 months | 29 April 2015 | 29 June 2017 | None |
| Blanket ceiling on capital increases carried out pursuant to the 12th to the 17th and the 19th resolutions<br>*(18th Resolution of the 2015 AGM)* | › Aggregate nominal total amount of capital increase not to exceed €283,171,914 | | | | |
| Share capital increases reserved for employees, without preferential subscription rights<br>(16th Resolution of the 2016 AGM) | › Aggregate nominal total amount of capital increase not to exceed €8,086,234 | 26 months | 27 April 2016 | 27 June 2018 | None |
| Issues of equity warrants while a takeover bid in relation to the Company's shares is in progress<br>*(15th Resolution of the 2016 AGM)* | › Aggregate nominal total amount of capital increase not to exceed €404,311,714 | 18 months | 27 April 2016 | 27 October 2017 | None |

*AGM: Annual General Meeting.*
*PSR: preferential subscription right.*

# 7.2.8. Description of buyback programme

Pursuant to Article 241-2 of the AMF General Regulations, this paragraph constitutes the description of the buyback programme that will be submitted to the Shareholders' Meeting of 10 May 2017.

## NUMBER OF TREASURY SHARES AND ALLOCATIONS AS AT 31 DECEMBER 2016

At 31 December 2016, Peugeot S.A. held 9,113,263 treasury shares, representing 1.06% of the share capital.

At 31 December 2016, these shares were allocated for the following purposes:

- 2,200,000 shares allocated to the performance share grant approved by the Managing Board on 2 June 2016;
- 2,465,000 shares allocated to the performance share grant approved by the Managing Board on 27 February 2015;
- the balance, 4,448,263 shares, allocated to future LTI plans.

For more details, please refer to Note 14.1.C to the 2016 consolidated financial statements, Section 5.6 above.

## PURPOSE OF THE SHARE BUYBACK PROGRAMME

The authorisation could be used:

- to buy back shares for cancellation in order to reduce the Company's capital;
- for allocation on exercise of stock options;
- for performance share grants;
- for employee savings plans;
- to allot shares in connection with equity transactions;
- to maintain a liquid market in the Company's shares through market-making transactions carried out by an independent investment services provider;
- under an acquisition, merger, split-off or capital contribution transaction.

In compliance with the law, the Company may never directly or indirectly own more than 10% of issued capital.

The authorisation covers a maximum number of 71,749,079 shares with a maximum purchase price of €30 per share and is given for an 18-month period, or until 27 October 2017. No shares were bought back in 2016.

The draft of the 21th Resolution that will be proposed to the Shareholders' Meeting of 10 May 2017 appears in Section 8 of this Registration Document, see page 323.

In accordance with the provisions of Article L. 225-209 of the French Commercial Code and Articles 241-1 to 242-7 of the AMF General Regulations, information about all share transactions must be made available under "AMF regulated information" on the www.groupe-psa.com website.

# 7.3. OWNERSHIP STRUCTURE

## 7.3.1. Capital and voting rights structure at 31 December 2016

| | 31 December 2016 | | | | 31 December 2015 | | | | 31 December 2014 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Main identified shareholders[(1)]** | **Number of shares** | **% capital** | **% exercisable voting rights** | **% theoretical voting rights** | **Number of shares** | **% capital** | **% exercisable voting rights** | **% theoretical voting rights** | **Number of shares** | **% capital** | **% exercisable voting rights** | **% theoretical voting rights** |
| Peugeot family (EPF/FFP)[(2)] | 110,622,220 | 12.86 | 16,67 | 16,54 | 110,622,220 | 13.68 | 22.19[(3)] | 21.97[(3)] | 110,622,220 | 14.13 | 22.96[(3)] | 22.62[(3)] |
| Dongfeng Motor (Hong Kong) International Co; Limited (DMHK) | 110,622,220 | 12.86 | 18.85 | 18.70 | 110,622,220 | 13.68 | 12.25 | 12.13 | 110,622,220 | 14.13 | 12.68 | 12.49 |
| French State (SOGEPA) | 110,622,220 | 12.86 | 18.85 | 18.70 | 110,622,220 | 13.68 | 12.25 | 12.13 | 110,622,220 | 14.13 | 12.68 | 12.49 |
| Other individual shareholders[(4)] | 66,247,514 | 7.70 | 6.17 | 6.12 | 60,624,740 | 7.50 | 7.24 | 7.16 | 67,529,371 | 8.62 | 8.00 | 7.88 |
| Employees | 18,514,185 | 2.15 | 2.56 | 2.54 | 19,167,349 | 2.37 | 3.08 | 3.05 | 15,494,610 | 1.98 | 2.91 | 2.87 |
| Other French institutions | 93,925,579 | 10.92 | 8.00 | 7.94 | 84,501,518 | 10.45 | 9.36 | 9.27 | 95,019,246 | 12.13 | 10.89 | 10.73 |
| Other foreign institutions | 340,257,694 | 39.57 | 28.90 | 28.69 | 303,323,805 | 37.51 | 33.63 | 33.29 | 260,390,378 | 33.25 | 29.89 | 29.46 |
| Treasury shares | 9,113,263 | 1.06 | - | 0.77 | 9,113,263 | 1.13 | - | 1.00 | 12,788,410 | 1.63 | - | 1.44 |
| **TOTAL** | **859,924,895** | **100** | **100** | **100** | **808,597,336** | **100** | **100** | **100** | **783,088,675** | **100** | **100** | **100** |

(1) *Source: Euroclear TPI 31 December 2016 and Nasdaq.*

(2) *EPF (Établissements Peugeot Frères) is a family holding company with maximum stake held by individual members of the Peugeot family. FFP is controlled by EPF.*

(3) *This table does not reflect the commitment by the declarants to neutralise the impact of their double voting rights for 2014 and 2015 until 23 May 2016 by making these equal to the number of shares held immediately following the capital increase of May 2014, which is to say 110,622,220 voting rights.*

(4) *Individual and other accounts (by difference).*

As at 31 December 2016, the shareholders DMHK, SOGEPA and FFP/EPF each held a 12.86% stake in the share capital of Peugeot S.A.

According to a press release of the *Agence des Participations de l'Etat* published on 27 March 2017, a transfer of SOGEPA shares to Bpifrance is planned and will be effective after the Shareholders' Meeting on 10 May 2017.

To the best of the Company's knowledge, no shareholder other than the ones listed in the table below directly or indirectly own more than 5% of the Company's issued capital or voting rights.

The PSA Group offers a variety of savings schemes in various countries. Employee share ownership was 2.15% at 31 December 2016, representing 48,811 current and former employees of the Group.

Since 2013, the Supervisory Board includes a representative of employee shareholders (for more information please refer to Section 3.2, page 106).

### STATUTORY DISCLOSURE THRESHOLDS IN 2016

During the 2016 financial year, four (4) statutory threshold disclosures were made in relation to share capital or voting rights.

### DISCLOSURE THRESHOLDS PER THE BY-LAWS IN 2016

| Shareholders | Date of threshold crossing | Direction | Threshold crossed | No of shares after crossing | % of capital after crossing | % of voting rights after crossing |
|---|---|---|---|---|---|---|
| FFP | 30 December 2016 | Downward | 10% of share capital | 84,323,161 | 9.81% | 12.40% |
| EPF/FFP | 30 April 2016 | Downward | 20% of voting rights | 110,622,220 | 13.68% | 19.04% |
| DMHK | 29 April 2016 | Upward | 15% of share capital | 110,622,220 | 13.68% | 17.16% |
| SOGEPA | 29 April 2016 | Upward | 15% of share capital | 110,622,220 | 13.68% | 17.16% |

## 7.3.2. Different voting rights

Fully-paid shares registered in the name of the same holder for at least two years shall carry double voting rights at Shareholders' Meetings.

In the event of a capital increase through the capitalisation of retained earnings, profits or additional paid-in capital, the resulting bonus shares distributed in respect of registered shares carrying double voting rights will similarly carry double voting rights. In accordance with the law, double voting rights will be lost if the shares are converted into bearer form or transferred to another shareholder, unless the transfer takes place due to an inheritance, the liquidation of a marital estate or a gift to a spouse or heir.

Double voting rights may be cancelled by vote of the Extraordinary Shareholders' Meeting and after ratification by the special Meeting of Beneficiary Shareholders (according to the articles of incorporation).

## 7.3.3. Shareholders' agreement

The shareholders agreement signed between DFG, DMHK, the French State, SOGEPA, EPF/FFP and the Company, in force since 29 April 2014, contains the following main provisions:

- DMHK (and DFG), SOGEPA (and the French State) and EPF/FFP would individually undertake not to acquire, directly or indirectly, alone or in concert with any third party (i.e. any person other than the above-mentioned parties and affiliates thereof), Company securities above the number of securities they would respectively hold at the end of the May 2014 capital increase, including securities from the exercise of BSA by EPF/FFP (with the understanding that the number of Company equity securities held by EPF/FFP for this commitment to a maximum limit does not include the equity warrants allocated to them by PSA). This ceiling may be adjusted in the case of subscriptions as of right to issues of shares with preferential subscription rights or priority rights, or distribution or allocation of bonus shares or equity securities. This individual ceiling obligation may be waived subject to obtaining the consent of each shareholder party to the shareholders' agreement, which individually represents at least 5% of the capital of the Company and of the Company's Supervisory Board. In this respect, the implementation of this clause results from an individual commitment by each of the three shareholders;
- the equity warrants held by EPF/FFP at the end of the bonus issue are subject to a lock-up undertaking for 100% during the first year and for 50% on or after the first anniversary of the date of issue until the second anniversary of the date of issue;
- DMHK, SOGEPA and EPF/FFP are free to transfer all or part of their shares. Prior to any transfer of shares on the market by these parties, the shareholder(s) concerned are required to inform the management of the Company and discuss it with them in order to limit the impact of such a transfer on the share price. Other than this requirement, DMHK, SOGEPA and EPF/FFP are not subject to further constraints on to the transfer of their shares. There is no pre-emptive clause nor tag-along rights;
- the shareholders' agreement was concluded for a period of ten years;
- DMHK (and DFG), SOGEPA and EPF/FFP shall not act in concert with respect to the Company. This agreement, signed by each of the shareholders to protect its capital expenditure and own interests as a shareholder of the Company, does not aim to establish a common policy with regard to the Company within the meaning of Article L. 233-10 of the French Commercial Code. The Group's strategy will be determined by the Managing Board under the supervision of the Supervisory Board. The signing of the Framework Agreement between the Company and DFG strengthens the long-standing partnership between the two groups and in no case represents a shift in the strategy of PSA.

To the best of the Company's knowledge, there does not exist at this point any other agreement which if implemented might entail a change in control of the Company or have the effect of delaying, deferring or preventing a change in control.

Furthermore, it should be borne in mind that the companies of the Peugeot family Group, mainly consisting of EPF and FFP together act in concert with respect to the Company, have made joint lock-up commitments as part of the "Dutreil" measures. In addition to the lock-up commitments signed in 2010, on 11 June 2012 and 19 December 2012 they signed lock-up commitments with regard to the Peugeot S.A. shares held by them and other, related family shareholders. These lock-up commitments hold for two years and were entered into pursuant to Article 787 B and 885 I Bis of the French General Tax Code. On 23 April 2014, the Company was notified of the participation of members of the Managing Board (Jean-Baptiste Chasseloup de Chatillon and Grégoire Olivier) in the collective lock-up commitments. For developments as to the absence of conflicts of interest, please refer to Section 3.1, page 104. These lock-up commitments do not confer any priority selling rights on the parties. Detailed information about the lock-up commitments is given on the Group's website (www.groupe-psa.com, under the heading "Analysts and Investors – Regulated Information", financial year 2012).

## 7.3.4. Measures taken by the Company to ensure that control is not abused

No shareholder holds, directly or indirectly, alone or in concert, control of the Company. Measures have been introduced to ensure that shareholders that have proposed the appointment of members to the Supervisory Board do not abuse their powers when decisions are taken, namely: the presence of independent members on the Board and its committees, the presence of one Senior Independent Member and procedures for handling conflicts of interests (see developments in Section 3.2. of this Registration Document).

# 7.4. CORPORATE FINANCIAL INSTRUMENT MARKETS

## LISTING OF THE PEUGEOT S.A. SHARE

The Peugeot S.A. share is listed on the Euronext Paris stock exchange, compartment A, where it is eligible for the deferred settlement system.

### PEUGEOT S.A. SHARE DATA SHEET

| *ISIN* | **FR0000121501** |
|---|---|
| Markets | Euronext continuous trading – Euronext Paris, Compartment A<br>Ticker UGFP (Bloomberg)<br>Other markets:<br>› Europe: SEAQ International – London |
| Listed in the major indexes | CAC 40, CAC ALL-TRADABLE, CAC LARGE 60, Dow Jones Euro Stoxx Auto, Advanced Sustainable Performance Indices (ASPI), FTSE4Good |
| Share eligibility | Deferred settlement under the SDR System and inclusion in French PEA stock savings plans |
| Par value | €1 |
| Number of shares outstanding at 31 December 2016 | 859,924,895 |
| Price at 31 December 2016 | €15.495 |
| Market capitalisation at 31 December 2016 | €13.32 billion |

## DETAILED STOCK MARKET INFORMATION

*(Source: Euronext)*

### PRICE

| | 2016 | | | 2015 | | | % change on 2016/2015 closing price |
|---|---|---|---|---|---|---|---|
| *(in euros)* | **High** | **Low** | **31/12/2016** | **High** | **Low** | **31/12/2015** | |
| Share | 15.990 | 10.080 | 15.495 | 19.705 | 9.637 | 16.205 | -4.38% |
| CAC 40 index | 4,864.29 | 3,892.46 | 4,862.31 | 5,283.71 | 4,076.16 | 4,637.06 | 4.86% |

### TRANSACTIONS

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Total** | **Daily average** | **Total** | **Daily average** |
| Number of shares | 1,122,888,429 | 4,369,216 | 1,420,031,510 | 5,546,998 |
| Value *(in million euros)* | 15,101.57 | 58.76 | 22,388.13 | 87.46 |

### MARKET FOR THE PEUGEOT S.A. SHARE ON THE PARIS STOCK EXCHANGE (DEFERRED SETTLEMENT SERVICE)

| | Share price *(in euros)* | | | Trading volumes | | |
|---|---|---|---|---|---|---|
| | **Low** | **High** | **Closing** | **Number of shares by month** | **Value by month (in million euros)** | **Average per day (in million euros)** |
| **2015** | | | | | | |
| January | 9.637 | 13.200 | 12.855 | 108,530,594 | 1,238.16 | 58.96 |
| February | 12.495 | 15.015 | 14.965 | 106,546,011 | 1,473.32 | 73.66 |
| March | 14.505 | 16.940 | 15.590 | 153,257,154 | 2,392.09 | 108.73 |
| April | 15.375 | 17.645 | 16.900 | 104,280,539 | 1,720.76 | 86.03 |
| May | 16.160 | 19.705 | 19.000 | 99,371,567 | 1,771.13 | 88.55 |
| June | 16.955 | 19.450 | 18.445 | 125,699,870 | 2,283.35 | 103.78 |
| July | 16.960 | 19.455 | 18.245 | 142,462,916 | 2,602.84 | 113.16 |
| August | 13.870 | 18.995 | 15.400 | 121,752,543 | 2,014.78 | 95.94 |
| September | 11.680 | 16.235 | 13.455 | 170,946,445 | 2,428.83 | 110.40 |
| October | 12.925 | 16.480 | 16.025 | 126,530,079 | 1,872.69 | 85.12 |
| November | 15.425 | 16.910 | 16.910 | 78,140,634 | 1,257.61 | 59.88 |
| December | 15.285 | 17.130 | 16.205 | 82,513,158 | 1,332.62 | 60.57 |
| **2016** | | | | | | |
| January | 13.045 | 15.980 | 13.660 | 101,254,244 | 1,438.19 | 71.91 |
| February | 11.710 | 14.670 | 13.880 | 121,218,172 | 1,580.97 | 75.28 |
| March | 13.790 | 15.750 | 15.060 | 85,250,410 | 1,278.26 | 60.87 |
| April | 13.030 | 14.945 | 14.055 | 100,867,200 | 1,405.01 | 66.91 |
| May | 12.815 | 14.330 | 14.145 | 72,519,494 | 985.85 | 44.81 |
| June | 10.190 | 14.400 | 10.815 | 131,673,153 | 1,632.48 | 74.20 |
| July | 10.080 | 13.760 | 13.510 | 127,313,867 | 1,514.85 | 72.14 |
| August | 12.450 | 13.710 | 13.225 | 76,649,865 | 1,010.26 | 43.92 |
| September | 12.970 | 14.000 | 13.595 | 75,954,684 | 1,022.95 | 46.50 |
| October | 12.600 | 14.395 | 13.645 | 96,825,586 | 1,301.91 | 62.00 |
| November | 12.680 | 14.375 | 13.920 | 68,429,914 | 939.65 | 42.71 |
| December | 13.725 | 15.990 | 15.495 | 64,931,840 | 991.19 | 47.20 |
| **2017** | | | | | | |
| January | 15.390 | 18.015 | 17.200 | 69,721,625 | 1,184.05 | 53.82 |
| February | 16.905 | 19.165 | 17.960 | 77,246,923 | 1,394.16 | 69.71 |

*Source: Euronext Paris – February 2017.*

## DIVIDEND POLICY

On 5 April 2016, as part of the presentation of its "Push To Pass" strategic plan, the PSA Group announced the introduction of a dividend policy based on a "payout ratio" of 25% with effect from the 2016 financial year.

### DIVIDENDS PAID OVER THE PAST THREE YEARS

| Financial year | Number of shares | Par value | Coupon number | Payment date | Barred date | Net dividend distributed | Income taxes already paid to Treasury (tax credit) | Total income per share |
|---|---|---|---|---|---|---|---|---|
| 2013 | 354,848,992 | €1 | - | n/a | n/a | n/a | n/a | n/a |
| 2014 | 783,088,675 | €1 | - | n/a | n/a | n/a | n/a | n/a |
| 2015 | 808,597,336 | €1 | - | n/a | n/a | n/a | n/a | n/a |

In respect of financial year 2016, the payment of a dividend of €0.48 per share shall be put to the vote at the Shareholders' Meeting. The ex-dividend date shall be 15 May 2017 and the payment date shall be 17 May 2017.

# SHAREHOLDERS' MEETING OF 10 MAY 2017

8

# 8.1. REPORT OF THE MANAGING BOARD ON THE RESOLUTIONS PRESENTED AT THE COMBINED SHAREHOLDERS' MEETING ON 10 MAY 2017

Ladies and Gentlemen, Fellow Shareholders,

We invite you to attend this Combined (Ordinary and Extraordinary) Shareholders' Meeting in order to vote on the proposed resolutions, whose purposes are presented below.

We remind you that the proxy information to be provided in the Annual Financial Report and the Managing Board's Report is included in the 2016 Registration Document to be filed with the *Autorité des Marchés Financiers* (AMF), which will be made available to shareholders in accordance with legal and regulatory requirements, including as a download on the Group's website (www.groupe-psa.com). To find specific information, please refer to the cross-reference tables included in the 2016 Registration Document.

## Ordinary resolutions

### I. APPROVAL OF THE 2016 FINANCIAL STATEMENTS AND APPROPRIATION OF PROFIT

#### (First, second and third resolutions)

Shareholders will be invited to approve the financial statements of Peugeot S.A. ("**the Company**") (**first resolution**) and the consolidated financial statements (**second resolution**) for the year ended 31 December 2016, as presented.

The parent company financial statements for 2016 show a net profit of €1,611,204,755 compared with a net profit of €3,315,010,316.90 for the previous year.

The consolidated financial statements show attributable net profit for the year of €1,730 million, versus €899 million for 2015. Earnings per share came to €2.16 compared with €1.14 in 2015.

Detailed information about the 2016 financial statements and the Group's business performance during the year is provided in the 2016 Registration Document to be filed with the AMF.

The **third resolution** concerns the appropriation of the Company's net profit for the year.

After transferring €5,132,755.90 to the legal reserve in accordance with Article L. 232-10 of the French Commercial Code (*Code de commerce*), profit available for distribution – including retained earnings of €6,219,312,987.86 – amounts to €7,825,384,986.96

As announced at the 2016 Shareholders' Meeting, shareholders are invited to approve payment of a dividend of €0.48 on each share outstanding at 31 December 2016 and each share issued since that date upon exercise of an equity warrant that has rights to the 2016 dividend.

Based on the 859,924,895 shares outstanding at 31 December 2016, this would represent a total payout of €412,763,949.60. The balance of profit available for distribution, in the amount of €7,412,621,037.36, will be appropriated to "Retained earnings".

If the number of shares with rights to the 2016 dividend increases as a result of the exercise of equity warrants, the total dividend payout will be adjusted accordingly and the amount appropriated to "Retained earnings" will be determined on the basis of the actual payout.

Dividends on shares held in treasury stock on the dividend payment date will be credited to "Retained earnings".

If the €0.48 is approved, eligible shareholders will qualify for the 40% tax rebate introduced in Article 158-3, paragraph 2, of the French General Tax Code (*Code général des impôts*) on the total amount of the dividend. With some exceptions, the dividend will be subject to the flat-rate withholding tax provided for in Article 117 *quater* of the Code.

If the dividend is approved, the ex-dividend date will be May 15, 2017, the payment date (in cash) will be May 17, 2017 and the record date will be May 16, 2017 (at the close of business).

Shareholders are reminded that no dividend was paid for 2015, 2014 or 2013.

### II. APPROVAL OF A RELATED-PARTY COMMITMENT – APPROVAL OF THE CONTINUED IMPLEMENTATION OF THE PENSION PLAN FOR MEMBERS OF THE MANAGING BOARD

#### (Fourth resolution)

In light of the Supervisory Board's decision on 22 February 2017 to renew the appointment of the Managing Board's members, the purpose of the **fourth resolution** is to approve the continued implementation of the pension plan for members of the Managing Board. This represents a related-party commitment within the meaning of Articles L. 225-86 *et seq.* of the French Commercial Code. The whole scheme is presented in the Statutory Auditors' Special Report on Related-Party Agreements and Commitments and was submitted to shareholders for approval at the Shareholders' Meeting of 27 April 2016.

The new system, which covers the Group's executive directors and the members of the Executive Committee, has been in place since 1 January 2016. It replaces the defined benefit plan that was terminated as from 31 December 2015. The service cost recognised in 2015 under the former defined benefit plan for the Group's executive directors and the members of the Executive Committee amounted to €5.6 million, before taking into account the reversal of the related provision due to the plan's termination. Termination of the plan led to the reversal of a €34 million provision in the 2015 consolidated financial statements, net of the cost of transitioning to the new system. The Managing Board redistributed the savings generated by the new executive pension plan to all employees to top up existing compensation and profit-sharing schemes. The redistribution was recognised as an expense in 2015.

Under the new system, the Company no longer offers guaranteed levels of retirement income, but will pay out an annual benefit that is directly tied to the Group's results and performance. The system provides for the payment of an annual top-up contribution, of which 50% in the form of contributions to an external fund as part of an optional defined contribution pension plan ("Article 82" plan) that can only be withdrawn when the plan participant retires, and the other 50% in cash (based on a system of upfront taxation).

The contribution is equivalent to 25% of the amount represented by the executive's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance. The combined value of the annual top-up contributions and the vested benefits described below may not exceed an amount equal to eight times the ceiling for Social Security contributions multiplied by 23 (multiplier determined by the actuaries as corresponding to the average number of years over which benefits are expected to be paid). The annual contributions paid for 2016 amounted to €829,155 for Carlos Tavares, €329,059 for Jean-Baptiste Chasseloup de Chatillon, €202,378 for Grégoire Olivier (a member of the Managing Board until 31 August 2016), €107,872 for Maxime Picat (a member of the Managing Board since 1 September 2016), and €334,157 for Jean-Christophe Quémard (these amounts are subject to payroll taxes and income tax, and the net payment will be around 50% of the amounts shown).

The expense recognised in 2016 in respect of contributions to the new defined contribution plan for members of the Managing Board and Executive Committee amounted to €4.2 million, including €2.1 million paid in contributions to an external fund and €2.1 million paid in cash to the plan participants (based on a system of upfront taxation).

To compensate for the loss of vested benefits accumulated up until end-2015 under the terminated defined benefit plan, plan participants were awarded a payment corresponding to the value attributed to the benefits less a deduction for age, seniority in the Group and length of participation in the plan. Based on these criteria, the payments awarded to members of the Managing Board ranged from 5% to 30% of their projected benefits under the terminated defined benefit plan. It was decided that 50% of each payment would be in the form of contributions to an external fund that would be paid out when the executive concerned took retirement, and the other 50% would be in cash. The payments are being spread over a period of three years, and for the members of the Managing Board represent the following amounts annually: €470,000 for Carlos Tavares, €332,000 for Jean-Baptiste Chasseloup de Chatillon, €486,667 for Grégoire Olivier (a member of the Managing Board until 31 August 2016), €39,000 for Maxime Picat (a member of the Managing Board since 1 September 2016), and €510,000 for Jean-Christophe Quémard (these amounts are subject to payroll taxes and income tax, and the net payment will be around 50% of the amounts shown). These payments are conditional on the individuals concerned continuing to be employed by the Group at the end of each of the years concerned. The first payment was made in 2016.

50% of the payment was in the form of a contribution to an external fund that will be paid out when the executive concerned takes retirement, and the other 50% was in cash. The payments are being spread over three years (2016, 2017 and 2018). Each payment is conditional on the individual concerned continuing to be employed by the Group at the end of the year concerned.

Consulted prior to the implementation of the plan, the AFEP-MEDEF High Committee on Corporate Governance ruled that this plan complied with the recommendations set out in the AFEP-MEDEF Corporate Governance Code for listed companies. In addition, the Peugeot S.A. Works Council issued a unanimously favourable opinion on this new system.

No changes have been made to the system.

## III. ELECTION (AND RE-ELECTION) OF SUPERVISORY BOARD MEMBERS

### (Fifth, sixth, seventh, eighth, ninth, tenth and eleventh resolutions)

### Re-election of Supervisory Board members

#### (Fifth, sixth, seventh and eighth resolutions)

The terms of Pamela Knapp, Helle Kristoffersen, Henri Philippe Reichstul and Geoffroy Roux de Bézieux as Supervisory Board members expire at the close of this Shareholders' Meeting.

On the recommendation of the Supervisory Board, to permit the Board to continue to benefit from their expertise and knowledge of the Group, they are proposed for re-election in the **fifth, sixth, seventh** and **eighth resolutions.**

In accordance with the Company's bylaws, they would be re-elected for a four-year term expiring at the close of the Shareholders' Meeting to be called in 2021 to approve the financial statements for the year ending 31 December 2020.

Based on the advice of the Appointments, Compensation and Governance Committee, the Supervisory Board considers that Pamela Knapp, Helle Kristoffersen, Henri Philippe Reichstul and Geoffroy Roux de Bézieux are independent within the meaning of the AFEP-MEDEF Code.

Pamela Knapp is a member of the Appointments, Compensation and Governance Committee and the Finance and Audit Committee. She contributes to the Board her expertise in the areas of finance, new business models and human resources.

Helle Kristoffersen is a member of the Strategy Committee and the Asia Business Development Committee. She contributes to the Board her international experience, her knowledge of the manufacturing sector and her expertise in the areas of new business models, technology and innovation.

Geoffroy Roux de Bézieux, senior independent member, is Chairman of the Appointments, Compensation and Governance Committee and a member of the Finance and Audit Committee. He contributes to the Board his international experience and his expertise in the areas of new business models, digital technology and corporate governance.

Henri Philippe Reichstul is a member of the Strategy Committee and the Asia Business Development Committee. He contributes to the Board his international experience and his expertise in the areas of finance, risk management and corporate governance.

### Ratification of the appointment of Jack Azoulay and Florence Verzelen, members proposed by the French State

#### (Ninth and tenth resolutions)

At its meeting on 23 September 2016, the Supervisory Board appointed Jack Azoulay as Supervisory Board member proposed by the French State to replace Bruno Bézard, who had resigned. This appointment was made for the remainder of Mr. Bézard's term, expiring at the close of the Shareholders' Meeting to be called in 2018 to approve the financial statements for the year ending 31 December 2017.

The purpose of the **ninth resolution** is to ask shareholders to ratify this appointment, in accordance with Article L. 225-78 of the French Commercial Code.

Jack Azoulay has also been appointed as a member of the Strategy Committee and the Appointments, Compensation and Governance Committee.

At its meeting on 22 February 2017, the Supervisory Board decided to apply section II of Government Order 2014-948 dated 20 August 2014 as from the close of this Shareholders' Meeting. This Order, which concerns the governance and corporate actions of companies whose shareholders include the French State, changes the rules governing the State's representation on the Supervisory Board.

Pursuant to Article 4 of the Order, the State decided to appoint a Supervisory Board member representing the State (currently Jack Azoulay) by ministerial order, for a four-year term corresponding to the term of office of other Supervisory Board members.

In the **tenth resolution**, in accordance with Article 6 of the above Order, shareholders are asked to approve the appointment of Florence Verzelen as Supervisory Board member proposed by the State, for a four-year term expiring at the close of the Shareholders' Meeting to be called in 2021 to approve the financial statements for the year ending 31 December 2020. Ms. Verzelen replaces SOGEPA, which has announced its intention to resign from the Board at the close of this Shareholders' Meeting.

Jack Azoulay and Florence Verzelen do not qualify as independent members of the Supervisory Board within the meaning of the AFEP-MEDEF Code.

### Election of an employee representative as a member of the Supervisory Board (Bénédicte Juyaux)

#### (Eleventh resolution)

At its meeting on 25 October 2016, the Supervisory Board decided that employee shareholders should continue to be represented on the Board for a further period of four years even though employees currently hold less than 3% of the Company's capital.

In the **eleventh resolution**, shareholders are invited to elect Bénédicte Juyaux as Supervisory Board member representing employee shareholders for a four-year term expiring at the close of the Shareholders' Meeting to be called in 2021 to approve the financial statements for the year ending 31 December 2020.

Bénédicte Juyaux will be elected subject to shareholders' approving the amendment to the Company's bylaws proposed in the thirty-third resolution.

Bénédicte Juyaux has been designated by the Supervisory Boards of the corporate mutual funds set up to hold Peugeot S.A. shares in accordance with the procedure defined in the Company's bylaws as amended by the thirty-third resolution.

As an employee of the Company, she does not qualify as an independent member of the Supervisory Board within the meaning of the AFEP-MEDEF Code.

Biographical details of the persons standing for election or re-election to the Supervisory Board or whose appointment is submitted for ratification, and the number of shares held by each one are presented in this Notice of Meeting.

## IV. RE-APPOINTMENT OF THE STATUTORY AUDITORS AND THEIR ALTERNATES

#### (Twelfth, thirteenth, fourteenth and fifteenth resolutions)

The purpose of the **twelfth** and **thirteenth** resolutions is to submit for shareholder approval the re-appointment of Mazars as Statutory Auditor and Patrick de Cambourg as Alternate Auditor for a six-year term.

The purpose of the **fourteenth** and **fifteenth resolutions** is to submit for shareholder approval the re-appointment of Ernst & Young as Statutory Auditor and Auditex as Alternate Auditor for a six-year term.

## V. COMPONENTS OF THE COMPENSATION AND BENEFITS OF THE CHAIRMAN AND MEMBERS OF THE MANAGING BOARD AND THE MEMBERS OF THE SUPERVISORY BOARD

#### (Sixteenth to twentieth resolutions)

### Approval of the criteria and principles for determining, allocating and awarding components of the compensation and benefits of the members of the Managing Board and Supervisory Board

#### (Sixteenth, seventeenth and eighteenth resolutions)

In accordance with Article L. 225-82-2 of the French Commercial Code (*Code de commerce*) as amended by the "Sapin 2" Act, in the **sixteenth, seventeenth and eighteenth** resolutions shareholders are invited to approve the criteria and principles for determining, allocating and awarding the fixed, variable and special components of the compensation and benefits of the Chairman and members of the Managing Board and the members of the Supervisory Board, as presented in the compensation report appended to the Managing Board's Report included in the 2016 Registration Document, section 3.4.1.1 (page 122) for the Chairman of the Managing Board (sixteenth resolution) and the members of the Managing Board (seventeenth resolution) and section 3.4.2.1 (page 125) for the members of the Supervisory Board (eighteenth resolution).

### Advisory vote on the compensation and benefits due or awarded to each member of the Company's Managing Board for 2016

#### (Nineteenth and twentieth resolutions)

The November 2016 revised version of the AFEP-MEDEF Code – to which the Company refers for corporate governance issues pursuant to Article L. 225-68 of the French Commercial Code – recommends that shareholders issue a "say on pay" advisory vote on the following components of the compensation and benefits due or awarded to executive directors (paragraph 26 of the Code), in two separate resolutions as follows:

- one resolution (**the nineteenth resolution**) concerning the components of the compensation and benefits due or awarded to Carlos Tavares, Chairman of the Managing Board, for 2016;
- one resolution (**the twentieth resolution**) concerning the components of the compensation and benefits due or awarded to the other members of the Managing Board, Jean-Baptiste Chasseloup de Chatillon, Grégoire Olivier, Maxime Picat and Jean-Christophe Quémard, for 2016.

Details of the compensation and benefits due or awarded for 2016 on which shareholders are asked to issue an advisory vote are set out below (refer also to section 3.4 of the 2016 Registration Document, which provides comprehensive information about each Managing Board member's compensation and benefits).

## COMPONENTS OF THE 2016 COMPENSATION AND BENEFITS DUE OR AWARDED TO **CARLOS TAVARES**, CHAIRMAN OF THE MANAGING BOARD

| Type of compensation/benefits | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Fixed compensation | €1,300,000 | Gross salary set by the Supervisory Board on 23 February 2016, based on the recommendation of the Appointments, Compensation and Governance Committee. The salary of the Chairman of the Managing Board has remained unchanged since 2009. |
| Variable compensation | €2,016,618 | Gross bonus set by the Supervisory Board on 22 February 2017 based on the recommendation of the Appointments, Compensation and Governance Committee.<br>The Board reviewed the degree to which the targets that had been set at its meeting on 23 February 2016 had been achieved and noted that Carlos Tavares had:<br>› reached the double trigger threshold for the payment of his bonus (2016 Automotive Division recurring operating income and positive 2016 operating free cash flow for the manufacturing and sales companies);<br>› contributed to the financial objectives set for all members of the Managing Board being exceeded on average, raising the average achievement rate to 111.13% (with growth in Automotive Division operating margin and revenue accounting for 32% of the maximum bonus and vehicle quality for 16%);<br>› achieved 72.50% of his individual objectives which concerned recurring operating income (100% growth for Banque PSA Finance and 50% growth for the Chinese joint venture) for 10% of the maximum bonus, workplace safety for 5% and CO2 emissions for 5%.<br>As a result, the Supervisory Board considered that Carlos Tavares had partially fulfilled his 2016 objectives with an achievement level of 103.42% and therefore awarded him a bonus of €2,016,618, representing 155% of his salary, versus a target of 180%.<br>For more details, see section 3.4 of the 2016 Registration Document (page 122). |
| Deferred compensation | Not applicable | No deferred compensation plan. |
| Long-term incentive bonus | Not applicable | No long-term incentive bonus plan. |
| Stock options or other forms of long-term compensation (other than performance shares) | Stock options = N/A | No stock option plan. |

| Type of compensation/benefits | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Performance shares | 130,000 performance shares valued at €1,385,800* (fair value estimated based on the IFRS applied for the preparation of the consolidated financial statements) | At its meetings on 23 February and 27 April 2016, the Supervisory Board granted 130,000 performance shares to Mr. Tavares. The shares vest in two tranches, with 50% vesting after three years and 50% after four years. The final number of vested shares will be determined at the end of each vesting period based on the Group's actual performance compared to targets for three consecutive years (2016-2018). For more details, see section 3.4 of the 2016 Registration Document (page 122).<br>The performance targets concern Automotive Division recurring operating margin for each of the years 2016, 2017 and 2018 and consolidated revenue growth between 2015 and 2018. If the minimum recurring operating margin target is not met, no performance shares in fraction 1 (50% of shares for each vesting period) or fraction 2 will vest. Managing Board members have certain obligations with regard to the vested shares. Further details are provided in the 2016 Registration Document (page 124). |
| Attendance fees | Not applicable | › The members of the Managing Board are not paid any attendance fees. |
| Fringe benefits | €2,796 (accounting value) | Company car |
| | €1,166 (employer payroll tax contributions) | Health insurance |
| Signing bonus | Not applicable | Carlos Tavares was not paid any signing bonus. |
| Termination benefit | Not applicable | Carlos Tavares is not entitled to any termination benefit. |
| Non-compete indemnity | Not applicable | Carlos Tavares is not eligible for any non-compete indemnity. |

* *Historical value at the award date, calculated for accounting purposes. It does not represent either the current market value or the discounted present value of the shares on the vesting date (if they vest). It does not correspond to compensation paid to Carlos Tavares during the year.*

| Components submitted for shareholder approval at the Shareholders' Meeting under the related-party commitments procedure | Presentation |
|---|---|
| Supplementary pension plan – Company contribution | A system of annual supplementary pension plan contributions came into effect on 1 January 2016. The system provides for the payment of an annual top-up contribution, of which 50% in the form of contributions to an external fund as part of an optional defined contribution pension plan ("Article 82" plan) that can only be withdrawn when the plan participant retires, and the other 50% in cash (based on a system of upfront taxation). The annual payment is equivalent to 25% of the amount represented by the plan participant's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance (details of how annual bonus objectives are determined are provided in paragraph 3.4. page 122 of the 2016 Registration Document). The combined value of the annual top-up contributions may not exceed an amount equal to eight times the ceiling for Social Security contributions multiplied by 23 (multiplier determined by the actuaries as corresponding to the average number of years over which benefits are expected to be paid). The plan is a defined contribution pension plan. The top-up contribution paid on behalf of Carlos Tavares for 2016 amounted to €829,155. This compares to the service cost of €2,659,000 (before reversal of the related provision) recorded in 2015 for Carlos Tavares under the previous defined benefit plan.<br>The new pension plan was approved by shareholders at the Shareholders' Meeting of 27 April 2016 (fourth resolution) under the related-party commitment procedure. In light of the re-appointment of Managing Board members in 2017, shareholders will again be asked to approve the plan at this Shareholders' Meeting (fourth resolution). For more information, see section 3.4 of the 2016 Registration Document (page 122) and the Statutory Auditors' Special Report (page 283). |
| Vested benefits under the previous defined benefit plan | To compensate for the loss of potential benefits accumulated under the terminated defined benefit plan, which are an integral part of their ties with the Company, plan participants were awarded a payment corresponding to the value attributed to the potential benefits less a deduction for age, seniority in the Group and length of participation in the plan. The payments are being spread over three years, representing €470,000 per year for Carlos Tavares. This amount is subject to payroll taxes and income tax, and the net payment will be around 50% of the amount shown. Each annual payment is conditional on Carlos Tavares continuing to be employed by the Group at the end of the year concerned. The first payment was made in 2016.<br>The pension arrangements were approved by shareholders at the Shareholders' Meeting of 27 April 2016 (fourth resolution) under the related-party commitments procedure. In light of the re-appointment of Managing Board members in 2017, shareholders will again be asked to approve these arrangements at this Shareholders' Meeting (fourth resolution). For more information, see section 3.4 of the 2016 Registration Document (page 122) and the Statutory Auditors' Special Report (page 283). |

## COMPONENTS OF THE 2016 COMPENSATION AND BENEFITS DUE OR AWARDED TO **JEAN-BAPTISTE CHASSELOUP DE CHATILLON**, MEMBER OF THE MANAGING BOARD

| Type of compensation/benefits | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Fixed compensation | €618,000 | Gross salary set by the Supervisory Board on 23 February 2016, based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Variable compensation | €698,236 | Gross bonus set by the Supervisory Board on 22 February 2017 based on the recommendation of the Appointments, Compensation and Governance Committee.<br>The Board reviewed the degree to which the targets that had been set at its meeting on 23 February 2016 had been achieved and noted that Jean-Baptiste Chasseloup de Chatillon had:<br>› reached the double trigger threshold for the payment of his bonus (2016 Automotive Division *recurring operating income* and positive 2016 operating free cash flow for the manufacturing and sales companies);<br>› contributed to the financial objectives set for all members of the Managing Board being exceeded on average, raising the average achievement rate to 109.64% (with growth in Automotive Division operating margin and revenue accounting for 32% of the maximum bonus and vehicle quality for 16%);<br>› achieved 75% of his individual objectives which concerned Parts and Services profit for 10% of the maximum bonus, Peugeot Citroën Retail recurring operating income for 5% and Banque PSA Finance profit for 5%.<br>As a result, the Supervisory Board considered that Jean-Baptiste Chasseloup de Chatillon had partially fulfilled his 2016 objectives with an achievement level of 102.71% and therefore awarded him a bonus of €698,236, representing 113% of his salary, versus a target of 130%.<br>For more details, see section 3.4 of the 2016 Registration Document (page 122). |
| Deferred compensation | Not applicable | No deferred compensation plan. |
| Long-term incentive bonus | Not applicable | No long-term incentive bonus plan. |
| Stock options or other forms of long-term compensation (other than performance shares) | Stock options = N/A | No stock option plan. |

| Type of compensation/benefits | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Performance shares | 60,000 performance shares valued at €639,600* (fair value estimated based on the IFRS applied for the preparation of the consolidated financial statements) | At its meetings on 23 February and 27 April 2016, the Supervisory Board granted 60,000 performance shares to Mr. de Chatillon. The shares vest in two tranches, with 50% vesting after three years and 50% after four years. The final number of vested shares will be determined at the end of each vesting period based on the Group's actual performance compared to targets for three consecutive years (2016-2018). For more details, see section 3.4 of the 2016 Registration Document (page 122).<br>The performance targets concern Automotive Division recurring operating margin for each of the years 2016, 2017 and 2018 and consolidated revenue growth between 2015 and 2018. If the minimum recurring operating margin target is not met, no performance shares in fraction 1 (50% of shares for each vesting period) or fraction 2 will vest. Managing Board members have certain obligations with regard to the vested shares. Further details are provided in the 2016 Registration Document (page 124). |
| Attendance fees | Not applicable | › The members of the Managing Board are not paid any attendance fees. |
| Fringe benefits | €2,796 (accounting value) | Company car |
| | €1,166 (employer payroll tax contributions) | Health insurance |
| Signing bonus | Not applicable | Jean-Baptiste Chasseloup de Chatillon was not paid any signing bonus. |
| Termination benefit | Not applicable | Jean-Baptiste Chasseloup de Chatillon is not entitled to any termination benefit. |
| Non-compete indemnity | Not applicable | Jean-Baptiste Chasseloup de Chatillon is not eligible for any non-compete indemnity. |

* *Historical value at the award date, calculated for accounting purposes. It does not represent either the current market value or the discounted present value of the shares on the vesting date (if they vest). It does not correspond to compensation paid to Mr. de Chatillon during the year.*

| Components submitted for shareholder approval at the Shareholders' Meeting under the related-party commitments procedure | Presentation |
|---|---|
| Supplementary pension plan – Company contribution | A system of annual supplementary pension plan contributions came into effect on 1 January 2016. The system provides for the payment of an annual top-up contribution, of which 50% in the form of contributions to an external fund as part of an optional defined contribution pension plan ("Article 82" plan) that can only be withdrawn when the plan participant retires, and the other 50% in cash (based on a system of upfront taxation). The annual payment is equivalent to 25% of the amount represented by the plan participant's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance (details of how annual bonus objectives are determined are provided in paragraph 3.4. page 122 of the 2016 Registration Document). The combined value of the annual top-up contributions may not exceed an amount equal to eight times the ceiling for Social Security contributions multiplied by 23 (multiplier determined by the actuaries as corresponding to the average number of years over which benefits are expected to be paid). The plan is a defined contribution pension plan. The top-up contribution paid on behalf of Jean-Baptiste Chasseloup de Chatillon for 2016 amounted to €329,059. This compares to the service cost of €267,000 (before reversal of the related provision) recorded in 2015 for Mr. de Chatillon under the previous defined benefit plan.<br>The new pension plan was approved by shareholders at the Shareholders' Meeting of 27 April 2016 (fourth resolution) under the related-party commitments procedure. In light of the re-appointment of Managing Board members in 2017, shareholders will again be asked to approve the plan at this Shareholders' Meeting (fourth resolution). For more information, see section 3.4 of the 2016 Registration Document (page 122) and the Statutory Auditors' Special Report (page 283). |
| Vested benefits under the previous defined benefit plan | To compensate for the loss of potential benefits accumulated under the terminated defined benefit plan, which are an integral part of their ties with the Company, plan participants were awarded a payment corresponding to the value attributed to the potential benefits less a deduction for age, seniority in the Group and length of participation in the plan. The payments are being spread over three years, representing €332,000 per year for Jean-Baptiste Chasseloup de Chatillon. This amount is subject to payroll taxes and income tax, and the net payment will be around 50% of the amount shown. Each annual payment is conditional on Mr. de Chatillon continuing to be employed by the Group at the end of the year concerned. The first payment was made in 2016.<br>The pension arrangements were approved by shareholders at the Shareholders' Meeting of 27 April 2016 (fourth resolution) under the related-party commitments procedure. In light of the re-appointment of Managing Board members in 2017, shareholders will again be asked to approve these arrangements at this Shareholders' Meeting (fourth resolution). For more information, see section 3.4 of the 2016 Registration Document (page 122) and the Statutory Auditors' Special Report (page 283). |

## COMPONENTS OF THE COMPENSATION AND BENEFITS DUE OR AWARDED TO **GRÉGOIRE OLIVIER**, MEMBER OF THE MANAGING BOARD FOR THE PERIOD FROM 1 JANUARY TO 31 AUGUST 2016

| Type of compensation/benefits | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Fixed compensation | €412,000 | Gross salary set by the Supervisory Board on 23 February 2016, based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Expatriation allowance | €144,200 | › Grégoire Olivier was based in China. His expatriation allowance corresponded to 35% of his salary. |
| Variable compensation | €397,510 | Gross bonus set by the Supervisory Board on 22 February 2017 based on the recommendation of the Appointments, Compensation and Governance Committee.<br>The Board reviewed the degree to which the targets that had been set at its meeting on 23 February 2016 had been achieved and noted that Grégoire Olivier had:<br>› reached the double trigger threshold for the payment of his bonus (2016 Automotive Division recurring operating income and positive 2016 operating free cash flow for the manufacturing and sales companies);<br>› contributed to the financial objectives set for all members of the Managing Board being exceeded on average, raising the average achievement rate to 109.64% (with growth in Automotive Division operating margin and revenue accounting for 32% of the maximum bonus and vehicle quality for 16%);<br>› achieved 0% of his individual objectives, which concerned DPCA sales volume and profit for 15% of the maximum bonus, and CAPSA sales volume and recurring operating income for 5%.<br>As a result, the Supervisory Board considered that Grégoire Olivier had partially fulfilled his 2016 objectives with an achievement level of 87.71% and therefore awarded him a bonus of €397,510, representing 96% of his salary as member of the Managing Board, versus a target of 130%.<br>For more details, see section 3.4 of the 2016 Registration Document (page 122). |
| Deferred compensation | Not applicable | No deferred compensation plan. |
| Long-term incentive bonus | Not applicable | No long-term incentive bonus plan. |
| Stock options or other forms of long-term compensation (other than performance shares) | Stock options = N/A | No stock option plan. |

| Type of compensation/benefits | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Performance shares | 60,000 performance shares valued at €639,600* (fair value estimated based on the IFRS applied for the preparation of the consolidated financial statements) | At its meetings on 23 February and 27 April 2016, the Supervisory Board granted 60,000 performance shares to Grégoire Olivier. The shares vest in two tranches, with 50% vesting after three years and 50% after four years. The final number of vested shares will be determined at the end of each vesting period based on the Group's actual performance compared to targets for three consecutive years (2016-2018). For more details, see section 3.4 of the 2016 Registration Document (page 122).<br>The performance targets concern Automotive Division recurring operating margin for each of the years 2016, 2017 and 2018 and consolidated revenue growth between 2015 and 2018. If the minimum recurring operating margin target is not met, no performance shares in fraction 1 (50% of shares for each vesting period) or fraction 2 will vest. Managing Board members have certain obligations with regard to the vested shares. Further details are provided in the 2016 Registration Document (page 124). |
| Attendance fees | Not applicable | › The members of the Managing Board are not paid any attendance fees. |
| Fringe benefits | €1,864 (accounting value) | Company car |
| | - (employer payroll tax contributions) | Health insurance |
| Signing bonus | Not applicable | Grégoire Olivier was not paid any signing bonus. |
| Termination benefit | Not applicable | Grégoire Olivier was not paid any termination benefit. |
| Non-compete indemnity | Not applicable | Grégoire Olivier was not eligible for any non-compete indemnity. |

* *Historical value at the award date, calculated for accounting purposes. It does not represent either the current market value or the discounted present value of the shares on the vesting date (if they vest). It does not correspond to compensation paid to Grégoire Olivier during the year.*

| Components submitted for shareholder approval at the Shareholders' Meeting under the related-party commitments procedure | Presentation |
|---|---|
| Supplementary pension plan – Company contribution | A system of annual supplementary pension plan contributions came into effect on 1 January 2016. The system provides for the payment of an annual top-up contribution, of which 50% in the form of contributions to an external fund as part of an optional defined contribution pension plan ("Article 82" plan) that can only be withdrawn when the plan participant retires, and the other 50% in cash (based on a system of upfront taxation). The annual payment is equivalent to 25% of the amount represented by the plan participant's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance (details of how annual bonus objectives are determined are provided in paragraph 3.4. page 122 of the 2016 Registration Document). The combined value of the annual top-up contributions may not exceed an amount equal to eight times the ceiling for Social Security contributions multiplied by 23 (multiplier determined by the actuaries as corresponding to the average number of years over which benefits are expected to be paid). The plan is a defined contribution pension plan. The top-up contribution paid on behalf of Grégoire Olivier for 2016 amounted to €202,378. This compares to the service cost of €535,000 (before reversal of the related provision) recorded in 2015 for Mr. Olivier under the previous defined benefit plan.<br>The new pension plan was approved by shareholders at the Shareholders' Meeting of 27 April 2016 (fourth resolution) under the related-party commitments procedure. For more information, see section 3.4 of the 2016 Registration Document (page 122) and the Statutory Auditors' Special Report (page 283). |
| Vested benefits under the previous defined benefit plan | To compensate for the loss of potential benefits accumulated under the terminated defined benefit plan, which are an integral part of their ties with the Company, plan participants were awarded a payment corresponding to the value attributed to the potential benefits less a deduction for age, seniority in the Group and length of participation in the plan. The payments are being spread over three years, representing €486,667 per year for Grégoire Olivier. This amount is subject to payroll taxes and income tax, and the net payment will be around 50% of the amount shown. Each annual payment is conditional on Mr. Olivier continuing to be employed by the Group at the end of the year concerned. The first payment was made in 2016. The pension arrangements were approved by shareholders at the Shareholders' Meeting of 27 April 2016 (fourth resolution) under the related-party commitments procedure. For more information, see section 3.4 of the 2016 Registration Document (page 122) and the Statutory Auditors' Special Report (page 283). |

## COMPONENTS OF THE COMPENSATION AND BENEFITS DUE OR AWARDED TO **MAXIME PICAT**, MEMBER OF THE MANAGING BOARD FOR THE PERIOD FROM 1 SEPTEMBER TO 31 DECEMBER 2016

| Type of compensation/benefits | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Fixed compensation | €206,000 | Gross salary set by the Supervisory Board on 26 July 2016, based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Variable compensation | €225,489 | Gross bonus set by the Supervisory Board on 22 February 2017 based on the recommendation of the Appointments, Compensation and Governance Committee.<br>The Board reviewed the degree to which the targets that had been set at its meeting on 23 February 2016 had been achieved and noted that Maxime Picat had:<br>› reached the double trigger threshold for the payment of his bonus (2016 Automotive Division recurring operating income and positive 2016 operating free cash flow for the manufacturing and sales companies);<br>› contributed to the financial objectives set for all members of the Managing Board being exceeded on average, raising the average achievement rate to 109.64% (with growth in Automotive Division operating margin and revenue accounting for 32% of the maximum bonus and vehicle quality for 16%);<br>› achieved 59% of his individual objectives, which concerned Europe region (DEUR) recurring operating income for 10% of the maximum bonus, and European registrations for 4%.<br>As a result, the Supervisory Board considered that Maxime Picat had partially fulfilled his 2016 objectives with an achievement level of 99.51% and therefore awarded him a bonus of €225,489, representing 109% of his salary as member of the Managing Board, versus a target of 130%.<br>For more details, see section 3.4 of the 2016 Registration Document (page 122). |
| Deferred compensation | Not applicable | No deferred compensation plan. |
| Long-term incentive bonus | Not applicable | No long-term incentive bonus plan. |
| Stock options, performance shares or other forms of long-term compensation | Stock options = N/A | No stock option plan. |

| Type of compensation/benefits | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Performance Shares | 40,000 performance shares valued at €476,000* (fair value estimated based on the IFRS applied for the preparation of the consolidated financial statements) | Pursuant to the Supervisory Board's decisions made at its meetings on 23 February and 27 April 2016, the Managing Board granted 40,000 performance shares to Maxime Picat on 2 June 2016. The shares vest in two tranches, with 50% vesting after three years and 50% after four years. The final number of vested shares will be determined at the end of each vesting period based on the Group's actual performance compared to targets for three consecutive years (2016-2018). For more details, see section 3.4 of the 2016 Registration Document (page 122).<br>The performance targets concern Automotive Division recurring operating margin for each of the years 2016, 2017 and 2018 and consolidated revenue growth between 2015 and 2018. If the minimum recurring operating margin target is not met, no performance shares in fraction 1 (50% of shares for each vesting period) or fraction 2 will vest. Managing Board members have certain obligations with regard to the vested shares. Further details are provided in the 2016 Registration Document (page 124). |
| Attendance fees | Not applicable | › The members of the Managing Board are not paid any attendance fees. |
| Fringe benefits | €932 (accounting value) | Company car |
| | €205 (employer payroll tax contributions) | Health insurance |
| Signing bonus | Not applicable | Maxime Picat was not paid any signing bonus. |
| Termination benefit | Not applicable | Maxime Picat is not entitled to any termination benefit. |
| Non-compete indemnity | Not applicable | Maxime Picat is not eligible for any non-compete indemnity. |

* *Historical value at the award date, calculated for accounting purposes. It does not represent either the current market value or the discounted present value of the shares on the vesting date (if they vest). It does not correspond to compensation paid to Maxime Picat during the year.*

| Components submitted for shareholder approval at the Shareholders' Meeting under the related-party commitments procedure | Presentation |
|---|---|
| Supplementary pension plan – Company contribution | A system of annual supplementary pension plan contributions came into effect on 1 January 2016. The system provides for the payment of an annual top-up contribution, of which 50% in the form of contributions to an external fund as part of an optional defined contribution pension plan ("Article 82" plan) that can only be withdrawn when the plan participant retires, and the other 50% in cash (based on a system of upfront taxation). The annual payment is equivalent to 25% of the amount represented by the plan participant's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance (details of how annual bonus objectives are determined are provided in paragraph 3.4. page 122 of the 2016 Registration Document). The combined value of the annual top-up contributions may not exceed an amount equal to eight times the ceiling for Social Security contributions multiplied by 23 (multiplier determined by the actuaries as corresponding to the average number of years over which benefits are expected to be paid). The plan is a defined contribution pension plan. The top-up contribution paid on behalf of Maxime Picat for 2016 amounted to €107,872. This compares to the service cost of €73,000 (before reversal of the related provision) recorded in 2015 for Mr. Picat under the previous defined benefit plan.<br>The new pension plan was approved by shareholders at the Shareholders' Meeting of 27 April 2016 (fourth resolution) under the related-party commitments procedure. In light of the re-appointment of Managing Board members in 2017, shareholders will again be asked to approve the plan at this Shareholders' Meeting (fourth resolution). For more information, see section 3.4 of the 2016 Registration Document (page 122) and the Statutory Auditors' Special Report (page 283). |
| Vested benefits under the previous defined benefit plan | To compensate for the loss of potential benefits accumulated under the terminated defined benefit plan, which are an integral part of their ties with the Company, plan participants were awarded a payment corresponding to the value attributed to the potential benefits less a deduction for age, seniority in the Group and length of participation in the plan. The payments are being spread over three years, representing €39,000 per year for Maxime Picat. This amount is subject to payroll taxes and income tax, and the net payment will be around 50% of the amount shown. Each annual payment is conditional on Mr. Picat continuing to be employed by the Group at the end of the year concerned. The first payment was made in 2016.<br>The new pension arrangements were approved by shareholders at the Shareholders' Meeting of 27 April 2016 (fourth resolution) under the related-party commitments procedure. In light of the re-appointment of Managing Board members in 2017, shareholders will again be asked to approve these arrangements at this Shareholders' Meeting (fourth resolution). For more information, see section 3.4 of the 2016 Registration Document (page 122) and the Statutory Auditors' Special Report (page 283). |

## COMPONENTS OF THE 2016 COMPENSATION AND BENEFITS DUE OR AWARDED TO **JEAN-CHRISTOPHE QUÉMARD**, MEMBER OF THE MANAGING BOARD

| Type of compensation/benefits | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Fixed compensation | €618,000 | Gross salary set by the Supervisory Board on 23 February 2016, based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Variable compensation | €718,630 | Gross bonus set by the Supervisory Board on 22 February 2017 based on the recommendation of the Appointments, Compensation and Governance Committee.<br>The Board reviewed the degree to which the targets that had been set at its meeting on 23 February 2016 had been achieved and noted that Jean-Christophe Quémard had:<br>› reached the double trigger threshold for the payment of his bonus (2016 Automotive Division recurring operating income and positive 2016 operating free cash flow for the manufacturing and sales companies);<br>› contributed to the financial objectives set for all members of the Managing Board being exceeded on average, raising the average achievement rate to 109.64% (with growth in Automotive Division operating margin and revenue accounting for 32% of the maximum bonus and vehicle quality for 16%);<br>› achieved 90% of his individual objectives, which concerned the Africa-Middle East region (DMOA) recurring operating income for 10% of the maximum bonus, and DMOA worldwide unit sales for 10%.<br>As a result, the Supervisory Board considered that Jean-Christophe Quémard had partially fulfilled his 2016 objectives with an achievement level of 105.71% and therefore awarded him a bonus of €718,630, representing 116% of his salary, versus a target of 130%.<br>For more details, see section 3.4 of the 2016 Registration Document (page 122). |
| Deferred compensation | Not applicable | No deferred compensation plan. |
| Long-term incentive bonus | Not applicable | No long-term incentive bonus plan. |
| Stock options or other forms of long-term compensation (other than performance shares) | Stock options = N/A | No stock option plan. |

| Type of compensation/benefits | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Performance shares | 60,000 performance shares valued at €639,600* (fair value estimated based on the IFRS applied for the preparation of the consolidated financial statements) | At its meetings on 23 February and 27 April 2016, the Supervisory Board granted 60,000 performance shares to Jean-Christophe Quémard. The shares vest in two tranches, with 50% vesting after three years and 50% after four years. The final number of vested shares will be determined at the end of each vesting period based on the Group's actual performance compared to targets for three consecutive years (2016-2018). For more details, see section 3.4 of the 2016 Registration Document (page 122).<br>The performance targets concern Automotive Division recurring operating margin for each of the years 2016, 2017 and 2018 and consolidated revenue growth between 2015 and 2018. If the minimum recurring operating margin target is not met, no performance shares in fraction 1 (50% of shares for each vesting period) or fraction 2 will vest. Managing Board members have certain obligations with regard to the vested shares. Further details are provided in the 2016 Registration Document (page 124). |
| Attendance fees | Not applicable | › The members of the Managing Board are not paid any attendance fees. |
| Fringe benefits | €2,796 (accounting value) | Company car |
| | €1,166 (employer payroll tax contributions) | Health insurance |
| Signing bonus | Not applicable | Jean-Christophe Quémard was not paid any signing bonus. |
| Termination benefit | Not applicable | Jean-Christophe Quémard is not entitled to any termination benefit. |
| Non-compete indemnity | Not applicable | Jean-Christophe Quémard is not eligible for any non-compete indemnity. |

* *Historical value at the award date, calculated for accounting purposes. It does not represent either the current market value or the discounted present value of the shares on the vesting date (if they vest). It does not correspond to compensation paid to Jean-Christophe Quémard during the year.*

| Components submitted for shareholder approval at the Shareholders' Meeting under the related-party commitments procedure | Presentation |
|---|---|
| Supplementary pension plan – Company contribution | A system of annual supplementary pension plan contributions came into effect on 1 January 2016. The system provides for the payment of an annual top-up contribution, of which 50% in the form of contributions to an external fund as part of an optional defined contribution pension plan ("Article 82" plan) that can only be withdrawn when the plan participant retires, and the other 50% in cash (based on a system of upfront taxation). The annual payment is equivalent to 25% of the amount represented by the plan participant's salary and bonus for the year. The purpose of including the bonus in the calculation base is to ensure that the contribution is tied to Group performance (details of how annual bonus objectives are determined are provided in paragraph 3.4. page 122 of the 2016 Registration Document). The combined value of the annual top-up contributions may not exceed an amount equal to eight times the ceiling for Social Security contributions multiplied by 23 (multiplier determined by the actuaries as corresponding to the average number of years over which benefits are expected to be paid). The plan is a defined contribution pension plan. The top-up contribution paid on behalf of Jean-Christophe Quémard for 2016 amounted to €334,157. This compares to the service cost of €171,000 (before reversal of the related provision) recorded in 2015 for Mr. Quémard under the previous defined benefit plan.<br>The new pension plan was approved by shareholders at the Shareholders' Meeting of 27 April 2016 (fourth resolution) under the related-party commitments procedure. In light of the re-appointment of Managing Board members in 2017, shareholders will again be asked to approve the plan at this Shareholders' Meeting (fourth resolution). For more information, see section 3.4 of the 2016 Registration Document (page 122) and the Statutory Auditors' Special Report (page 283). |
| Vested benefits under the previous defined benefit plan | To compensate for the loss of potential benefits accumulated under the terminated defined benefit plan, which are an integral part of their ties with the Company, plan participants were awarded a payment corresponding to the value attributed to the potential benefits less a deduction for age, seniority in the Group and length of participation in the plan. The payments are being spread over three years, representing €510,000 per year for Jean-Christophe Quémard. This amount is subject to payroll taxes and income tax, and the net payment will be around 50% of the amount shown. Each annual payment is conditional on Mr. Quémard continuing to be employed by the Group at the end of the year concerned. The first payment was made in 2016.<br>The pension arrangements were approved by shareholders at the Shareholders' Meeting of 27 April 2016 (fourth resolution) under the related-party commitments procedure. In light of the re-appointment of Managing Board members in 2017, shareholders will again be asked to approve these arrangements at this Shareholders' Meeting (fourth resolution). For more information, see section 3.4 of the 2016 Registration Document (page 122) and the Statutory Auditors' Special Report (page 283). |

### VI. AUTHORISATION FOR THE MANAGING BOARD TO BUY BACK UP TO 10% OF THE COMPANY'S SHARES

#### (Twenty-first resolution)

In the **twenty-first resolution** shareholders are asked to renew the authorisation to carry out a share buyback programme. The previous authorisation was given at the Combined Shareholders' Meeting of 27 April 2016 (thirteenth resolution) and expires this year. It has not been used by the Managing Board.

Taking into account the 10% limit on the proportion of capital that may be held in treasury under French company law, as well as the number of shares outstanding and the 9,113,263 shares held in treasury as of 31 January 2017, representing approximately 1.055% of the capital, in practice the Managing Board would be authorised to buy back up to 77,261,312 shares.

The maximum purchase price would be set at €30 per share and the total amount invested in the programme would not exceed €2,317,839,360.

The shares could be bought back at any time except when a takeover bid for the Company was in progress, by any appropriate method, on or off-market, in accordance with Article L. 225-209 of the French Commercial Code and the rules of the AMF.

The authorisation could be used to buy back shares for cancellation in order to reduce the Company's capital; for allocation on exercise of stock options; for performance share plans; for employee savings plans; for allocation on redemption, conversion or exercise of securities carrying rights to shares; to maintain a liquid market in the Company's shares through market-making transactions carried out by an independent investment services provider; or for remittance in connection with external growth transactions, mergers, demergers or asset contributions.

This authorisation is being sought for a period of up to 18 months.

## Extraordinary resolutions

### VII. AUTHORISATION FOR THE MANAGING BOARD TO REDUCE THE COMPANY'S CAPITAL BY CANCELLING SHARES ACQUIRED UNDER BUYBACK PROGRAMMES

#### (Twenty-second resolution)

The **twenty-second resolution** renews the authorisation for the Managing Board to reduce the Company's capital by cancelling all or some of the Peugeot S.A. shares currently held or that may be acquired in the future under shareholder-approved buyback programmes, including the one authorised in the twenty-first resolution. The total number of shares cancelled in any 24-month period would not exceed 10% of the capital.

The authorisation would be given for a period of 26 months and would supersede the authorisation given for the same purpose in the tenth resolution of the 29 April 2015 Combined Shareholders' Meeting, which has not been used by the Managing Board.

### VIII. AUTHORISATIONS AND DELEGATIONS OF AUTHORITY FOR THE MANAGING BOARD TO ISSUE, WITH OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS, SHARES AND/OR SECURITIES CARRYING RIGHTS TO SHARES OF THE COMPANY OR ANY OF ITS SUBSIDIARIES

#### (Twenty-third to twenty-ninth resolutions)

At the Combined Shareholders' Meeting of 29 April 2015 (twelfth to eighteenth resolutions), the Managing Board was authorised to issue ordinary shares and/or securities carrying rights to shares of the Company, in France, abroad and/or on international markets, with or without pre-emptive subscription rights for existing shareholders.

These authorisations and delegations were not used by the Managing Board.

In the **twenty-third to twenty-ninth resolutions,** the Managing Board is asking shareholders to renew the delegations of authority and authorisations given at the Combined Shareholders' Meeting of 29 April 2015 on the basis described below.

The purpose of all of these resolutions is to give the Managing Board the necessary scope, within the limits and subject to the conditions set by the Shareholders' Meeting, to choose from among the possible types of issues and financial market opportunities. This will give the Company a certain amount of flexibility in carrying out the operations that are best suited to its needs, taking into account financial market conditions.

The Company's bylaws stipulate that any decision by the Managing Board to issue shares and/or securities carrying immediate or deferred rights to shares must be authorised in advance by the Supervisory Board.

The authorisations and delegations sought by the Managing Board could not be used while a takeover bid for the Company was in progress.

In accordance with applicable laws and regulations, if any of the delegations of authority sought in the twenty-fourth, twenty-fifth, twenty-seventh or twenty-eighth resolutions to issue shares or securities carrying rights to shares without pre-emptive subscription rights were to be used, the Managing Board would prepare a report to shareholders describing the transaction's final terms and conditions and its impact on holders of shares and securities carrying rights to shares, particularly any dilutive impact on equity per share. This report, along with the Statutory Auditors' Report on the same subject, would be made available to shareholders on the basis prescribed in the French Commercial Code.

In accordance with Article R. 225-113 of the French Commercial Code, shareholders are asked to read the section of the 2016 Registration Document describing business performance since the beginning of the year. The 2016 Registration Document will be filed with the AMF and made available to shareholders in accordance with legal and regulatory requirements. In particular, a downloadable version will be posted on the Group's website: www.groupe-psa.com).

## General presentation

The Managing Board may use these resolutions to issue shares or securities carrying immediate and/or deferred rights to shares including (i) equity securities of the Company with rights to existing or future equity securities (e.g., shares with equity warrants) and/or rights to debt securities (e.g., shares with debt warrants) or (ii) debt securities with rights to future equity securities (e.g., bonds with equity warrants).

Under the **twenty-third, twenty-fourth and twenty-fifth resolutions,** the Managing Board would also be authorised to decide to issue (i) equity securities of the Company with immediate and/or deferred rights to existing or new equity securities of any entity in which the Company directly or indirectly holds over half of the capital (a "Subsidiary") or to existing equity securities of any entity in which the Company holds less than half of the capital, directly or indirectly; (ii) equity securities of the Company with rights to debt securities issued by a Subsidiary or any other entity referred to in (i); and (iii) debt securities of the Company with rights to equity securities to be issued by a Subsidiary. Note that, in accordance with the law, any issue by the Company of securities carrying rights to equity securities to be issued by a Subsidiary would require the prior approval of the Subsidiary's shareholders in Extraordinary Meeting.

The Managing Board would not be authorised to issue preference shares or securities carrying immediate or deferred rights in any form to preference shares.

In addition, in accordance with the law, under no circumstances could the Managing Board issue equity securities convertible or transformable into debt securities.

Issues decided by the Managing Board could be carried out:

- with pre-emptive subscription rights for existing shareholders, under the twenty-third resolution;
- without pre-emptive subscription rights for existing shareholders, under:
  - the twenty-fourth resolution *(issues of shares or securities carrying rights to shares through a public offer)*,
  - the twenty-fifth resolution *(issues of shares or securities carrying rights to shares through a private placement)*,
  - the twenty-seventh resolution *(issues of shares or securities carrying rights to shares in connection with a stock-for-stock offer initiated by the Company)*, and
  - the twenty-eighth resolution *(issue of shares or securities carrying rights to shares in payment for another company's shares and/or securities carrying rights to shares, other than in connection with a stock-for-stock offer initiated by the Company)*.

In all cases, issuance of securities carrying rights to shares would entail the waiver by existing shareholders of their pre-emptive right to subscribe the ordinary shares to be issued on conversion, redemption or exercise of those securities, even if the original securities were issued with pre-emptive subscription rights.

Shareholders are asked to set at €350,675,796 the aggregate par value of shares that may be issued directly or upon conversion, redemption or exercise of securities with rights to shares pursuant to the authorisations and delegations sought at this Shareholders' Meeting, representing 40.6% of the share capital as of 31 January 2017. Within this blanket ceiling:

- the aggregate par value of shares that may be issued with pre-emptive subscription rights under the twenty-third resolution (directly or upon conversion, redemption or exercise of securities with rights to shares), would be capped at €215,936,439, representing 25% of the share capital as of 31 January 2017, including the par value of any securities issued pursuant to the authorisation sought in the twenty-sixth resolution to increase the amount of any oversubscribed issues by up to 15%;
- the aggregate par value of shares that may be issued without pre-emptive subscription rights under the twenty-fourth, twenty-fifth, twenty-seventh or twenty-eighth resolutions (directly or upon conversion, redemption or exercise of securities with rights to shares), would be capped at €86,374,575, representing 10% of the share capital as of 31 January 2017, including the par value of any securities issued pursuant to the authorisation sought in the twenty-sixth resolution to increase the amount of any oversubscribed issues by up to 15%.

The aggregate par value of i) any employee rights issues carried out pursuant to the thirtieth resolution – which would be limited to €8,637,457, representing around 1% of the share capital as of 31 January 2017 – and ii) any shares issued upon exercise of warrants to subscribe for shares reserved for companies of the General Motors group issued pursuant to the thirty-first resolution – which would be limited to €39,727,324, representing 4.6% of the share capital as of 31 January 2017 – would also be deducted from the €350,675,796 blanket ceiling.

The amounts referred to above would not include the par value of any additional shares to be issued pursuant to the applicable laws, regulations and any contractual provisions providing for other adjustments to protect the rights of existing holders of securities or other rights convertible, redeemable or otherwise exercisable for the Company's shares.

Shareholders are also asked to set at €2,305,800,000 (or the equivalent in foreign currency or in a monetary unit determined by reference to a basket of currencies on the date the issue is decided) the aggregate nominal amount of debt securities that may be issued with or without pre-emptive subscription rights pursuant to the twenty-third, twenty-fourth, twenty-fifth, twenty-seventh and twenty-eighth resolutions.

This ceiling includes the nominal amount of any debt securities that maybe issued pursuant to the authorisation sought in the twenty-sixth resolution to increase the amount of any oversubscribed issues by up to 15%.

The ceiling will not apply, however, to issues of debt securities that by law do not require the prior authorisation of the Shareholders' Meeting.

### Delegation of authority for the Managing Board to issue, with pre-emptive subscription rights, shares and/or securities carrying rights to shares and/or to increase the Company's capital by capitalising reserves, retained earnings, additional paid-in capital or other eligible items

#### (Twenty-third resolution)

The **twenty-third resolution** authorises the Managing Board to issue – with pre-emptive subscription rights for existing shareholders – ordinary shares of the Company and/or securities (as described above) carrying rights to shares of the Company, a Subsidiary or any entity in which the Company directly or indirectly holds less than half of the capital, subject to the ceilings described above.

Shareholders' pre-emptive right to subscribe these issues would be detachable and tradable during the subscription period. Each shareholder would have the right to subscribe, during at least five trading days as from the start of the subscription period, a number of new shares that was proportionate to the shareholder's interest in the Company's capital.

If an issue was not taken up in full, the Managing Board would also have the option of offering shareholders the right to subscribe any securities not taken up by the other shareholders.

The Managing Board would also be authorised to increase the Company's capital by issuing free shares and/or increasing the par value of existing shares, to be paid up by capitalising reserves, retained earnings, additional paid-in capital or any other capitalisable items.

This delegation is being sought for a period of 26 months.

### Delegation of authority for the Managing Board to issue, without pre-emptive subscription rights, shares and/or securities carrying rights to shares

#### (Twenty-fourth and twenty-fifth resolutions)

The **twenty-fourth** and **twenty-fifth resolutions** authorise the Managing Board to issue – without pre-emptive subscription rights for existing shareholders – ordinary shares of the Company and/or securities (as described above) carrying rights to shares of the Company, a Subsidiary or any entity in which the Company directly or indirectly holds less than half of the capital, subject to the ceilings described above.

The Managing Board believes that it is important to be able to carry out this type of issue. Cancelling shareholders' pre-emptive subscription rights not only provides greater flexibility in taking up financial market opportunities but can also prove necessary to raise capital on the best possible terms, depending on market conditions and the type of securities to be issued.

In particular, cancelling shareholders' pre-emptive rights allows issuers to carry out private placements, i.e., to place issues with portfolio managers, qualified investors or limited groups of investors for their proprietary portfolios.

In accordance with the recommendation issued by the AMF on 6 July 2009, two resolutions are being presented to allow shareholders to vote separately on issues made through public offers (**twenty-fourth resolution**) and through private placements (**twenty-fifth resolution**).

In each case, shareholders would automatically waive their pre-emptive right to subscribe the shares or securities carrying rights to shares to be issued under the delegations.

Under the twenty-fourth resolution, however, the Managing Board would have the option of offering shareholders a priority subscription right during a specified period.

Shareholders would also waive their pre-emptive right to subscribe the shares to be issued upon conversion, redemption or exercise of securities carrying rights to shares issued under these two delegations. In accordance with the applicable regulations, the issue price of the shares created directly or on conversion, redemption or exercise of securities with rights to shares would be at least equal to the weighted average price quoted for the Company's shares on the Paris stock exchange over the three consecutive trading days preceding the date when the issue price was set, less a maximum discount of 5%.

Both of these delegations are being sought for a period of 26 months.

### Authorisation to increase the number of securities included in an issue of shares and/or securities carrying rights to shares, with or without pre-emptive subscription rights

#### (Twenty-sixth resolution)

Following on from the twenty-third, twenty-fourth and twenty-fifth resolutions presented above, the purpose of the **twenty-sixth resolution** is to authorise the Managing Board to increase the number of shares or other securities to be issued in the event that an offer with or without pre-emptive subscription rights carried out under the twenty-third, twenty-fourth or twenty-fifth resolution is oversubscribed.

This type of authorisation – known as a greenshoe option – would allow the Managing Board to increase by up to 15% the number of securities offered in an oversubscribed issue, provided that the final amount of the issue did not result in the ceilings referred to in the twenty-third, twenty-fourth and twenty-fifth resolutions being exceeded.

The greenshoe option would have to be exercised within thirty days of the close of the initial offer period and the securities would have to be offered at the same price as the original issue.

The authorisation would be given for the same 26-month period as the delegations of authority granted in the twenty-third, twenty-fourth and twenty-fifth resolutions.

### Delegation of authority for the Managing Board to issue, without pre-emptive subscription rights, shares and/or securities carrying rights to shares of the company, in connection with a stock-for-stock offer initiated by the Company

#### (Twenty-seventh resolution)

The **twenty-seventh resolution** authorises the Managing Board to decide to issue ordinary shares or securities carrying rights to shares of the Company in payment for securities tendered to a stock-for-stock offer initiated by the Company, in France or abroad, with a view to acquiring the shares of another company that are traded on one of the regulated markets referred to in Article L. 225-148 of the French Commercial Code. The ceilings referred to above would also apply to issues carried out under this authorisation.

The ordinary shares or securities carrying rights to shares would be issued without pre-emptive subscription rights for existing shareholders.

The Managing Board would decide the type and characteristics of the securities to be issued, and would determine the amount of the capital increase resulting from the offer, which would depend on the number of shares of the target that were tendered to the offer, the exchange ratio and whether the shares of the target were exchanged for shares of the Company or for securities carrying rights to shares.

This authorisation is being sought for a period of 26 months.

### Delegation of authority for the Managing Board to issue, without pre-emptive subscription rights, shares and/or securities carrying rights to shares of the company, in payment for another company's shares and/or securities carrying rights to shares, other than in connection with a stock-for-stock offer initiated by the Company

#### (Twenty-eighth resolution)

The **twenty-eighth resolution** authorises the Managing Board to decide to issue shares and/or securities carrying rights to shares of the Company, in payment for another company's shares and/or securities carrying rights to shares acquired in a private transaction.

The aggregate par value of shares issued pursuant to this authorisation would not exceed 10% of the capital.

If this delegation were to be used, an expert appraiser of capital contributions would be appointed to check the value attributed to the target's shares and, if appropriate, the exchange ratio, *i.e.*, the number of new shares of the Company to be issued in payment for the target's shares.

The ordinary shares or securities carrying rights to shares would be issued without pre-emptive subscription rights for the Company's existing shareholders, as they would be offered exclusively to shareholders of the target who chose to sell their shares to the Company.

This authorisation is being sought for a period of 26 months.

### Blanket ceiling on capital increases carried out pursuant to the twenty-third to twenty-eighth resolutions and the thirtieth and thirty-first resolutions of this Shareholders' Meeting

#### (Twenty-ninth resolution)

The **twenty-ninth resolution** sets at €350,675,796 (representing 40.6% of the capital at 31 January 2017) the maximum aggregate par value of share issues that may be carried out directly or on conversion, redemption or exercise of securities carrying rights to shares pursuant to the authorisations and delegations of authority given in the twenty-third, twenty-fourth, twenty-fifth, twenty-sixth, twenty-seventh and twenty-eighth resolutions and the thirtieth and thirty-first resolutions.

## IX. DELEGATION OF AUTHORITY FOR THE MANAGING BOARD TO CARRY OUT ONE OR SEVERAL EMPLOYEE SHARE ISSUES

#### (Thirtieth resolution)

Whenever shareholders are asked to give a delegation of authority to issue ordinary shares or securities carrying rights to shares – as is the case in the twenty-third, twenty-fourth and twenty-fifth resolutions presented at this Shareholders' Meeting – Article L. 225-129-6, paragraph 1, of the French Commercial Code stipulates that a separate resolution must be presented authorising one or more employee share issues. This is the purpose of the thirtieth resolution.

Under this delegation, the Managing Board would be authorised to issue to employees, through one or several offers, up to €8,637,457 worth of ordinary shares and/or securities carrying rights to shares representing approximately 1% of the Company's capital as of 31 January 2017. This is the same percentage as that specified in the delegation to the same effect given to the Managing Board by the Combined Shareholders' Meeting of 29 April 2015 (nineteenth resolution).

The shares would be offered to members of employee stock ownership plans set up by the Company or any French or foreign related entities within the meaning of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code *(Code du travail)*. Existing shareholders would not have a pre-emptive subscription right in relation to these issues.

In accordance with Article L. 3332-19 of the French Labour Code, the shares would not be offered at a price that was greater than the average of the prices quoted for the Company's shares over the 20 trading days preceding the decision setting the opening date of the subscription period, nor would they be offered at a discount in excess of that specified in Article L. 3332-19.

The Managing Board could use this delegation to grant free shares to the above plan participants – corresponding either to new shares paid up by capitalising reserves, retained earnings or additional paid-in capital, or to existing shares – in respect of (i) the employer's matching contribution to the employee stock ownership plan that may be payable in application of the plan rules, and/or (ii) the discount, provided that their pecuniary value – corresponding to the subscription price – did not result in a breach of the ceilings provided for in the applicable regulations.

This delegation would be granted for a period of 26 months.

As stipulated in the Company's bylaws, the Managing Board would be required to obtain the Supervisory Board's prior approval before carrying out any issues using this delegation.

In accordance with the applicable laws and regulations, if this delegation is used, the Managing Board will issue a further report describing the final terms of the issue, and its impact on holders of shares and securities carrying rights to shares, particularly any dilutive impact on equity per share. This report, along with the Statutory Auditors' Report on the same subject, would be made available to shareholders on the basis prescribed in the French Commercial Code.

## X. DELEGATION OF AUTHORITY FOR THE MANAGING BOARD TO ISSUE WARRANTS TO SUBSCRIBE FOR SHARES RESERVED FOR COMPANIES OF THE GENERAL MOTORS GROUP

### (Thirty-first resolution)

The **thirty-first resolution** is proposed in the context of the announcement made by the Company in a press release dated 6 March 2017 of its proposed acquisition of General Motors' Opel/Vauxhall subsidiary and the creation of a car finance joint venture with BNP Paribas to support the development of the Opel and Vauxhall brands (the "**Transaction**"). A presentation of Opel/Vauxhall appears in chapter 4.4.1 (*Agreement for the acquisition of General Motors' Opel/Vauxhall subsidiary and of GM Financial's European operations, and the strategic partnership with the BNP Paribas Group*) paragraph i) of the 2016 registration document of the Company.

### Presentation of the Transaction

#### The characteristics and prospects of the Transaction

Under the terms of the pre-acquisition agreement:

- the car manufacturing activities of Opel/Vauxhall will be acquired by the Company for €1.3 billion (equal to 7.4% of the pro forma revenue of Opel/Vauxhall in 2016) subject to adjustments of net debt and working capital requirements; and
- the European financing activities of General Motors will be jointly acquired (50/50) by the Company and BNP Paribas at a price equal to 0.8 times their pro forma equity capital at the close of the Transaction (i.e. €1.2 billion), or €0.9 billion. The accounts of these finance companies will be consolidated by the Company using the equity method and will be fully consolidated by BNP Paribas.

The total price of the Transaction for the Company is therefore estimated at €1.8 billion.

With Opel/Vauxhall, the PSA Group will become the second-largest automotive company in Europe with a 17% market share (1). The Transaction will enable the Group to make substantial economies of scale and to achieve synergies in the area of purchasing, manufacturing and R&D. Annual synergies of €1.7 billion are expected by 2026 – an estimated 65% of which is expected to be delivered by 2020 – and, leveraging the partnership with General Motors, the Company expects Opel/Vauxhall to reach a recurring operating margin (2) of 2% by 2020 and of 6% by 2026, and to generate positive operational free cash flow (3) by 2020.

Pursuant to the pre-acquisition agreement, General Motors is under an obligation to compensate the Company (subject to the usual limitations) for certain losses associated with the inaccuracy of the representations and warranties or the breach of certain commitments by General Motors, and for certain identified liabilities. In addition, any potential emissions-related matters impacting the Opel/Vauxhall portfolio as engineered prior to the date of completion of the Transaction has been allocated by the pre-acquisition agreement between the parties, with General Motors maintaining primary responsibility.

Furthermore, all Opel and Vauxhall pension schemes in Europe and the United Kingdom, whether funded or unfunded, with the exception of the plan for active German employees and certain small pension schemes, will be retained with General Motors. In this context, General Motors will pay the Company €3.0 billion in full and final settlement of the pension obligations thus transferred. This sum will be paid in full on the date of final completion of the Transaction (or of the effective transfer of the car manufacturing business), subject to post-closing adjustments depending on the actuarial assessment of the financing requirements.

Finally, the Transaction more globally represents a continuation of the 2012 alliance with General Motors. Indeed, the role of General Motors in the integration of Opel/Vauxhall into the Company will be important since the Company and General Motors intend on the date of completion of the Transaction to conclude numerous industrial, technical and operational agreements relating to intellectual property, IT, spare parts, vehicle manufacture, the deployment of technologies associated with electric cars, etc.

Thus, a royalty-free licence (since already reflected in the price of the acquisition) will be granted to Opel/Vauxhall by General Motors in respect of all intellectual property rights belonging to General Motors (with the exception of the makes which will be acquired in the context of the Transaction) or in respect of which General Motors has a licence. In the case of Opel and Vauxhall vehicles and their respective components and drive trains (excluding after-sales service), the licence will be granted for each vehicle until the date on which production of that vehicle ends, or until the date of convergence of that vehicle with the PSA platforms, if that occurs sooner. The Company will also have the right to extend this period until a maximum of 24 months after the date of convergence. In the case of components and drive trains for the purposes of repairs and after-sales service, the licence will be granted until 25 years after the date that production of the relevant vehicle ends.

#### The issue of equity warrants as a method of payment of part of the price of the Transaction

In the context of the Transaction, €1.13 billion (equal to 64% of the total price of the Transaction for the Company) will be financed by the Company's available cash, and that the remaining amount of €650 million (or 36% of the price) will be paid by the issue by the Company of equity warrants (the "**Warrants**") to companies of the General Motors group. The Warrants would be issued on the date on which the Company's acquisition of Opel/Vauxhall from General Motors is completed.

The advantage of this method of payment of part of the acquisition price is that the Company would be able to maintain its financial flexibility and thus to seize other growth opportunities internationally: its net pro forma cash balance for 2016 would in fact be €5.7 billion, and after completion of the Transaction, the Company would have pro forma financial security in 2016 of €16 billion (4).

Moreover, as General Motors will contribute to the integration of Opel/Vauxhall into the PSA Group, the issue of the Warrants would allow General Motors to participate in the future success of the combined PSA – Opel/Vauxhall group and in the achievement of the synergies expected by the Company.

The main characteristics of the Warrants (described in more detail in paragraph 2 below) are as follows:

- the maximum number of Warrants that may be issued would be 39,727,324 and they would be issued at a unit price of €16.3386515 euros;
- the Warrants would carry a right to the allotment or subscription of a maximum of 39,727,324 shares of the Company with a nominal value of €1 each, at the rate of 1 share for 1 warrant;

8

(1) *Excluding Russia and Turkey. Source: IHS (February 2017).*
(2) *IFRS. Subject to full review of US GAAP and IFRS differences.*
(3) *Defined as recurring operating income + D&A - restructuring costs - capital investment expenses - capitalised R&D – change in working capital.*
(4) *Financial data in respect of manufacturing and sales companies, i.e. excluding financing companies.*

- the exercise price of each Warrant would be €1 and the warrants would be exercisable between the 5th and 9th years following the date of their issue (corresponding to the expected duration for the achievement of the industrial synergies);
- the Warrants would carry entitlement to adjustments intended to protect the financial rights of the holders, including a cash payment equal to the dividends received by shareholders until the date the Warrants are exercised ;
- General Motors and its affiliated companies would not have any governance or voting rights in respect of these Warrants, and would be obliged to sell the PSA shares received within a period of 35 days from the date of exercise of the Warrants.

The purpose of the **thirty-first resolution** is not to ask the Shareholders' Meeting to make a decision on the Transaction but only on the envisaged issue of the Warrants. In this respect, it is recalled that the Company's three main shareholders (the French State, the Peugeot family and DongFeng), which together hold around 36.6% of the Company's capital and 51.5% of the voting rights, have indicated that they will vote in favour of the resolution. In the event that the Shareholders' Meeting did not approve this resolution by the required majority of two thirds, this would not have any effect on completion of the Transaction, since the Company would pay the €0.65 billion in cash over the next five years.

### Presentation of the characteristics of the envisaged issue of Warrants

In the **thirty-first resolution**, shareholders are asked to grant the Managing Board authority, which may be sub-delegated, to decide one or more issues of Warrants. This issuance will be reserved to the entities in which General Motors Company owns, directly or indirectly, more than 50% of the share capital or voting rights (the "**General Motors Beneficiaries**") and shareholders are asked to waive their shareholders' pre-emptive rights and to reserve all Warrants issued pursuant to this resolution for the benefit of the General Motors Beneficiaries.

The Managing Board would be authorised to issue up to thirty-nine million seven hundred and twenty-seven thousand three hundred and twenty-four (39,727,324) Warrants at a price of €16.3386515 per Warrant. This price has been calculated based on the average PSA share price before it was affected by the Company's announcement of negotiations concerning the Transaction (i.e. the volume-weighted average share price quoted over the twenty trading days preceding 14 February 2017).

The Warrants' issue price would be settled by capitalising debt due by the Company towards General Motors or the companies of its group as of the completion date of the Company's acquisition of Opel/Vauxhall. In accordance with Article R. 225-134 of the French Commercial Code (*Code de commerce*) on share issues paid up by capitalising the issuer's debt, the Management Board would prepare a statement of account for the debt to be capitalised that would be certified by the Statutory Auditors.

The Warrants would entitle their holders to a maximum of thirty nine million seven hundred and twenty seven thousand three hundred and twenty four (39,727,324) shares of the Company each with a par value of one (1) euro to be allotted upon exercise of the Warrants on a one-for-one basis, i.e. a maximum capital increase of thirty nine million seven hundred and twenty seven thousand three hundred and twenty four euros (€39,727,324), equal to about 4.4% of the Company's capital on a non-diluted basis (1) and to about 4.2% on a fully-diluted basis , on the understanding that this amount shall be included in the overall cap fixed in the twenty-ninth resolution and does not include the par value of any shares to be issued to protect the rights of the Warrant holders in accordance with the stipulations in the appendix to the thirty-first resolution.

The exercise price per warrant would be one (1) euro, corresponding to the par value of one share of the Company. It could be paid in cash or by capitalisation of reserves, earnings or issue premiums or by offsetting liquid and payable debts.

Shareholders would have to waive their pre-emptive rights to subscribe to the shares issued upon exercise of the Warrants in favour of the General Motors Beneficiaries.

*(1) Calculation based on 907 million fully-diluted shares outstanding.*

In line with the objective whereby General Motors would share the risks and rewards associated with the Transaction and the synergies the Company expects to develop between now and 2026, it is expected that:

- The Warrants could be exercised in whole or in part at any time from midnight (Paris time) on the fifth (5th) anniversary of the Managing Board's decision to issue the Warrants (the "**Issue Date**") (except in case of change of control of the Company) until midnight (Paris time) on the ninth (9th) anniversary of the Issue Date, after which time any unexercised Warrants would lapse and would have no further value;
- The Warrants would not be listed and could not be sold or otherwise transferred by General Motors Beneficiaries, other than to an affiliated company;
- The Warrants would entitle their holders to adjustments to protect their financial rights as provided for in the Appendix to the resolution, including payment of a cash sum corresponding to dividends received by shareholders up to the exercise of the Warrants. In this regard, when the Warrants were exercised the General Motors Beneficiaries would receive, at the same time as the underlying shares, a cash sum equal to the aggregate amount of any distributions of dividends made by the Company since the Issue Date that would have been received by them had they held, on the date of each distribution, the number of shares of the Company to which the Warrants would have entitled them (subject to any applicable withholding tax).

Adoption of the **thirty-first resolution** and completion of the Transaction would not, however, have the effect of granting companies of the General Motors group governance or voting rights with respect to the shares resulting from the exercise of the Warrants and would be required to sell the PSA shares received on exercise of the Warrants within thirty-five (35) days of their exercise.

The new shares issued on exercise of the Warrants would have dividend and voting rights as from the date of issue and would be subject to all of the provisions of the Company's bylaws as well as all shareholder decisions as from that date.

The Managing Board is also seeking full powers – which could be subdelegated as provided for by law – to implement this delegation of authority and, in particular, to:

- Decide to issue the Warrants to the General Motors Beneficiaries,
- Determine the list of General Motors Beneficiaries and the number of Warrants to be subscribed by each of them,
- Determine the amounts, characteristics and payment terms of the Warrants issued and determine the final terms of the issue, and in particular the number of Warrants that may be issued and subscribed by the General Motors Beneficiaries, in accordance with the provisions of the resolution and within the limits set therein, and to record the subscription price of the Warrants subscribed in the issue premium account;
- Collect applications to subscribe to the Warrants and the accompanying payments;
- Make any adjustments required pursuant to the applicable legislation and regulations and to the terms and conditions stipulated in appendix 1 to the resolution;
- Charge any issuance costs of the Warrants against the related premium;
- Place on record the number of shares issued upon exercise of the Warrants and the resulting capital increases, carry out all formalities relating to the capital increases and amend the bylaws accordingly;
- More generally, enter into any and all agreements, carry out any and all requisite formalities and filings, obtain any and all authorisations required for the issue, admission to trading and financial service of the shares issued upon exercise of the Warrants, and, more generally, take any and all measures and carry out any and all formalities necessary for the issue.

This delegation of authority is being sought for a period of eighteen months.

As stipulated in the Company's bylaws, the Managing Board would be required to obtain the Supervisory Board's prior approval before issuing Warrants under this delegation of authority.

In accordance with the applicable laws and regulations, if this delegation of authority is used, the Managing Board will issue a further report describing the final terms of the issue, and its impact on holders of shares and securities carrying rights to shares, particularly any dilutive impact on equity per share. This report, along with the Statutory Auditors' Report on the same subject, would be made available to shareholders on the basis prescribed in the French Commercial Code.

## XI. DELEGATION OF AUTHORITY FOR THE MANAGING BOARD TO ISSUE EQUITY WARRANTS WHILE A TAKEOVER BID FOR THE COMPANY IS IN PROGRESS

### (Thirty-second resolution)

The **thirty-second resolution** authorises the Managing Board to issue equity warrants to shareholders on preferential terms while an unsolicited takeover bid for the Company is in progress, and to allocate the warrants to shareholders without consideration before the takeover bid expires, as provided for in Article L. 233-32 II of the French Commercial Code.

The aim of this delegation is to give the Company the means of achieving the best possible valuation of its shares in the event that the price offered under a takeover bid is considered too low, by encouraging the bidder to increase its offer price or to withdraw the offer altogether.

The Managing Board considers that it needs to be able to issue equity warrants on the basis allowed by law if the Company is the target of a takeover bid that the Managing Board considers contrary to the interests of both the Company and its shareholders.

The equity warrants would expire automatically when the takeover bid or any competing bid failed, expired or was withdrawn.

Equity warrants issued under the authorisation would not be exercisable for shares representing more than €431,872,878 (representing 50% of the capital at 31 January 2017) and the number of warrants would not exceed the number of shares outstanding on the warrant issue date.

This delegation would cover any takeover bid filed within a period of 18 months of this Shareholders' Meeting and would expire when the takeover bid expired.

## XII. AMENDMENT OF ARTICLE 10 I C) OF THE BYLAWS TO PROVIDE FOR THE CONTINUED PRESENCE ON THE SUPERVISORY BOARD OF A MEMBER REPRESENTING EMPLOYEE SHAREHOLDERS

### (Thirty-third resolution)

Although shares held by employees currently represent less than 3% of the capital, shareholders will be asked to approve the thirty-third resolution concerning an amendment to Article 10 I C) of the bylaws providing for the presence on the Supervisory Board of a member representing employee shareholders for a further four years.

The presence of a representative of employee shareholders at Supervisory Board meetings will contribute to more balanced discussions of the issues before the Board.

## XIII. POWERS TO CARRY OUT LEGAL FORMALITIES

### (Thirty-fourth resolution)

The **thirty-fourth resolution** is the standard resolution giving the necessary powers to carry out legal publication and other formalities.

* * *

Shareholders are asked to adopt the above resolutions that the Managing Board has recommended for approval.

**The Managing Board**

# 8.2. AGENDA AND TEXT OF THE PROPOSED RESOLUTIONS

## 8.2.1. Agenda

### A. ORDINARY RESOLUTIONS

1. Approval of the parent company financial statements for the year ended 31 December 2016;
2. Approval of the consolidated financial statements for the year ended 31 December 2016;
3. Appropriation of 2016 profit;
4. Approval of a related-party commitment – continued implementation of the pension plan for members of the Managing Board following re-appointment of Managing Board members;
5. Re-election of a member of the Supervisory Board (Pamela Knapp);
6. Re-election of a member of the Supervisory Board (Helle Kristoffersen);
7. Re-election of a member of the Supervisory Board (Henri Philippe Reichstul);
8. Re-election of a member of the Supervisory Board (Geoffroy Roux de Bézieux);
9. Ratification of the appointment of a member of the Supervisory Board (Jack Azoulay);
10. Election of a member of the Supervisory Board (Florence Verzelen);
11. Election of a Supervisory Board member representing employee shareholders (Bénédicte Juyaux);
12. Re-appointment of one of the Statutory Auditors (Mazars);
13. Appointment of an Alternate Auditor (Jean-Marc Deslandes, Alternate for Mazars);
14. Re-appointment of one of the Statutory Auditors (Ernst & Young et Autres);
15. Re-appointment of one of the Alternate Auditors (Auditex, Alternate for Ernst & Young et Autres);
16. Approval of the criteria and principles for determining, allocating and awarding components of the compensation and benefits of the Chairman of the Managing Board;
17. Approval of the criteria and principles for determining, allocating and awarding components of the compensation and benefits of the members of the Managing Board;
18. Approval of the criteria and principles for determining, allocating and awarding components of the compensation and benefits of the members of the Supervisory Board;
19. Advisory vote on the compensation and benefits due or awarded to Carlos Tavares, Chairman of the Managing Board, for 2016;
20. Advisory vote on the compensation and benefits due or awarded to the other members of the Managing Board (Jean-Baptiste Chasseloup de Chatillon, Grégoire Olivier, Maxime Picat and Jean-Christophe Quémard) for 2016;
21. Authorisation for the Managing Board to buy back up to 10% of the Company's shares in accordance with Article L. 225-209 of the French Commercial Code, except when a takeover bid for the Company is in progress.

### B. EXTRAORDINARY RESOLUTIONS

22. Authorisation for the Managing Board to reduce the Company's capital by up to 10% by cancelling shares acquired under buyback programmes;
23. Delegation of authority for the Managing Board to issue, with pre-emptive subscription rights, shares and/or securities carrying immediate or deferred rights to shares of the Company or any of its subsidiaries, and/or to increase the Company's capital by capitalising reserves, retained earnings, additional paid-in capital or other eligible items;
24. Delegation of authority for the Managing Board to issue, through a public offer and without pre-emptive subscription rights, shares and/or securities carrying immediate or deferred rights to shares of the Company or any of its subsidiaries;
25. Delegation of authority for the Managing Board to issue shares and/or securities carrying immediate or deferred rights to shares of the Company or any of its subsidiaries, without pre-emptive subscription rights, through a private placement governed by Article L. 411-2 II of the French Monetary and Financial Code;
26. Authorisation for the Managing Board to increase the number of securities included in an issue of shares and/or securities carrying immediate or deferred rights to shares of the Company or any of its subsidiaries, with or without pre-emptive subscription rights;
27. Delegation of authority for the Managing Board to issue, without pre-emptive subscription rights, shares and/or securities carrying rights to shares of the Company, in connection with a stock-for-stock offer initiated by the Company;
28. Delegation of authority for the Managing Board to issue, without pre-emptive subscription rights, shares and/or securities carrying rights to shares of the Company, in payment for another company's shares and/or securities carrying rights to shares, other than in connection with a stock-for-stock offer initiated by the Company;
29. Blanket ceiling on capital increases carried out pursuant to the twenty-third to the twenty-eighth resolutions and the thirtieth and thirty-first resolutions of this Shareholders' Meeting;
30. Delegation of authority for the Managing Board to carry out one or several employee share issues without pre-emptive subscription rights;
31. Delegation of authority for the Managing Board to issue warrants to subscribe for shares reserved for companies of the General Motors group;
32. Delegation of authority for the Managing Board to issue equity warrants and allocate the warrants to shareholders without consideration while a takeover bid for the Company is in progress; maximum amount of the resulting capital increase;
33. Amendment of Article 10 I C) of the bylaws to provide for the continued presence on the Supervisory Board of a member representing employee shareholders during the next four years;
34. Powers to carry out legal formalities.

## 8.2.2. Text of the proposed resolutions

### A. ORDINARY RESOLUTIONS

#### First resolution

**Approval of the parent company financial statements for the year ended 31 December 2016**

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings and having considered the annual financial statements, the Managing Board's Report, the Supervisory Board's Report, the Report of the Chairman of the Supervisory Board and the Statutory Auditors' Report on the annual financial statements for the year ended 31 December 2016, approves the parent company financial statements for the year ended 31 December 2016 as presented, showing a profit of €1,611,204,755, as well as the transactions reflected in those financial statements or disclosed in those reports.

#### Second resolution

**Approval of the consolidated financial statements for the year ended 31 December 2016**

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings and having considered the consolidated financial statements, the Managing Board's Report, the Supervisory Board's Report and the Statutory Auditors' Report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2016 as presented, as well as the transactions reflected in those consolidated financial statements or disclosed in those reports.

#### Third resolution

**Appropriation of 2016 profit and payment of a dividend**

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings and on the recommendation of the Managing Board, having noted that 2016 profit amounted to €1,611,204,755:

- resolves to deduct €5,132,755.90 from this amount for appropriation to the legal reserve;
- notes that profit available for distribution, corresponding to the balance of 2016 profit plus retained earnings of €6,219,312,987.86 brought forward from the prior year, totals €7,825,384,986.96 and resolves to appropriate this amount as follows:
  - to the payment of a dividend: €412,763,949.60,
  - to retained earnings: €7,412,621,037.36.

The total dividend payout of €412,763,949.60 is based on 859,924,895 shares outstanding at 31 December 2016 and corresponds to a dividend per share of €0.48.

If the number of shares with rights to the 2016 dividend increases as a result of the exercise of equity warrants issued by the Company on 29 April 2014, the total dividend payout will be adjusted accordingly and the amount appropriated to retained earnings will be determined on the basis of the actual payout. The Managing Board is hereby authorised to make any such adjustment.

Dividends not paid on shares held in treasury stock on the dividend payment date will be credited to retained earnings.

The ex-dividend date will be 15 May 2017, the payment date (in cash) will be 17 May 2017 and the record date will be 16 May 2017.

Eligible shareholders will qualify for the 40% tax rebate introduced in Article 158-3, paragraph 2, of the French General Tax Code (Code général des impôts) on the total amount of the dividend. With some exceptions, the dividend will be subject to the flat-rate withholding tax provided for in Article 117 quater of the Code.

The Shareholders' Meeting notes that no dividend was paid for 2013, 2014 or 2015.

#### Fourth resolution

**Approval of a related-party commitment – continued implementation of the pension plan for members of the Managing Board (following re-appointment of Managing Board members in February 2017)**

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings and having considered the Statutory Auditors' Special Report drawn up in accordance with Article L. 225-88 of the French Commercial Code (*Code de commerce*) on related-party agreements and commitments governed by Article L. 225-86 *et seq.* of said Code, approves the continued implementation of the pension plan described in section 1 of the Statutory Auditors' Special Report.

#### Fifth resolution

**Re-election of a member of the Supervisory Board (Pamela Knapp)**

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, re-elects Pamela Knapp as a member of the Supervisory Board for a period of four years expiring at the close of the Shareholders' Meeting to be called in 2021 to approve the financial statements for the year ending 31 December 2020.

#### Sixth resolution

**Re-election of a member of the Supervisory Board (Helle Kristoffersen)**

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, re-elects Helle Kristoffersen as a member of the Supervisory Board for a period of four years expiring at the close of the Shareholders' Meeting to be called in 2021 to approve the financial statements for the year ending 31 December 2020.

#### Seventh resolution

**Re-election of a member of the Supervisory Board (Henri Philippe Reichstul)**

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, re-elects Henri Philippe Reichstul as a member of the Supervisory Board for a period of four years expiring at the close of the Shareholders' Meeting to be called in 2021 to approve the financial statements for the year ending 31 December 2020.

## Eighth resolution

### Re-election of a member of the Supervisory Board (Geoffroy Roux de Bézieux)

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, re-elects Geoffroy Roux de Bézieux as a member of the Supervisory Board for a period of four years expiring at the close of the Shareholders' Meeting to be called in 2021 to approve the financial statements for the year ending 31 December 2020.

## Ninth resolution

### Ratification of the appointment of a member of the Supervisory Board (Jack Azoulay)

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, ratifies the Supervisory Board's decision of 23 September 2016 to appoint Jack Azoulay to the Supervisory Board to replace Bruno Bézard, who has resigned, for the remainder of his term of office, which expires at the close of the Shareholders' Meeting to be called in 2018 to approve the financial statements for the year ending 31 December 2017.

## Tenth resolution

### Election of a member of the Supervisory Board (Florence Verzelen)

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, elects Florence Verzelen as a member of the Supervisory Board for a period of four years expiring at the close of the Shareholders' Meeting to be called in 2021 to approve the financial statements for the year ending 31 December 2020.

## Eleventh resolution

### Election of a Supervisory Board member representing employee shareholders (Bénédicte Juyaux)

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, resolves, subject to adoption of the thirty-second resolution presented to this Shareholders' Meeting, to elect Bénédicte Juyaux as a member of the Supervisory Board representing employee shareholders for a period of four years expiring at the close of the Shareholders' Meeting to be called in 2021 to approve the financial statements for the year ending 31 December 2020.

## Twelfth resolution

### Re-appointment of one of the Statutory Auditors (Mazars)

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings and on the recommendation of the Supervisory Board, renews the appointment as Statutory Auditor of Mazars, whose principal place of business is at Tour Exaltis, 61 rue Henri-Regnault, Courbevoie (92400), for a period of six years expiring at the close of the Shareholders' Meeting to be called in 2023 to approve the financial statements for the year ending 31 December 2022.

## Thirteenth resolution

### Appointment of an Alternate Auditor (Jean-Marc Deslandes, Alternate for Mazars)

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings and on the recommendation of the Supervisory Board, resolves to appoint as Alternate Auditor for Mazars, Jean-Marc Deslandes, whose principal place of business is at Tour Exaltis, 61 rue Henri Regnault, Courbevoie (92400), for a period of six years expiring at the close of the Shareholders' Meeting to be called in 2023 to approve the financial statements for the year ending 31 December 2022.

## Fourteenth resolution

### Re-appointment of one of the Statutory Auditors (Ernst & Young et Autres)

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings and on the recommendation of the Supervisory Board, renews the appointment as Statutory Auditor of Ernst & Young et Autres, whose principal place of business is at Tour First, 1 place des Saisons, Courbevoie (92400), for a period of six years expiring at the close of the Shareholders' Meeting to be called in 2023 to approve the financial statements for the year ending 31 December 2022.

## Fifteenth resolution

### Re-appointment of one of the Alternate Auditors (Auditex , Alternate for Ernst & Young)

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings and on the recommendation of the Supervisory Board, renews the appointment as Alternate Auditor for Ernst & Young et Autres of Auditex, whose principal place of business is at Faubourg de l'Arche, Paris-La Défense (92037), for a period of six years expiring at the close of the Shareholders' Meeting to be called in 2023 to approve the financial statements for the year ending 31 December 2022.

## Sixteenth resolution

### Approval of the criteria and principles for determining, allocating and awarding components of the compensation and benefits of the Chairman of the Managing Board

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, being consulted in application of paragraph 1 of Article L.225-82-2 of the French Commercial Code (*Code de commerce*) and having considered the report prepared in application of said article, approves the criteria and principles for determining, allocating and awarding the fixed, variable and special components of the compensation and benefits of the Chairman of the Managing Board as presented in said report.

## Seventeenth resolution

### Approval of the criteria and principles for determining, allocating and awarding components of the compensation and benefits of the members of the Managing Board

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, being consulted in application of paragraph 1 of Article L.225-82-2 of the French Commercial Code (*Code de commerce*) and having considered the report prepared in application of said article, approves the criteria and principles for determining, allocating and awarding the fixed, variable and special components of the compensation and benefits of the members of the Managing Board as presented in said report.

## Eighteenth resolution

### Approval of the criteria and principles for determining, allocating and awarding components of the compensation and benefits of the members of the Supervisory Board

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, being consulted in application of paragraph 1 of Article L.225-82-2 of the French Commercial Code (*Code de commerce*) and having considered the report prepared in application of said article, approves the criteria and principles for determining, allocating and awarding the fixed, variable and special components of the compensation and benefits of the members of the Supervisory Board as presented in said report.

## Nineteenth resolution

### Advisory vote on the compensation and benefits due or awarded to Carlos Tavares, Chairman of the Managing Board, for 2016

Having been consulted in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies (paragraph 26) and voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, the Shareholders' Meeting issues a positive advisory vote on the compensation due or awarded to Carlos Tavares, Chairman of the Managing Board, for 2016 as presented in section V of the Managing Board's Report on the resolutions presented at this Shareholders' Meeting.

## Twentieth resolution

### Advisory vote on the compensation and benefits due or awarded to the other members of the Managing Board (Jean-Baptiste Chasseloup de Chatillon, Grégoire Olivier, Maxime Picat and Jean-Christophe Quémard) for 2016

Having been consulted in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies (paragraph 26) and voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings, the Shareholders' Meeting issues a positive advisory vote on the compensation due or awarded to Jean-Baptiste Chasseloup de Chatillon, Grégoire Olivier, Maxime Picat and Jean-Christophe Quémard for 2016 as presented in section V of the Managing Board's Report on the resolutions presented at this Shareholders' Meeting.

## Twenty-first resolution

### Authorisation for the Managing Board to buy back up to 10% of the Company's shares in accordance with Article L. 225-209 of the French Commercial Code, except when a takeover bid for the Company is in progress

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings and having considered the Managing Board's Report, resolves, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code (*Code de commerce*):

1. To authorise the Managing Board, with the right of delegation, to buy back – directly or through a representative – up to 77,261,312 shares of the Company, in one or several transactions on dates to be decided by the Board, provided that this does not result in the Company holding over 10% of its capital at any time;
2. That the shares may be acquired or held in accordance with the applicable laws and regulations, for the following purposes:
   - (a) for cancellation in order to reduce the Company's capital,
   - (b) for allocation on exercise of stock options granted to employees and/or corporate officers of the Company or any related entity and/or grouping, in accordance with the laws and regulations in force when the options are exercised,
   - (c) for allocation of shares without consideration to employees and/or corporate officers of the Company or any related entity or grouping, in accordance with the applicable laws and regulations,
   - (d) for allocation to employees who are members of an employee stock ownership plan in transactions complying with Articles L. 3331-1 *et seq.* of the French Labour Code (*Code du travail*) that involve the sale of shares previously bought back by the Company under this resolution or that provide for the allocation of shares without consideration in respect of a matching contribution to the plan by the Company and/or in place of the discount,
   - (e) for remittance of shares on exercise of rights attached to securities convertible, redeemable, exchangeable or otherwise exercisable for shares of the Company,
   - (f) to maintain a liquid market in the Company's shares through market-making transactions carried out by an independent investment services provider acting under a liquidity agreement that complies with a Code of Ethics approved by the applicable regulations,
   - (g) for delivery in a payment, exchange or contribution transaction carried out in connection with an external growth transaction, merger, demerger or asset contribution, within the limits specified in the applicable regulations;
3. That the shares may be purchased, sold or transferred by any appropriate method and at any time, except when a takeover bid for the Company is in progress, within the limits specified in the applicable regulations, on or off-market, including through block trades or the use of call or put options and any and all other derivatives traded on a regulated market or over-the-counter and, in particular, any type of call option;
4. That the maximum purchase price shall be set at thirty euros (€30) per share, subject to any adjustments decided by the Managing Board in the case of any corporate actions, including any rights issue, any free share issue paid up by capitalising reserves, retained earnings or additional paid-in capital, or any stock-split or reverse stock-split. The maximum amount that may be invested in the buyback programme is set at two billion three hundred and seventeen million eight hundred and thirty-nine thousand three hundred and sixty euros (€2,317,839,360);

8

**5.** That the Managing Board shall have full powers – which may be delegated as provided for by law – to use this authorisation, including to place any and all buy and sell orders on or off-market, enter into any and all contracts, draw up any and all documents, carry out any and all procedures, make any and all filings with any authorities or other bodies, allocate or re-allocate the shares to the various purposes to the extent allowed by the applicable laws and regulations, and generally do whatever is necessary to implement the decisions made by the Managing Board pursuant to this authorisation;

**6.** That this authorisation is given for a period of eighteen months from the date of this Shareholders' Meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Shareholders' Meeting.

## B. EXTRAORDINARY RESOLUTIONS

### Twenty-second resolution

#### Authorisation for the Managing Board to reduce the Company's capital by up to 10% by cancelling shares acquired under buyback programmes

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report:

**1.** Authorises the Managing Board, under Article 9 of the bylaws, to cancel all or some of the Company's shares held now or in the future, in one or several transactions, provided that the number of shares cancelled in any twenty-four month period does not exceed 10% of the Company's capital;

**2.** Resolves that the difference between the carrying amount of the cancelled shares and their par value will be allocated to retained earnings, additional paid-in capital or any other reserve accounts;

**3.** Gives full powers to the Managing Board – which may be delegated – to reduce the Company's capital on one or several occasions by cancelling shares as provided for above, to amend the bylaws to reflect the new capital, to carry out any and all publication formalities, and to take any and all measures required to effect the capital reduction(s), directly or indirectly;

**4.** Resolves that this authorisation is given for a period of twenty-six months from the date of this Shareholders' Meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Shareholders' Meeting.

### Twenty-third resolution

#### Delegation of authority for the Managing Board to issue, with pre-emptive subscription rights, shares and/or securities carrying immediate or deferred rights to shares of the Company or any of its subsidiaries, and/or to increase the Company's capital by capitalising reserves, retained earnings, additional paid-in capital or other eligible items

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report, resolves, in accordance with Articles L. 225-127 to L. 225-129, L. 2251292, L. 225-129-4, L. 225-130, L. 225-132 to L. 225-134, L. 228-91 to L. 228-94 and other relevant provisions of the French Commercial Code:

**1.** To grant the Managing Board, in accordance with Article 9 of the bylaws, full discretionary powers to carry out rights issues, on date(s), except when a takeover bid for the Company is in progress, and in amount(s) to be decided by the Board. This delegation of authority may be used to:

(a) issue, in France and/or abroad, with pre-emptive subscription rights:

(i) ordinary shares of the Company and/or

(ii) securities carrying immediate or deferred rights by any appropriate method to existing or new ordinary shares of the Company or of any entity in which the Company directly or indirectly holds over half of the capital (a "Subsidiary") or to existing shares of any entity in which the Company does not directly or indirectly hold over half of the capital, and/or with rights to debt securities issued by the Company, a Subsidiary or an entity referred to above, and/or

(iii) compound and other securities carrying immediate and/or deferred rights by any appropriate method to new ordinary shares of the Company and/or a Subsidiary, or to existing ordinary shares and/or to debt securities; in all cases to be paid up in cash or by capitalising debt, and/or

(b) increase the Company's capital by issuing free shares and/or raising the par value of existing shares, to be paid up by capitalising reserves, retained earnings, additional paid-in capital or any other capitalisable items;

**2.** That no preference shares or securities carrying immediate or deferred rights in any form to preference shares may be issued under this delegation of authority;

**3.** That securities issued under paragraph 1(a) of this delegation of authority may (i) consist of debt securities governed by Articles L. 228-91 *et seq.* of the French Commercial Code, debt securities falling outside the scope of said article, or warrants, or (ii) be issued jointly with debt securities or warrants, or (iii) allow the issue thereof as intermediate securities; they may represent subordinated or unsubordinated debt, have a fixed or indefinite life, and be denominated in euros, in foreign currency or in a monetary unit determined by reference to a basket of currencies;

**4.** That the aggregate nominal amount of any capital increases carried out pursuant to this delegation of authority – immediately and/or on exercise of rights to shares – may not exceed two hundred and fifteen million nine hundred and thirty-six thousand four hundred and thirty-nine euros (€215,936,439). The Shareholders' Meeting further resolves:

(a) that this amount will be deducted from the blanket ceiling set in the twenty-ninth resolution provided that said resolution is adopted at this Shareholders' Meeting, and

(b) that the amounts referred to above shall not include the par value of any additional shares to be issued pursuant to the applicable laws, regulations and any contractual provisions providing for other adjustments to protect the rights of existing holders of securities or other rights convertible, redeemable or otherwise exercisable for the Company's shares;

**5.** That the aggregate nominal amount of debt securities that may be issued under this delegation of authority may not exceed two billion three hundred and five million eight hundred thousand euros (€2,305,800,000) (or the euro equivalent of this amount on the date on which the issue is decided in the case of issues denominated in a foreign currency or a monetary unit determined by reference to a basket of currencies). The Shareholders' Meeting further resolves:

(a) that the above amount is a blanket ceiling applicable to all issues of debt securities that may be carried out pursuant to this delegation of authority and the delegations of authority and authorisations given in the twenty-fourth, twenty-fifth, twenty-sixth, twenty-seventh and twenty-eighth resolutions of this Shareholders' Meeting, such that the aggregate amount of debt issues carried out pursuant to said delegations of authority and authorisations will be deducted from the above ceiling, and

(b) that the above ceiling shall not apply to issues of debt securities governed by Articles L. 228-38, L. 228-92 paragraph 3, L. 228-93 paragraph 6 and L. 228-94 paragraph 3 of the French Commercial Code (*Code de commerce*) that are decided or authorised in accordance with Articles L. 228-36-A and L. 228-40 of the French Commercial Code and the Company's bylaws;

**6.** That issues of securities carrying or that may carry immediate or deferred rights to new shares of a Subsidiary, carried out pursuant to paragraph 1(a) of this delegation of authority, must be authorised in advance by the Subsidiary's Extraordinary Shareholders' Meeting.

**7.** That, for issues of shares of the Company or other securities decided pursuant to paragraph 1(a) of this delegation of authority:

(a) existing shareholders shall be granted pre-emptive rights to subscribe the shares and/or other securities, in proportion to their existing interest in the Company's capital,

(b) the Managing Board may grant shareholders additional pre-emptive rights to subscribe any shares and/or other securities not taken up by other shareholders. In this case, if the issue is oversubscribed, such additional pre-emptive rights will also be exercisable in proportion to the existing interest in the Company's capital of the shareholders concerned,

(c) in accordance with Article L. 225-134 of the French Commercial Code (*Code de commerce*), if an issue of shares or securities is not taken up in full by shareholders exercising their pre-emptive rights as described above, the Managing Board may take one or more of the following courses of action, in the order of its choice: (i) freely allocate all or some of the unsubscribed securities among the investors of its choice, (ii) offer the unsubscribed securities for subscription by the public and/or (iii) limit the amount of the issue to the subscriptions received provided that at least three-quarters of the issue is taken up,

(d) if warrants to subscribe the Company's shares are issued they may be offered for subscription in cash on the above basis or allocated among holders of existing shares without consideration. In the latter case, the Managing Board shall be authorised to decide that rights to fractions of securities will be non-transferable and non-tradable and that the corresponding securities will be sold,

(e) in the event of an issue of securities carrying rights to new shares of the Company or a Subsidiary, this delegation of authority shall automatically entail the waiver of existing shareholders' pre-emptive rights to subscribe the shares to be issued on exercise of the rights attached to said securities;

**8.** That if the Managing Board uses the delegation of authority given in paragraph 1(b) of this resolution to increase the Company's capital by capitalising reserves, retained earnings, additional paid-in capital or other eligible items, any rights to fractions of shares shall be non-transferable and non-tradable and the corresponding shares shall be sold, with the sale proceeds allocated among the rights holders in accordance with the applicable regulations;

**9.** That the Managing Board shall have full powers – which may be delegated in accordance with the law and the Company's bylaws – to use this delegation of authority and accordingly to:

(a) decide to carry out an issue and, where necessary, postpone it,

(b) determine the amounts, characteristics and other terms and conditions of any issues, including the type of securities to be issued, the issue price (which may or may not include a premium), the cum rights date (which may be retroactive), the method by which the securities will be paid up, the terms of allocation of any equity warrants as well as their life and their exercise conditions, and the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company or of another entity as referred to in section 1(a)(ii) or 1(a)(iii) of this delegation of authority. The Managing Board may amend any of these terms and conditions during the life of the securities concerned, subject to compliance with the applicable legal formalities,

(c) in the case of an issue of debt securities, determine whether the debt should be unsubordinated or subordinated, and in the latter case, the securities' ranking for repayment purposes based on Article L. 228-97 of the French Commercial Code (*Code de commerce*), and set the life of the securities (which may be fixed or indefinite), the interest rate and payment terms, and all other terms and conditions of the issue, including any collateral or other form of guarantee, and any special repayment terms (such as repayment in assets of the Company),

(d) determine – in accordance with the applicable laws – the terms and conditions under which the Company may buy back or exchange the issued shares and/or securities carrying rights to shares (on or off-market) with a view to holding them or cancelling them, and decide, if it deems appropriate, to suspend the exercise of the rights attached to the issued shares or securities,

(e) make any and all adjustments required to comply with the applicable laws, regulations and any contractual provisions providing for other adjustments, and determine the method to be used to protect the rights of existing holders of securities or other rights exercisable for the Company's shares,

(f) charge any issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level,

(g) place on record the capital increase(s) and amend the bylaws to reflect the new capital,

(h) generally, enter into any and all agreements, take all appropriate steps and carry out all formalities necessary for the issue, listing and service of the securities issued pursuant to this delegation of authority and for the exercise of any related rights;

**10.** That this delegation of authority is given for a period of twenty-six months from the date of this Shareholders' Meeting and supersedes, for the unused portion and remaining period, the delegation of authority for the same purpose given at an earlier Shareholders' Meeting.

## Twenty-fourth resolution

### Delegation of authority for the Managing Board to issue, through a public offer and without pre-emptive subscription rights, shares and/or securities carrying immediate or deferred rights to shares of the Company or any of its subsidiaries

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report, resolves, in accordance with Articles L. 225-127 to L. 225-129, L. 2251292, L. 225-129-4, L. 225-135, L. 225-136, L. 225-148, L. 228-91 to L. 228-94 and other relevant provisions of the French Commercial Code:

1. To grant the Managing Board, in accordance with Article 9 of the bylaws, full discretionary powers to carry out the securities issues described in this resolution, in France and/or abroad, on the date(s), except when a takeover bid for the Company is in progress, and in the amount(s) to be decided by the Board, through a public offer without pre-emptive subscription rights. This delegation of authority may be used to issue:
   (a) ordinary shares of the Company, and/or
   (b) other equity securities carrying immediate or deferred rights by any appropriate method to existing or new ordinary shares of the Company or of any entity in which the Company directly or indirectly holds over half of the capital (a "Subsidiary") or to existing shares of any entity in which the Company does not directly or indirectly hold over half of the capital, and/or with rights to debt securities issued by the Company, a Subsidiary or an entity referred to above, and/or
   (c) compound and other securities carrying immediate and/or deferred rights by any appropriate method to new ordinary shares of the Company and/or a Subsidiary, or to existing ordinary shares and/or to debt securities; in all cases to be paid up in cash or by capitalising debt;
2. That no preference shares or securities carrying immediate or deferred rights in any form to preference shares may be issued under this delegation of authority;
3. That securities issued pursuant to this delegation of authority may (i) consist of debt securities governed by Articles L. 228-91 *et seq.* of the French Commercial Code (*Code de commerce*), debt securities falling outside the scope of said article, or warrants, or (ii) be issued jointly with debt securities or warrants, or (iii) allow the issue thereof as intermediate securities; they may represent subordinated or unsubordinated debt, have a fixed or indefinite life, and be denominated in euros, in foreign currency or in a monetary unit determined by reference to a basket of currencies;
4. that the public offer(s) undertaken pursuant to this delegation of authority may be carried out jointly or simultaneously with one or more private placements governed by Article L. 411-2 II of the French Monetary and Financial Code (*Code monétaire et financier*) as provided for in the twenty-fifth resolution of this Shareholders' Meeting;
5. That the aggregate nominal amount of any capital increases carried out pursuant to this delegation of authority – immediately and/or on exercise of rights to shares – may not exceed eighty-six million three hundred and seventy four thousand five hundred and seventy-five euros (€86,374,575). The Shareholders' Meeting further resolves:
   (a) that this amount will be deducted from the blanket ceiling on capital increases set in the twenty-ninth resolution provided that said resolution is adopted by this Shareholders' Meeting,
   (b) that this amount is a blanket ceiling applicable to all capital increases without pre-emptive subscription rights that may be carried out pursuant to this delegation of authority and the delegations of authority and authorisations given in the twenty-fifth, twenty-sixth, twenty-seventh and twenty-eighth resolutions provided that they are adopted by this Shareholders' Meeting, such that the aggregate amount of capital increases carried out pursuant to said resolutions will be deducted from the above ceiling, and
   (c) that the above amounts shall not include the par value of any additional shares to be issued pursuant to the applicable laws, regulations and any contractual provisions providing for other adjustments to protect the rights of existing holders of securities or other rights convertible, redeemable or otherwise exercisable for the Company's shares;
6. That the aggregate nominal amount of debt securities that may be issued under this delegation of authority may not exceed and will be deducted from the blanket ceiling on debt securities issues set in paragraph 5 of the twenty-third resolution of this Shareholders' Meeting;
7. That issues of securities carrying or that may carry immediate or deferred rights to new shares of a Subsidiary, carried out pursuant to paragraph 1 of this resolution, must be authorised in advance by the Subsidiary's Extraordinary Shareholders' Meeting;
8. To waive shareholders' pre-emptive rights to subscribe the shares or other securities to be issued under this delegation of authority. However, if it deems appropriate, the Managing Board may offer shareholders a priority right to subscribe all or part of any issue, during the period and on the terms set by the Managing Board in accordance with the applicable laws and regulations. The securities offered for subscription under this priority right will be allocated in proportion to shareholders' existing interests in the Company's capital. If certain shareholders elect not to exercise this right, the Managing Board may offer the unsubscribed securities to the other shareholders, again in proportion to their existing interests;
9. That, in accordance with Article L. 225-134 of the French Commercial Code (*Code de commerce*), if an issue of shares or securities is not taken up in full by shareholders and other investors, the Managing Board may take one or more of the following courses of action, in the order of its choice: (i) freely allocate all or some of the unsubscribed securities among the investors of its choice and/or (ii) limit the amount of the issue to the subscriptions received provided that at least three-quarters of the issue is taken up;
10. That, in the event of an issue of securities carrying rights to new shares of the Company, this delegation of authority shall automatically entail the waiver of existing shareholders' pre-emptive rights to subscribe the shares to be issued on exercise of the rights attached to said securities;

**11.** That:

(a) the issue price of shares issued directly under this delegation of authority shall be at least equal to the minimum price provided for in the regulations in force on the date the issue is decided (currently corresponding to the weighted average of the prices quoted for the Company's shares on NYSE Euronext Paris over the three trading days preceding the pricing date, less a discount of no more than 5%, in accordance with Articles L. 225-136-1, paragraph 1, and R. 225-119 of the French Commercial Code (*Code de commerce*), as adjusted if necessary for differences in cum dividend dates), and

(b) the issue price of securities carrying rights to shares of the Company shall be set in such a way that the amount received by the Company at the time of issue plus the amount to be received on exercise of the rights attached to the issued securities is at least equal to the minimum issue price defined in the above paragraph, as adjusted if necessary for differences in cum dividend dates;

**12.** That the Managing Board shall have full powers – which may be delegated in accordance with the law and the Company's bylaws – to use this delegation of authority and accordingly to:

(a) decide to carry out an issue and, where necessary, postpone it,

(b) determine the amounts, characteristics and other terms and conditions of any issues, including the type of securities to be issued, the issue price (which may or may not include a premium), the cum rights date (which may be retroactive), the method by which the securities will be paid up, the terms of allocation of any equity warrants as well as their life and their exercise conditions, and the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company or of another entity as referred to in section 1(b) or 1(c) of this delegation of authority. The Managing Board may amend any of these terms and conditions during the life of the securities concerned, subject to compliance with the applicable legal formalities,

(c) in the case of an issue of debt securities, determine whether the debt should be unsubordinated or subordinated, and in the latter case, the securities' ranking for repayment purposes based on Article L. 228-97 of the French Commercial Code (*Code de commerce*), and set the life of the securities (which may be fixed or indefinite), the interest rate and payment terms, and all other terms and conditions of the issue, including any collateral or other form of guarantee, and any special repayment terms (such as repayment in assets of the Company),

(d) determine – in accordance with the applicable laws – the terms and conditions under which the Company may buy back or exchange the issued shares and/or securities carrying rights to shares (on or off-market) with a view to holding them or cancelling them, and decide, if it deems appropriate, to suspend the exercise of the rights attached to the issued shares or securities,

(e) make any and all adjustments required to comply with the applicable laws, regulations and any contractual provisions providing for other adjustments, and determine the method to be used to protect the rights of existing holders of securities or other rights exercisable for the Company's shares,

(f) charge any issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level,

(g) place on record the capital increase(s) and amend the bylaws to reflect the new capital,

(h) generally, enter into any and all agreements, take all appropriate steps and carry out all formalities necessary for the issue, listing and service of the securities issued pursuant to this delegation of authority and for the exercise of any related rights;

**13.** That this delegation of authority is given for a period of twenty-six months from the date of this Shareholders' Meeting and supersedes, for the unused portion and remaining period, the delegation of authority for the same purpose given at an earlier Shareholders' Meeting.

## Twenty-fifth resolution

### Delegation of authority for the Managing Board to issue shares and/or securities carrying immediate or deferred rights to shares of the Company or any of its subsidiaries, without pre-emptive subscription rights, through a private placement governed by Article L. 411-2 II of the French Monetary and Financial Code

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report, resolves, in accordance with Articles L. 225-127 to L. 225-129, L. 2251292, L. 225-129-4, L. 225-135, L. 225-136, L. 228-91 to L. 228-94 and other relevant provisions of the French Commercial Code (*Code de commerce*) and Article L. 411-2 II of the French Monetary and Financial Code (*Code monétaire et financier*):

**1.** To grant the Managing Board, in accordance with Article 9 of the bylaws, full discretionary powers to carry out the securities issues described in this resolution, in France and/or abroad, on the date(s), except when a takeover bid for the Company is in progress, and in the amount(s) to be decided by the Board, through an offer governed by Article L. 411-2 II of the French Monetary and Financial Code (*Code monétaire et financier*), without pre-emptive subscription rights. This delegation of authority may be used to issue:

(a) ordinary shares of the Company, and/or

(b) other equity securities carrying immediate or deferred rights by any appropriate method to existing or new ordinary shares of the Company or of any entity in which the Company directly or indirectly holds over half of the capital (a "Subsidiary") or to existing shares of any entity in which the Company does not directly or indirectly hold over half of the capital, and/or with rights to debt securities issued by the Company, a Subsidiary or any other entity referred to above, and/or

(c) compound and other securities carrying immediate and/or deferred rights by any appropriate method to new ordinary shares of the Company and/or a Subsidiary, or to existing ordinary shares and/or to debt securities; in all cases to be paid up in cash or by capitalising debt;

**2.** That no preference shares or securities carrying immediate or deferred rights in any form to preference shares may be issued under this delegation of authority;

**3.** That securities issued pursuant to this delegation of authority may (i) consist of debt securities governed by Articles L. 228-91 *et seq.* of the French Commercial Code (*Code de commerce*), debt securities falling outside the scope of said Article, or warrants, or (ii) be issued jointly with debt securities or warrants, or (iii) allow the issue thereof as intermediate securities; they may represent subordinated or unsubordinated debt, have a fixed or indefinite life, and be denominated in euros, in foreign currency or in a monetary unit determined by reference to a basket of currencies;

**4.** That the offer(s) governed by Article L. 411-2 II of the French Monetary and Financial Code undertaken pursuant to this delegation of authority may be carried out jointly or simultaneously with one or more public offers provided for in the twenty-fourth resolution of this Shareholders' Meeting;

**5.** That the aggregate nominal amount of any capital increases carried out pursuant to this delegation of authority – immediately and/or on exercise of rights to shares – may not exceed €86,374,575. The Shareholders' Meeting further resolves:

(a) that this amount will be deducted from the ceiling set in paragraph 5 of the twenty-fourth resolution above, and from the blanket ceiling on capital increases set in the twenty-ninth resolution, provided that the twenty-fourth and twenty-ninth resolutions are adopted by this Shareholders' Meeting,

(b) that, in all cases, share issues carried out pursuant to this delegation of authority may not exceed the limits specified in the applicable regulations (i.e., currently 20% of the Company's capital per year), as determined on the date of the Managing Board's decision to use the delegation of authority, and

(c) that the above amounts shall not include the par value of any additional shares to be issued pursuant to the applicable laws, regulations and any contractual provisions providing for other adjustments to protect the rights of existing holders of securities or other rights convertible, redeemable or otherwise exercisable for the Company's shares;

**6.** That the aggregate nominal amount of debt securities that may be issued under this delegation of authority may not exceed and will be deducted from the blanket ceiling on debt securities issues set in paragraph 5 of the twenty-third resolution of this Shareholders' Meeting;

**7.** That issues of securities carrying or that may carry immediate or deferred rights to new shares of a Subsidiary, carried out pursuant to paragraph 1 of this resolution, must be authorised in advance by the Subsidiary's Extraordinary Shareholders' Meeting;

**8.** To waive shareholders' pre-emptive rights to subscribe the shares or other securities to be issued under this delegation of authority;

**9.** That, in accordance with Article L. 225-134 of the French Commercial Code (*Code de commerce*), if an issue of shares or securities is not taken up in full by shareholders and other investors, the Managing Board may take one or more of the following courses of action, in the order of its choice: (i) freely allocate all or some of the unsubscribed securities among the investors of its choice and/or (ii) limit the amount of the issue to the subscriptions received provided that at least three-quarters of the issue is taken up;

**10.** That, in the event of an issue of securities carrying rights to new shares of the Company, this delegation of authority shall automatically entail the waiver of existing shareholders' pre-emptive rights to subscribe the shares to be issued on exercise of the rights attached to said securities;

**11.** That:

(a) the issue price of shares issued directly under this delegation of authority shall be at least equal to the minimum price provided for in the regulations in force on the date the issue is decided (currently corresponding to the weighted average of the prices quoted for the Company's shares on Euronext Paris over the three trading days preceding the pricing date, less a discount of no more than 5%, in accordance with Articles L. 225-136-1, paragraph 1, and R. 225-119 of the French Commercial Code (*Code de commerce*), as adjusted if necessary for differences in cum dividend dates), and

(b) the issue price of securities carrying rights to shares of the Company shall be set in such a way that the amount received by the Company at the time of issue plus the amount to be received on exercise of the rights attached to the issued securities is at least equal to the minimum issue price defined in the above paragraph, as adjusted if necessary for differences in cum dividend dates;

**12.** That the Managing Board shall have full powers – which may be delegated in accordance with the law and the Company's bylaws – to use this delegation of authority and accordingly to:

(a) decide to carry out an issue and, where necessary, postpone it,

(b) determine the amounts, characteristics and other terms and conditions of any issues, including the type of securities to be issued, the issue price (which may or may not include a premium), the cum rights date (which may be retroactive), the method by which the securities will be paid up, the terms of allocation of any equity warrants as well as their life and their exercise conditions, and the terms and conditions for exercising the rights attached to securities carrying rights to shares of the Company or of another entity as referred to in section 1(b) or 1(c) of this delegation of authority. The Managing Board may amend any of these terms and conditions during the life of the securities concerned, subject to compliance with the applicable legal formalities,

(c) in the case of an issue of debt securities, determine whether the debt should be unsubordinated or subordinated, and in the latter case, the securities' ranking for repayment purposes based on Article L. 228-97 of the French Commercial Code (*Code de commerce*), and set the life of the securities (which may be fixed or indefinite), the interest rate and payment terms, and all other terms and conditions of the issue, including any collateral or other form of guarantee, and any special repayment terms (such as repayment in assets of the Company),

(d) determine – in accordance with the applicable laws – the terms and conditions under which the Company may buy back or exchange the issued shares and/or securities carrying rights to shares (on or off-market) with a view to holding them or cancelling them, and decide, if it deems appropriate, to suspend the exercise of the rights attached to the issued shares or securities,

(e) make any and all adjustments required to comply with the applicable laws, regulations and any contractual provisions providing for other adjustments, and determine the method to be used to protect the rights of existing holders of securities or other rights exercisable for the Company's shares,

(f) charge any issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level,

(g) place on record the capital increase(s) and amend the bylaws to reflect the new capital,

(h) generally, enter into any and all agreements, take all appropriate steps and carry out all formalities necessary for the issue, listing and service of the securities issued pursuant to this delegation of authority and for the exercise of any related rights;

**13.** That this delegation of authority is given for a period of twenty-six months from the date of this Shareholders' Meeting and supersedes, for the unused portion and remaining period, the delegation of authority for the same purpose given at an earlier Shareholders' Meeting.

## Twenty-sixth resolution

### Authorisation for the Managing Board to increase the number of securities included in an issue of shares and/or securities carrying rights to shares of the Company or any of its subsidiaries, with or without pre-emptive subscription rights

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report, resolves, in accordance with Article L. 225-135-1 of the French Commercial Code (*Code de commerce*):

1. To authorise the Managing Board to increase the number of securities included in any issue carried out pursuant to the twenty-third, twenty-fourth and twenty-fifth resolutions of this Shareholders' Meeting. Said additional securities shall be issued at the same price as for the original issue in accordance with the conditions and ceilings specified in the regulations applicable on the original issue date (currently the additional securities must be issued within 30 days of the close of the original subscription period and may not represent more than 15% of the original issue amount). Any such additional issues shall also be subject to the ceiling(s) set in the resolution under which the original issue was authorised;
2. That this authorisation is given for a period of twenty-six months from the date of this Shareholders' Meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Shareholders' Meeting.

## Twenty-seventh resolution

### Delegation of authority for the Managing Board to issue, without pre-emptive subscription rights, shares and/or securities carrying rights to shares of the Company, in connection with a stock-for-stock offer initiated by the Company

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report, resolves, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code (*Code de commerce*), particularly Articles L. 225-129-2 and L. 225-148:

1. To grant the Managing Board, in accordance with Article 9 of the bylaws, full discretionary powers to carry out the securities issues described in this resolution on date(s), except when a takeover bid for the Company is in progress, and in the amount(s) to be decided by the Board. This delegation of authority may be used to issue:
   (a) ordinary shares of the Company, and/or
   (b) other equity securities carrying immediate or deferred rights by any appropriate method to existing or new ordinary shares and/or debt securities of the Company, and/or
   (c) compound and other securities carrying immediate and/or deferred rights by any appropriate method to new ordinary shares of the Company, or to existing shares or to debt securities,

   in payment for securities tendered to a stock-for-stock offer (or a stock-for-stock offer with a cash alternative) initiated by the Company, in France or abroad in accordance with local rules, with a view to acquiring the shares of another company that are traded on one of the regulated markets referred to in Article L. 225-148 of the French Commercial Code;
2. That no preference shares or securities carrying immediate or deferred rights in any form to preference shares may be issued under this delegation of authority;
3. That securities issued pursuant to this delegation of authority may (i) consist of debt securities governed by Articles L. 228-91 *et seq.* of the French Commercial Code (*Code de commerce*), debt securities falling outside the scope of said article, or warrants, or (ii) be issued jointly with debt securities or warrants, or (iii) allow the issue thereof as intermediate securities; they may represent subordinated or unsubordinated debt, have a fixed or indefinite life, and be denominated in euros, in foreign currency or in a monetary unit determined by reference to a basket of currencies;
4. That shareholders shall waive their pre-emptive right to subscribe the securities issued pursuant to this delegation of authority in favour of the holders of the securities tendered to a public offer referred to in paragraph 1 of this resolution, and, if the Company issues securities with rights to new shares of the Company, that shareholders shall waive their pre-emptive right to subscribe said new shares in favour of the holders of said securities;
5. That the aggregate nominal amount of any capital increases carried out pursuant to this delegation of authority – immediately and/or on exercise of rights to shares – may not exceed €86,374,575. The Shareholders' Meeting further resolves:
   (a) that this amount will be deducted from the ceiling set in paragraph 5 of the twenty-fourth resolution above, and from the blanket ceiling on capital increases set in the twenty-ninth resolution, provided that the twenty-fourth and twenty-ninth resolutions are adopted by this Shareholders' Meeting,
   (b) that the amounts referred to above shall not include the par value of any additional shares to be issued pursuant to the applicable laws, regulations and any contractual provisions providing for other adjustments to protect the rights of existing holders of securities or other rights convertible, redeemable or otherwise exercisable for the Company's shares;
6. That the aggregate nominal amount of debt securities that may be issued under this delegation of authority may not exceed and will be deducted from the blanket ceiling on debt securities issues set in paragraph 5 of the twenty-third resolution of this Shareholders' Meeting;
7. That the Managing Board shall have full powers – which may be delegated in accordance with the law and the Company's bylaws – to use this delegation of authority and accordingly to:
   (a) draw up the list of shares or other securities that may be tendered to the offer and place on record the quantity thereof,
   (b) determine the amounts, characteristics, issue terms and conditions of the securities to be issued in payment for those contributed to the Company, including their type, quantity, issue price, cum rights date, and the terms and conditions for exercising the rights attached to securities carrying immediate or deferred rights to shares of the Company. The Managing Board may amend any of these terms and conditions during the life of the securities concerned, subject to compliance with the applicable legal formalities,
   (c) set the exchange ratio and the amount of any cash payment that may be due,

(d) make any and all adjustments required to comply with the applicable laws, regulations and any contractual provisions providing for other adjustments, and determine the method to be used to protect the rights of existing holders of securities or other rights exercisable for the Company's shares,
(e) charge any issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level,
(f) place on record the capital increase(s) and amend the bylaws to reflect the new capital,
(g) generally, enter into any and all agreements, take all appropriate steps and carry out all formalities necessary for the issue, listing and service of the securities issued pursuant to this delegation of authority and for the exercise of any related rights;

**8.** That this delegation of authority is given for a period of twenty-six months from the date of this Shareholders' Meeting and supersedes, for the unused portion and remaining period, the delegation of authority for the same purpose given at an earlier Shareholders' Meeting.

## Twenty-eighth resolution

### Delegation of authority for the Managing Board to issue, without pre-emptive subscription rights, shares and/or securities carrying rights to shares of the Company, in payment for another company's shares and/or securities carrying rights to shares, other than in connection with a stock-for-stock offer initiated by the Company

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report, resolves, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code (*Code de commerce*), particularly Articles L. 225-129-2 and L. 225-147, paragraph 6:

**1.** To grant the Managing Board, in accordance with Article 9 of the bylaws and based on the Report of the Expert Appraiser of Capital Contributions, full discretionary powers to carry out the securities issues described in this resolution on date(s), except when a takeover bid for the Company is in progress, and in the amount(s) to be decided by the Board. This delegation of authority may be used to issue:

(a) ordinary shares of the Company, and/or
(b) other equity securities carrying immediate or deferred rights by any appropriate method to existing or new ordinary shares and/or debt securities of the Company, and/or
(c) compound and other securities carrying immediate and/or deferred rights by any appropriate method to new ordinary shares of the Company, or to existing shares or to debt securities, in payment for shares or other securities with rights to shares of other companies contributed to the Company in transactions not governed by Article L. 225-148 of the French Commercial Code (*Code de commerce*);

**2.** That no preference shares or securities carrying immediate or deferred rights in any form to preference shares may be issued under this delegation of authority;

**3.** That securities issued pursuant to this delegation of authority may (i) consist of debt securities governed by Articles L. 228-91 *et seq.* of the French Commercial Code (*Code de commerce*), debt securities falling outside the scope of said article, or warrants, or (ii) be issued jointly with debt securities or warrants, or (iii) allow the issue thereof as intermediate securities; they may represent subordinated or unsubordinated debt, have a fixed or indefinite life, and be denominated in euros, in foreign currency or in a monetary unit determined by reference to a basket of currencies;

**4.** That shareholders shall waive their pre-emptive right to subscribe the securities issued pursuant to this delegation of authority in favour of the holders of the contributed shares or other securities referred to in paragraph 1 of this resolution, and, if the Company issues securities with rights to new shares of the Company, that shareholders shall waive their pre-emptive right to subscribe said new shares in favour of the holders of said securities;

**5.** That the aggregate par value of shares issued under this resolution, directly or upon conversion, redemption or exercise of securities with rights to shares, shall not represent more than 10% of the Company's share capital at any time, as adjusted, if necessary, for the effect of any corporate actions carried out after this Shareholders' Meeting, and:

(a) that this amount will be deducted from the ceiling set in paragraph 5 of the twenty-fourth resolution above, and from the blanket ceiling on capital increases set in the twenty-ninth resolution, provided that the twenty-fourth and twenty-ninth resolutions are adopted by this Shareholders' Meeting,
(b) that the amounts referred to above shall not include the par value of any additional shares to be issued pursuant to the applicable laws, regulations and any contractual provisions providing for other adjustments to protect the rights of existing holders of securities or other rights convertible, redeemable or otherwise exercisable for the Company's shares;

**6.** That the aggregate nominal amount of debt securities that may be issued under this delegation of authority may not exceed and will be deducted from the blanket ceiling on debt securities issues set in paragraph 5 of the twenty-third resolution of this Shareholders' Meeting;

**7.** That the Managing Board shall have full powers – which may be delegated in accordance with the law and the Company's bylaws – to use this delegation of authority and accordingly to:

(a) decide to carry out an issue and, where necessary, postpone it,
(b) determine the amounts, characteristics, issue terms and conditions of the securities to be issued in payment for those contributed to the Company, including their type, quantity, issue price, cum rights date, and the terms and conditions for exercising the rights attached to securities carrying immediate or deferred rights to shares of the Company. The Managing Board may amend any of these terms and conditions during the life of the securities concerned, subject to compliance with the applicable legal formalities,
(c) draw up the list of contributed shares or other securities, approve the Report of the Expert Appraiser(s) of Capital Contributions and the appraisal value of the contributed shares or other securities; set the amount of any cash payment to be made, approve the granting of any special benefits, and reduce the value attributed to the contributed shares or other securities or the consideration payable for special benefits, provided that the holders of the contributed shares or other securities agree,
(d) make any and all adjustments required to comply with the applicable laws, regulations and any contractual provisions providing for other adjustments, and determine the method to be used to protect the rights of existing holders of securities or other rights exercisable for the Company's shares,

(e) charge any issuance costs against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level,
(f) place on record the capital increase(s) and amend the bylaws to reflect the new capital,
(g) generally, enter into any and all agreements, take all appropriate steps and carry out all formalities necessary for the issue, listing and service of the securities issued pursuant to this delegation of authority and for the exercise of any related rights;

**8.** That this delegation of authority is given for a period of twenty-six months from the date of this Shareholders' Meeting and supersedes, for the unused portion and remaining period, the delegation of authority for the same purpose given at an earlier Shareholders' Meeting.

## Twenty-ninth resolution

### Blanket ceiling on capital increases carried out pursuant to the twenty-third to twenty-eighth resolutions and the thirtieth and thirty-first resolutions of this Shareholders' Meeting

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report, resolves, in compliance with Article L. 225-129-2 of the French Commercial Code (Code de commerce), that the aggregate nominal amount of any capital increases carried out pursuant to the delegations of authority and authorisations granted by the twenty-third, twenty-fourth, twenty-fifth, twenty-sixth, twenty-seventh, twenty-eighth, thirtieth and thirty-first resolutions of this Shareholders' Meeting – immediately and/or on exercise of rights to shares – may not exceed the blanket ceiling of three hundred and fifty million six hundred and seventy-five thousand seven hundred and ninety-six euros (€350,675,796), not including, where applicable, the par value of any additional shares to be issued pursuant to the applicable laws, regulations and any contractual provisions providing for other adjustments to protect the rights of existing holders of securities or other rights convertible, redeemable or otherwise exercisable for the Company's shares.

## Thirtieth resolution

### Delegation of authority for the Managing Board to carry out one or several employee share issues without pre-emptive subscription rights

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report, resolves, in compliance with Articles L. 225-129-2, L. 225-129-6, L. 225138 and L. 225-138-1 of the French Commercial Code (*Code de commerce*) and Articles L. 3332-1 *et seq.* of the French Labour Code (*Code du travail*):

**1.** To grant full discretionary powers to the Managing Board, in accordance with Article 9 of the bylaws, to carry out one or several capital increases on the basis specified in Articles L. 3332-18 to L. 3332-20 of the French Labour Code (*Code du travail*), through the issue of ordinary shares to employees and other eligible persons, as defined by law, who are members of a company or group employee stock ownership plan set up by the Company or by French or foreign related companies within the meaning of Articles L. 225-180 of the French Commercial Code (*Code de commerce*) and L. 3344-1 of the French Labour Code (*Code du travail*);

**2.** That no preference shares may be issued under this delegation of authority;

**3.** That the aggregate par value of shares issued under this delegation of authority may not exceed eight million six hundred and thirty-seven thousand four hundred and fifty-seven euros (€8,637,457) and will be deducted from the blanket ceiling on capital increases set in the twenty-ninth resolution above provided that said resolution is adopted by this Shareholders' Meeting;

**4.** That shareholders shall not have pre-emptive rights to subscribe the shares issued under this delegation of authority, which will be offered for subscription directly, or through a corporate mutual fund or any other vehicle or entity allowed under the applicable laws and regulations, by employees and other eligible persons, as defined by law, who are members of a company or group employee stock ownership plan set up by the Company or by French or foreign related companies within the meaning of Articles L. 225-180 of the French Commercial Code (*Code de commerce*) and L. 3344-1 of the French Labour Code (*Code du travail*);

**5.** That the shares may not be offered at a price that is greater than the average price calculated in accordance with Article L. 3332-19 of the French Labour Code (*Code du travail*) on the basis of the prices quoted for the Company's shares over the 20 trading days preceding the decision setting the opening date of the subscription period, nor may they be offered at a discount of more than 20% to this average price. The Managing Board shall have full discretionary powers to reduce or cancel said discount to take into account, in particular, any foreign tax and other laws and regulations applicable to the plan;

**6.** That, in application of Article L. 3332-21 of the French Labour Code (*Code du travail*), the Managing Board may grant free shares to the above plan participants – corresponding either to new shares paid up by capitalising reserves, retained earnings or additional paid-in capital, or to existing shares – in respect of (i) the employer's matching contribution to the employee stock ownership plan that may be payable in application of the plan rules, and/or (ii) the discount, provided that their pecuniary value – corresponding to the subscription price – does not result in the ceilings provided for in Articles L. 3332-11 and L. 3332-19 of the French Labour Code (*Code du travail*) being exceeded;

**7.** To give full powers to the Managing Board – which may be delegated as provided for by the applicable laws and regulations – to use this delegation of authority and accordingly to:

(a) determine the amount of any such share issue or issues within the above limit, as well as their timing and other terms and conditions,
(b) set the issue price of the new shares, subject to compliance with Article L. 3332-19 of the French Labour Code (*Code du travail*), the basis on which such shares are to be paid up, the subscription period and the terms governing the exercise of the subscription rights held by employees and other eligible persons as defined above,
(c) charge the fees, costs and expenses arising from the share issues against the related premiums and deduct from the premiums the amounts necessary to raise the legal reserve to the required level,
(d) allow for any necessary adjustments to be made in compliance with the applicable laws and regulations, on the basis to be decided by the Managing Board,
(e) in the case of new shares issued in respect of share grants to be made in application of paragraph (6) above, decide the amounts to be transferred from reserves, profit or additional paid-in capital to the capital account to pay up the shares and the account from which said amounts are to be deducted,
(f) place on record the capital increase(s), amend the bylaws to reflect the new capital, make all filings and carry out all other formalities, directly or through a representative, and generally do whatever is necessary;

8

8. That this delegation of authority is given for a period of 26 months from the date of this Shareholders' Meeting and supersedes, for the unused portion and remaining period, the delegation of authority for the same purpose given at an earlier Shareholders' Meeting.

## Thirty-first resolution

### Delegation of authority for the Managing Board to issue warrants to subscribe for shares reserved for companies of the General Motors group

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report, resolves, in accordance with Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-138, L. 228-91 et seq. and other relevant provisions of the French Commercial Code *(Code de commerce)*:

1. To grant the Managing Board authority, which may be sub-delegated as provided for by law and the Company's bylaws, to decide one or more issues of warrants to subscribe for shares *(bons de souscription d'actions)* of the Company (the "**Warrants**") in a maximum aggregate number of thirty nine million seven hundred and twenty seven thousand three hundred and twenty four (39,727,324) Warrants at a price of 16.3386515 euros per Warrant;
2. That the Warrants shall be issued on the following terms and conditions:
   (a) one warrant will entitle the holder to the allotment of one (1) existing share or the subscription to one (1) new share of the Company (the "**Underlying Share**") (the "**Exercise Ratio**"),
   (b) the exercise price per warrant will be one (1) euro (the "Exercise Price"), corresponding to the par value of one share of the Company (subject to any subsequent adjustment that may be required pursuant to the applicable legislation and regulations). The Exercise Price shall be paid in cash or by capitalisation of reserves, earnings or issue premiums or by offsetting liquid and payable debts,
   (c) the Warrants will be subject to the terms and conditions stipulated in Appendix 1 to this resolution;
3. To waive the shareholders' pre-emptive rights and to reserve all Warrants issued pursuant to this resolution for the benefit of any entity in which General Motors Company owns, directly or indirectly, more than 50% of the share capital or voting rights (the "**General Motors Beneficiaries**");
4. Accordingly, to authorise the Managing Board to issue up to a maximum number of thirty nine million seven hundred and twenty seven thousand three hundred and twenty four (39,727,324) shares of the Company each with a par value of one (1) euro to be allotted upon exercise of the Warrants issued, i.e. a maximum capital increase of thirty nine million seven hundred and twenty seven thousand three hundred and twenty four euros (€39,727,324), it being provided that said amount shall be deducted from the blanket ceiling set in the twenty-ninth resolution here above or, as applicable, any blanket ceiling that may be set in a resolution of the same type to replace said resolution during the term of this delegation of authority, plus any additional shares to be issued to protect the rights of the Warrant holders as provided for in Article L. 228-99 of the French Commercial Code and in **Appendix 1** to this resolution;
5. That, in accordance with the provisions of Article L. 225-132, paragraph 6 of the French Commercial Code, this resolution entails the waiver by the shareholders of their pre-emptive rights to subscribe to the shares of the Company issued upon exercise of the Warrants, in favour of the Warrant holders;
6. That the Underlying Shares allotted to the Warrant holders upon exercise of the Warrants shall be subject to all the provisions of the bylaws and shall be issued cum-rights;
7. To grant the Managing Board full powers, which may be sub-delegated as provided for by law, to implement this delegation of authority in accordance with the provisions of this resolution and within the limits set herein, and, in particular, to:
   (a) decide to issue the Warrants to the General Motors Beneficiaries,
   (b) determine the list of General Motors Beneficiaries and the number of Warrants to be subscribed by each of them,
   (c) determine the amounts, characteristics and payment terms of the Warrants issued and determine the final terms of the issue, and in particular the number of Warrants that may be issued and subscribed by the General Motors Beneficiaries, in accordance with the provisions of this resolution and within the limits set herein, and to record the subscription price of the Warrants subscribed in the issue premium account,
   (d) collect applications to subscribe to the Warrants and the accompanying payments,
   (e) make any adjustments required pursuant to the applicable legislation and regulations and to the terms and conditions stipulated in **Appendix 1** to this resolution,
   (f) charge any issuance costs of the Warrants against the related premium,
   (g) place on record the number of shares issued upon exercise of the Warrants and the resulting capital increases, carry out all formalities relating to the capital increases and amend the bylaws accordingly,
   (h) more generally, enter into any and all agreements, carry out any and all requisite formalities and filings, obtain any and all authorisations required for the issue, admission to trading and service of the shares issued upon exercise of the Warrants, and, more generally, take any and all measures and carry out any and all formalities necessary for the issue;
8. The Meeting duly notes that, should the Managing Board use the delegation of authority granted pursuant to this resolution, it shall report thereon at the next Ordinary Shareholders' Meeting in accordance with the laws and regulations.

This delegation of authority is being granted for a period of eighteen months from the date of this Meeting.

### Appendix 1 – Terms and conditions of the Warrants

#### Description of the Warrants

The Warrants issued by the Company shall be securities carrying rights to the share capital within the meaning of Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*).

#### Form of issuance and registration of securities

The Warrants shall be issued in registered form (*forme nominative*). In accordance with Article L. 211-3 of the French Monetary and Financial Code (*Code monétaire et financier*), the Warrants shall be registered in a securities account held by a qualified intermediary. The rights of the Warrant holders shall therefore be represented by registered securities held in an account opened in their name in the books of Société Générale Securities Services (32, rue du Champ de Tir, BP8126, 44312 Nantes).

In accordance with Articles L. 211-15 to L. 211-17 of the French Monetary and Financial Code, the Warrants may be transferred from one account to another and transfer of ownership of the Warrants will result from their registration in the securities account of each of the General Motors Beneficiaries.

#### Issue price and issue date of the Warrants

The issue price of the Warrants shall be equal to €16.3386515 per Warrant. The Warrants shall be issued on the date on which the acquisition of Opel's automotive activities from General Motors is completed.

#### Issuing currency

The Warrants and any new shares resulting from the exercise of the Warrants shall be issued in euros.

### Listing

The Warrants shall not be listed or admitted to trading on a regulated market.

Applications will be made periodically for the admission to trading on Euronext Paris of the new shares issued upon any exercise of the Warrants. The new shares shall immediately become fungible with the existing shares of the Company listed on Euronext Paris and tradable, as from the date on which they are admitted to trading, on the same listing line as such existing shares, under ISIN FR0000121501.

### Warrant and Underlying Share transfer restrictions

The Warrants may not be sold or otherwise transferred by General Motors Beneficiaries, other than to a company that controls, is controlled by or is under the joint control with a General Motors Beneficiary as defined in Article L. 233-3 I. and II. of the French Commercial Code (a "**Beneficiaries' Affiliate**").

The new or existing shares ("**Underlying Shares**") issued upon exercise of the Warrants shall be freely transferable subject to the limitations stipulated in these terms and conditions.

### Warrant exercise

The Warrants may be exercised at any time from midnight (Paris time) on the fifth (5th) anniversary of the Managing Board's decision to issue the Warrants (the "**Issue Date**") until midnight (Paris time) on the ninth (9th) anniversary of the Issue Date, after which time any unexercised Warrants shall lapse and shall have no further value (the "**Exercise Period**"). The Warrants may be exercised in whole or in part during the Exercise Period ("**Exercise Date**").

Notwithstanding the foregoing, in the event of an announcement before the fifth (5th) anniversary of the Issue Date of any transaction (by way of merger, cash tender offer, exchange offer or any combination thereof (*offre publique d'achat, offre publique d'échange, offre alternative, offre mixte*), contribution or any other share or asset transfer) resulting in one or several parties acting in concert obtaining control (as defined in Article L. 233-3 I. and II. of the French Commercial Code) of the Company (a "**Change of Control Transaction**"), the Warrants shall become exercisable immediately, on the date of such announcement.

During the Exercise Period, before exercising their Warrants, the Warrant holders (the "**Warrant Holders**") shall notify the Company of their intention to exercise their Warrants in whole or in part no later than five (5) business days before the contemplated exercise date (the "**Exercise Notice**"). The Exercise Notice shall indicate the contemplated number of Warrants to be exercised.

Upon exercise of the Warrants, the Exercise Price of each Warrant shall be paid in full in cash or by set-off against good claims due against the Company, or by way of capitalisation of reserves, earnings or issue premiums. The Underlying Shares shall be allotted to the Warrant Holder on the Exercise Date.

### Suspension of exercise of the Warrants

The Managing Board reserves the right to suspend exercise of the Warrants in the following cases only: (i) for the period beginning thirty-seven (37) calendar days before any Shareholders' Meeting and ending on the date of such meeting, and (ii) for the period beginning on the date of publication of a prospectus or similar document required or registered by the *Autorité des Marchés Financiers* and relating to a public offering of securities of the Company and ending ninety (90) calendar days after the settlement and delivery of such offering.

### Undertaking to sell the Underlying Shares

The Underlying Shares of the Company issued upon exercise of the Warrants shall be sold by the Warrant Holders no later than thirty-five (35) calendar days after the relevant Exercise Date, it being understood that the General Motors Beneficiaries have undertaken not to exercise their voting rights corresponding to Underlying Shares at Shareholders' Meetings of the Company.

The Warrant Holder shall, no later than the Exercise Date, provide the Company with:

- a copy of an irrevocable order given to a reputable financial institution to sell Underlying Shares that have not been sold by the Warrant Holder, with any such sale being carried out on the market (as described in paragraph (b) below) at the prevailing market price on the date of each sale, on the thirty-sixth (36th) days after the Exercise Date (or the first business day that follows) or over the number of days required to sell all of the Underlying Shares in accordance with the provisions of paragraph (b)(iii) below;
- a copy of an irrevocable undertaking by such financial institution to hold all the Underlying Shares until their sale on the market on the above terms and conditions.

The sale of the Underlying Shares may occur via any of the following transactions (a) a transfer of one or several blocks of the Shares to third parties, in one or several times, through a direct sale or through an accelerated book-building, or (b) on-market sales, it being agreed that (i) the Warrant Holders may carry out one or more such transactions during the Exercise Period, (ii) in the case of a transaction referred to in (a) above, no Underlying Shares shall be transferred to any businesses related to the manufacture, sale or repair of mass market high volume vehicles, components or parts integrated or used in connection with such manufacture and after-market parts required to repair such vehicles and associated dealer and customer financing, and (iii) in the case of a transaction referred to in (b) above, the Warrant Holders shall not sell on the market a number of Underlying Shares representing more than twenty percent (20%) of the average daily volume of shares (as published by Bloomberg) of the Company traded over the three (3) trading days preceding the sale.

The above restrictions shall not apply in the event of a Change of Control Transaction or a transfer to any Beneficiary's Affiliate that agrees to abide by the terms of these restrictions, failing which the Warrants or Underlying Shares shall be promptly re-transferred to the corresponding General Motors Beneficiary.

### Change of profit allocation or capital repayment rules, form or corporate purpose of the Company

After issue of the Warrants and as permitted by the provisions of Article L. 228-98 of the French Commercial Code, the Company may change its form or its corporate purpose without obtaining consent from the Warrant Holders in a special meeting. Furthermore, in accordance with the provisions of Article L. 228-98 of the French Commercial Code, the Company may, without seeking authorisation from the special meeting of Warrant Holders, pay down its share capital, alter the profit allocation arrangements and/or issue preferred shares, subject to taking the necessary measures to protect the rights of holders of any Warrants still in issue.

### Protection of Warrant Holders' rights

Should the Company carry out any of the following transactions after the Issue Date:

- issuance of securities by way of listed pre-emptive subscription rights (*droits préférentiels de souscription*) or free allocation of listed warrants;
- free allocation of shares to shareholders, regrouping or splitting of shares;
- incorporation into the Issuer's share capital of reserves, profits or issue premiums by increasing the par value of the Shares;
- free allocation to the Issuer's shareholders of any financial instrument other than shares;
- absorption, merger (*fusion*), demerger or spin-off (*scission*);
- repurchase by the Company of its own shares at a price higher than the market price;
- repayment of share capital;
- modification in profit allocation, including by way of creation of preferred shares or the improvement of the financial terms of any existing preferred shares;
- capital reduction motivated by losses (through a decrease in the number of shares or the par value of the shares);

- distribution of a dividend;
- distribution of reserves and/or premiums in cash or in kind;

where the date for determining the shareholders of record entitled to benefit from or participate in the transaction and, in particular, to benefit from any dividend, allotment or allocation announced or voted on or before that date, is prior to the delivery date of the Underlying Shares, the Warrant Holders' rights shall be protected until the delivery date (excluded) as set out below (notably, by way of an adjustment of the Exercise Ratio).

Any adjustment of the Exercise Ratio shall be made such that the value of the shares that would have been obtained had the Warrants been exercised immediately before one of the above-mentioned transactions is equal, to the nearest one hundredth of a share, to the value of the shares that would have been obtained had the Warrants been exercised immediately after such transaction.

If an adjustment is made in accordance with sections 1 to 12 below, the new Exercise Ratio shall be rounded to the nearest two decimal places (0.005 being rounded up to 0.01). Any subsequent adjustments shall be made using the previous Exercise Ratio thus calculated and rounded. However, the Warrants may only give rise to the delivery of a whole number of shares and the arrangements for settling any fractional shares are set out below.

**1.** a) In the event of financial transactions with listed preferential subscription rights, the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

$$\frac{\text{Ex-rights value of the share + value of the right}}{\text{Ex-rights value of the share}}$$

For the purpose of calculating the ratio, the ex-rights value of the share and the value of the preferential subscription right shall be equal to the arithmetic mean of their opening prices quoted on Euronext Paris (or, if they are not listed on Euronext Paris, on any other regulated market or a similar market on which the shares of the Company or the preferential subscription rights are listed) on each trading day during the subscription period.

b) In the event of financial transactions involving a free allotment of listed warrants to the shareholders, with the related possibility of a placement of securities upon exercise of warrants unexercised by their holders at the end of the subscription period that applies to them, the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

$$\frac{\text{Ex-warrants value of the share + value of the warrant}}{\text{Ex-warrants value of the share}}$$

For the purpose of calculating the ratio:

- the ex-warrants value of the share shall be equal to the volume-weighted average of (i) the trading prices of the shares on Euronext Paris (or, if the shares are not listed on Euronext Paris, on another regulated market or a similar market on which the shares are listed) on each trading day during the subscription period, and (ii) (a) the sale price of the financial securities sold via a placement, if such instruments are shares fungible with existing shares of the Company, weighted by the volume of shares sold via the placement, or (b) the trading price of the Company's shares on Euronext Paris (or, if not listed on Euronext Paris, on another regulated market or a similar market on which the shares are listed) on the date on which the sale price of the financial instruments sold via a placement is set if those financial instruments are not shares fungible with existing shares of the Company,
- the value of the warrant shall be equal to the volume-weighted average of (i) the trading price of the warrants on Euronext Paris (or, if not listed on Euronext Paris, on another regulated market or a similar market on which the warrants are listed) on each trading day during the subscription period, and (ii) the implied value of the warrant resulting from the sale price of the financial instruments sold via a placement, which is equal to the difference (if positive), adjusted for the warrant exercise ratio, between the sale price of the financial instruments sold via the placement and the subscription price of the financial instruments obtained upon exercise of the warrants, weighted by the volume corresponding to the warrants exercised to allot the financial instruments sold via the placement.

**2.** a) In the event of a free allocation of shares to the shareholders or in the event of regrouping or splitting of shares, the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

$$\frac{\text{Number of shares comprising the share capital after the transaction}}{\text{Number of shares comprising the share capital before the transaction}}$$

**3.** In the event of a capital increase via a capitalisation of reserves, earnings or issue premiums made by increasing the par value of the shares of the Company, the par value of the shares that may be obtained by the Warrant Holders upon exercise of the Warrants shall be increased accordingly.

**4.** In the event of a free allocation of financial instruments other than shares of the Company to the shareholders of the Company and subject to the provisions of paragraph 1 b) above, the Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

$$\frac{\text{Ex-allotment rights value of the share + value of the securities allocated by share}}{\text{Ex-allotment rights value of the share}}$$

For the purpose of calculating the ratio:

- the ex-allotment rights value of the share shall be equal to the volume-weighted average price of the share ex-allotment rights as quoted on Euronext Paris (or, if not listed on Euronext Paris, on another regulated or similar market on which the ex-allotment rights shares of the Company are listed) during the three (3) trading days beginning as of the date on which the shares of the Company are quoted ex-allotment rights,
- if the financial instruments are listed or likely to be listed on Euronext Paris (or, if not listed on Euronext Paris, on another regulated or similar market) in the ten- (10) day trading period beginning on the date on which the shares are quoted ex-allotment rights, the value of the financial instrument(s) allotted per share shall be equal to the volume-weighted average price of those financial instruments on such market during the first three (3) trading days of the period in which the financial instruments are listed. If the financial instruments allotted are not listed on each of the three trading days, the value of the financial instrument(s) allotted per share shall be determined by a reputable international independent appraiser selected by the Company.

**5.** In the event of the Company's absorption by another company, or its merger with one or more other companies into a new company, or in the event of a demerger or spin-off, the exercise of the Warrants shall give rise to the allotment of shares of the absorbing or new company or of the companies arising from the demerger or spin-off.

The new Exercise Ratio shall be determined by multiplying the Exercise Ratio prevailing before the start of the relevant transaction by the exchange ratio of the shares of the Company against the shares of the absorbing or new company or the beneficiary companies of a spin-off. The spun-off companies shall automatically be subrogated to all of the Company's obligations to the Warrant Holders.

**6.** In the event of the Company's repurchase of its own shares at a price higher than the quoted share price, the new Exercise Ratio shall be equal to the Exercise Ratio before the repurchase multiplied by the following ratio:

$$\frac{\text{Value of the share x (1-Pc \%)}}{\text{Value of the share x Pc \% x repurchase price}}$$

For the purpose of calculating the ratio:

- value of the share means the volume-weighted average share price as quoted on Euronext Paris (or, if not listed on Euronext Paris, on another regulated or similar market on which the shares are listed) during the three (3) trading days preceding the repurchase (or repurchase option),
- Pc % means the percentage of capital repurchased, and
- repurchase price means the effective price of the repurchase.

**7.** In the event of a capital repayment, the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

$$\frac{\text{Value of the share before the capital repayment}}{\text{Value of the share before the capital repayment - Amount of the capital repayment per share}}$$

For the purpose of calculating the ratio, the value of the share before the capital repayment shall be equal to the volume-weighted average share price as quoted on Euronext Paris (or, if not listed on Euronext Paris, on another regulated or similar market on which the shares are listed) during the three (3) trading days preceding the day on which the shares of the Company are quoted ex-repayment.

**8.** (a) In the event of a change of profit allocation by the Company (including by way of issuing preferred shares or altering the terms and conditions of existing preferred shares leading to such a change), the new Exercise Ratio shall be equal to the Exercise Ratio before the relevant transaction multiplied by the following ratio:

$$\frac{\text{Value of the share before the change}}{\text{Value of the share before the change - Per share reduction of the profit entitlement}}$$

For the purpose of calculating the ratio:

- the value of the share before the change shall be determined based on the volume-weighted average share price as quoted on Euronext Paris (or, if not listed on Euronext Paris, on another regulated or similar market on which the shares are listed) during the three (3) trading days preceding the date of the change,
- the per share reduction of the profit entitlement shall be determined by a reputable international independent appraiser selected by the Company and subject to the approval of the special meeting of Warrant Holders.

Notwithstanding the foregoing, if the preferred shares are issued with pre-emptive rights in favour of the shareholders or by way of a free allotment to the shareholders of warrants to subscribe to the preferred shares, the new Exercise Ratio shall be adjusted in accordance with the provisions of paragraphs 1 or 4 above.

(b) In the event of an issue of preferred shares not giving rise to a change in the profit allocation, the adjustment to the Exercise Ratio, if any, shall be determined by a reputable international independent appraiser selected by the Company.

**9.** In the event of a capital reduction by the Company motivated by losses and made by decreasing the par value or the number of shares comprising the share capital, the rights of the Warrant Holders shall be reduced accordingly, as though they had exercised their Warrants before the date of the capital reduction. In the event of a capital reduction made by decreasing the number of shares, the new Exercise Ratio shall be equal to the Exercise Ratio before the capital reduction multiplied by the following ratio:

$$\frac{\text{Number of shares comprising the share capital after the transaction}}{\text{Number of shares comprising the share capital before the transaction}}$$

**10.** Distribution of dividends

On the Exercise Date, the Warrant Holders shall receive, at the same time as the Underlying Shares, a cash sum equal to the aggregate amount of any distributions of dividends made by the Company (excluding distributions of reserves and/or premiums in cash or in kind in accordance with paragraph 11 below) since the Issue Date (the "**Distributions**") that would have been received by the Warrant Holders had they held, on the date of each Distribution, the number of shares of the Company to which the Warrants would have entitled them (had they been exercised on the basis of the Exercise Ratio on the day preceding the date on or after which the Underlying Shares were traded without entitlement to the distribution rights ("*ex-date*")), and that would have been allocated by the Company to a reserve account until the exercise of the Warrants, subject to any withholding tax applicable to such payment (as reduced, if appropriate, in accordance with the applicable tax treaties). Any Distribution made in kind shall be valued (i) based on the volume-weighted average price (VWAP) applied to the three (3) days following the distribution for listed securities, and (ii) by a reputable international independent appraiser appointed by the Company for other types of assets.

Should the Company offer its shareholders the option of receiving a dividend in shares of the Company, the value of the dividend shall be calculated as if the shareholder had opted for a dividend distribution in cash.

**11.** In the event that reserves and/or premiums are distributed in cash or in kind, in accordance with Article R. 228-89 of the French Commercial Code, the Company will transfer the sum to an unavailable reserves account and, where appropriate, continue to hold the assets in kind required to deliver to the Warrant Holders that exercise their right at a later time the sum or the assets they would have received had they been shareholders at the time of the distribution, subject to any withholding tax applicable to such payment (as reduced, if appropriate, in accordance with the applicable tax treaties).

In accordance with the provisions of Article R. 228-92 of the French Commercial Code, should the Company decide to issue, in any form, new shares or securities carrying rights to shares with pre-emptive rights in favour of the shareholders, or to distribute reserves or premiums in cash or in kind, or to change its profit allocation arrangements through the issuance of preferred shares, it shall notify the Warrant Holders insofar as such notification is required by the applicable regulations.

### Settlement of fractional shares

Warrant Holders exercising their Warrants may subscribe to a number of Underlying Shares calculated by applying the Exercise Ratio to the number of Warrants presented for exercise.

If the Exercise Ratio is adjusted and the resulting number of shares is not a whole number, the Warrant Holder may elect to receive:

- either the next lower whole number of Underlying Shares, in which case the Warrant Holder shall receive a cash sum equal to the fraction of the share multiplied by the value of the share, being equal to the latest share price quoted on Euronext Paris (or, if the shares are not listed on Euronext Paris, on any other regulated market or similar market serving as the main market for the Company's shares) on the trading day preceding the Warrant exercise notification date;
- or the next higher whole number of Underlying Shares, provided that the Warrant Holder shall pay the Company a sum equal to the value of the additional fraction calculated as per the preceding paragraph.

A Warrant Holder that fails to specify one of the above options shall receive the next lower whole number plus a cash balance as described above.

### Notification of adjustment to Warrant Holders

In the event of an adjustment, the General Motors Beneficiaries shall be notified of the new terms no later than five (5) business days after the effective date of the adjustment, pursuant to the applicable legislation and regulations. In addition, the Company's Managing Board shall report on the method of calculation and the results of any adjustment in the next Annual Report.

### Alteration of the characteristics of the Warrants

The Extraordinary Shareholders' Meeting may alter the terms and conditions of the Warrants subject to authorisation by the corporate body of Warrant Holders (as referred to below) voting on a two-thirds majority of the votes cast by those Warrant Holders present in person or by proxy.

### Warrant Holders' representative

In accordance with the provisions of Article L. 228-103 of the French Commercial Code, the Warrant Holders together form a corporate body (*masse*) with legal personality and subject to the same provisions as those set out in Articles L. 228-47, L. 228-66 and L. 228-90 of the French Commercial Code. Each representative of the *masse* of Warrant Holders shall have unconditional power to act in the name of the masse of the Warrant Holders to do all things required to protect their common interests. The representative shall exercise his functions until such time as he resigns, is removed by decision of the general meeting of Warrant Holders or a conflict of interest arises. His term of office shall end automatically on the last day of the Warrants Exercise Period. Such term shall, if necessary, be extended automatically until full and final resolution of any legal proceedings in which the representative may be involved and until such time as any decision has been enforced or settlement reached. The appointment of the Warrant Holders' representatives shall be determined after the general meeting. The compensation of each Representative of the *Masse* shall be set at €500 (excluding VAT) per annum, payable for the first time on the Warrants Issue Date, and subsequently on each anniversary of said date for as long as the Warrants exist.

### Fees

The Company shall assume any and all fees that are deemed to be reasonable and can be duly justified as part of the activities of the *Masse*, including any and all fees related to the procedures for calling and holding general meetings and any and all fees required to remunerate the Representative of the *Masse* and, more generally, any and all administrative fees related to Warrant Holders' general meetings. The second sentence of the first paragraph of Article L. 228-71 of the French Commercial Code shall not apply to the Warrants.

### Governing law and competent courts

The Warrants and the Underlying Shares shall be governed by, and shall be construed in accordance with, the laws of France and any dispute arising therefrom or in connection therewith shall be submitted to the exclusive jurisdiction of the Paris Court of Appeal (*Cour d'Appel de Paris*).

## Thirty-second resolution

### Delegation of authority for the Managing Board to issue equity warrants while a takeover bid for the Company is in progress

The Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary Shareholders' Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report, resolves:

1. In accordance with Article L. 233-32 II of the French Commercial Code (*Code de commerce*), to grant full discretionary powers to the Managing Board to issue, on one or several occasions while a takeover bid for the Company is in progress, equity warrants exercisable on preferred terms for one or several shares of the Company and to allocate these warrants without consideration to all shareholders on record in the period before the takeover bid expires. The number of warrants issued and the timing of the issues shall be determined at the Managing Board's discretion;
2. That (i) the aggregate par value of the shares to be issued on exercise of the warrants may not exceed four hundred and thirty-one million eight hundred and seventy-two thousand eight hundred and seventy-eight euros (€431,872,878), not including the par value of any additional shares to be issued in respect of any adjustments to be made in accordance with the applicable laws and regulations and any contractual provisions providing for other adjustments to protect the rights of warrant holders; and (ii) the number of warrants issued under this delegation of authority may not exceed the number of shares outstanding on the warrant issue date;
3. That (i) the warrants issued under this delegation of authority shall not be exercisable and shall automatically expire if the takeover bid and any competing bid fails, expires or is withdrawn; and (ii) in this case, this delegation of authority will be considered as not having been used such that the expired warrants will not be taken into account in the calculation of the maximum number of warrants specified in paragraph 2 above that may be issued at a future date pursuant to this delegation of authority;
4. That this delegation of authority shall automatically entail the waiver by shareholders of their pre-emptive right to subscribe any shares to be issued on exercise of the equity warrants;
5. That the Managing Board shall have full powers to implement this delegation of authority and to:
   (a) set the terms of issue and allocation, without consideration, of the equity warrants and the number of warrants to be issued, and decide to postpone or cancel the issue,
   (b) set the terms of exercise of the equity warrants, relative to the terms of the takeover bid or any competing bid, as well as the warrants' other characteristics including their exercise price or the pricing method,

(c) set the method by which the rights of warrant holders will be protected in accordance with the applicable laws and regulations or any contractual provisions,

(d) set the terms and conditions of any capital increase resulting from the exercise of the warrants and the cum rights date of the new shares and, if considered appropriate, charge the fees, costs and expenses arising from the capital increase against the related premiums and deduct from the premiums the amount necessary to raise the legal reserve to one-tenth of the new capital after each capital increase,

(e) place on record the capital increase(s) resulting from the exercise of the warrants, amend the bylaws to reflect the new capital, make all filings and carry out all other formalities, directly or through a representative, and generally do whatever is necessary;

**6.** That this delegation of authority shall be valid until the expiry of any takeover bid for the Company filed within eighteen months of the date of this Shareholders' Meeting and shall supersede, for the unused portion and remaining period, the delegation of authority for the same purpose given at an earlier Shareholders' Meeting.

## Thirty-third resolution

### Amendment of Article 10 I C) of the bylaws to provide for the continued presence on the Supervisory Board of a member representing employee shareholders during the next four years

The Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary Shareholders' Meetings and having considered the Managing Board's Report, resolves to amend Article 10 I C) of the bylaws as follows:

| **(previous wording)** | **(new wording)** |
|---|---|
| C) Supervisory Board member representing employee shareholders | C) Supervisory Board member representing employee shareholders |
| (i) When, at the fiscal year-end, the proportion of the Company's capital held pursuant to Article L. 225-102 of the French Commercial Code (Code de commerce) by employees of the Company or related companies within the meaning of Article L. 225-180 of the Code, is greater than 3%, a Supervisory Board member representing employee shareholders shall be elected by the Ordinary Shareholders' Meeting from among the candidates put forward by the supervisory boards of the "FCPE" corporate mutual funds governed by Article L. 214-165 of the French Monetary and Financial Code (Code monétaire et financier) that hold the Company's shares (the "FCPEs"), on the basis specified in the applicable regulations and these bylaws. | (i) A Supervisory Board member representing employee shareholders shall be elected at the 2017 Shareholders' Meeting from among the candidates put forward by the supervisory boards of the "FCPE" corporate mutual funds governed by Article L. 214-165 of the French Monetary and Financial Code (Code monétaire et financier) that hold the Company's shares (the "FCPEs"), on the basis specified in the applicable regulations and these bylaws. |
| (ii) The candidate(s) for election as Supervisory Board member representing employee shareholders shall be designated as follows: | (unchanged) |
| a) A special meeting of all the FCPEs' supervisory boards shall be called to jointly designate at least one and no more than three candidates for election as Supervisory Board member representing employee shareholders. The candidates shall be selected from among the members of the FCPEs' supervisory boards who represent unit holders and have asked to be considered. | a) A special meeting of all the FCPEs' supervisory boards shall be called to jointly designate at least one and no more than two candidates for election as Supervisory Board member representing employee shareholders. The candidates shall be selected from among the members of the FCPEs' supervisory boards who represent unit holders and have asked to be considered. |
| b) At the special meeting, each member of the supervisory boards shall have one vote for each candidate. The candidate or candidates (up to three) who receive the greatest number of votes – provided they receive a majority of the votes cast by the supervisory board members present or represented by proxy or casting an absentee vote – shall be chosen to stand for election at the Shareholders' Meeting as Supervisory Board member representing employee shareholders. | b) At the special meeting, each member of the supervisory boards shall have one vote for each candidate. The candidate or candidates (up to two) who receive the greatest number of votes – provided they receive a majority of the votes cast by the supervisory board members present or represented by proxy or casting an absentee vote – shall be chosen to stand for election at the Shareholders' Meeting as Supervisory Board member representing employee shareholders. |
| c) If two candidates receive the same number of votes and they cannot both be put forward for election to the Supervisory Board due to the three-person limit referred to in paragraph (ii) b) above, the candidate who has served the Company or a related company within the meaning of Article L. 225-180 of the French Commercial Code (Code de commerce) for the longest (as determined by the dates of their respective employment contracts) will be chosen. | c) If two candidates receive the same number of votes and they cannot both be put forward for election to the Supervisory Board due to the two-person limit referred to in paragraph (ii) b) above, the candidate who has served the Company or a related company within the meaning of Article L. 225-180 of the French Commercial Code (Code de commerce) for the longest (as determined by the dates of their respective employment contracts) will be chosen. |

8

| **(previous wording)** | **(new wording)** |
|---|---|
| (iii) Prior to the designation of candidates for election as Supervisory Board member representing employee shareholders, the Chairman of the Managing Board, or his duly authorised representative, shall draw up Candidate Designation Rules ("the Rules") describing the timeline and organisation of the designation procedure provided for in paragraph (ii) above. | (unchanged) |
| The Rules shall be communicated to the members of the FCPEs' supervisory boards as part of the designation procedure provided for in paragraph (ii) above, by any appropriate method including, but not limited to, display in a public area and/or electronic transmission, before the special meeting provided for in paragraph (ii) above takes place. | (unchanged) |
| (iv) The Supervisory Board member representing employee shareholders shall be elected by the Ordinary Shareholders' Meeting in the same way as the other Supervisory Board members. If more than one candidate is designated under the procedure provided for in paragraph (ii) above, at the Ordinary Shareholders' Meeting the Managing Board shall present a separate resolution for each candidate and may recommend that one of the resolutions be adopted. The candidate who receives the greatest number of votes at the Ordinary Shareholders' Meeting is elected as Supervisory Board member representing employee shareholders. | (iv) The Supervisory Board member representing employee shareholders shall be elected by the Ordinary Shareholders' Meeting in the same way as the other Supervisory Board members. If more than one candidate is designated under the procedure provided for in paragraph (ii) above, at the Ordinary Shareholders' Meeting a separate resolution shall be presented for each candidate. The candidate who receives the greatest number of votes at the Ordinary Shareholders' Meeting is elected as Supervisory Board member representing employee shareholders. |
| He or she will not be taken into account for the purpose of determining the maximum number of Supervisory Board members specified in Article 10 I A) of these bylaws. | He or she will not be taken into account for the purpose of determining (i) the maximum number of Supervisory Board members specified in Article 10 I A) of these bylaws or (ii) the number of Supervisory Board members representing employee shareholders to be designated pursuant to Article 10 I B). |
| (v) The duration of the term of office of the Supervisory Board member representing employee shareholders shall be the same as for other Supervisory Board members, as specified in Article 10 I A) of these bylaws. | (v) The Supervisory Board member representing employee shareholders shall be elected for a four-year term expiring at the close of the Shareholders' Meeting to be held in 2021. At the end of his or her term, this Article 10 I C) providing for the election of a Supervisory Board member representing employee shareholders shall cease to apply unless the proportion of the Company's capital held pursuant to Article L. 225-102 of the French Commercial Code (Code de commerce) by employees of the Company or related companies within the meaning of Article L. 225-180 of the Code, is greater than 3%. |
| However, his or her term shall end automatically if he or she ceases to be an employee of the Company or a related company within the meaning of Article L. 225-180 of the French Commercial Code (Code de commerce), or a member of the supervisory board of an FCPE or a holder of units in an FCPE. | In addition, his or her term shall be automatically and immediately terminated if he or she ceases to be (i) an employee of the Company or of a related entity within the meaning of Article L. 225-180 of the French Commercial Code, (ii) a member of an FCPE supervisory board, or (iii) an FCPE unit holder. |
| If the seat on the Supervisory Board of the member representing employee shareholders becomes vacant, a special meeting of the FCPEs' supervisory boards shall be called to designate candidates to fill the vacant seat on the basis provided for in this Article 10 I C). | (unchanged) |
| If the candidates are designated at least three months before the next scheduled Ordinary Shareholders' Meeting, the election of the member representing employee shareholders will be put to the vote at that Meeting. | (unchanged) |
| If the candidates are designated less than three months before the next scheduled Ordinary Shareholders' Meeting, the election of the member representing employee shareholders will be put to the vote at the subsequent Meeting. However, if only one candidate is designated by the FCPEs' supervisory boards to fill the vacant seat and the new member can be appointed by the Supervisory Board between two Ordinary Shareholders' Meetings, the Supervisory Board may appoint the candidate as member of the Supervisory Board subject to ratification at the next Ordinary Shareholders' Meeting. | (unchanged) |

| (previous wording) | (new wording) |
|---|---|
| The Supervisory Board may validly conduct business pending the election or appointment of a member representing employee shareholders. | (unchanged) |
| The term of office of said member shall be governed by all of the provisions of the Company's bylaws as well as the laws and regulations applicable to all Supervisory Board members, subject to the specific provisions of this Article 10 I C). | (unchanged) |
| (vi) This Article 10 I C) of the bylaws will cease to apply if, at the fiscal year-end, the proportion of the Company's capital held by employees of the Company and related companies within the meaning of Article L. 225-180 of the French Commercial Code (Code de commerce) in accordance with Article L. 225-102 of the Code, represents less than 3%. In this case, the Supervisory Board member representing employee shareholders will step down from the Board at the end of his or her term. | (removed) |

The other provisions of Article 10 are unchanged.

## Thirty-fourth resolution

### Powers to carry out legal formalities

The Shareholders' Meeting gives full powers to the bearer of an original, extract or copy of the minutes of this Shareholders' Meeting to carry out any and all filing and other formalities required by law.

# 8.3. AUDITORS' REPORTS

*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.*

## Statutory auditors' report on the reduction in capital

### Twenty-second resolution

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L. 225-209 of the French commercial code (Code de commerce) in respect of the reduction in capital by the cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions for the proposed reduction in capital.

Your Managing Board requests that it be authorized, for a period of twenty-six months starting on the date of the present extraordinary shareholders' meeting, to proceed with the cancellation of shares the Company was authorized to repurchase, representing an amount not exceeding 10 % of its total share capital, by periods of twenty-four months in compliance with the article mentioned above.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted in verifying that the terms and conditions for the proposed reduction in capital, which should not compromise equality among the shareholders, are fair.

We have no matters to report on the terms and conditions of the proposed reduction in capital.

Courbevoie and Paris-La Défense, March 21, 2017

The statutory auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Jean-François Bélorgey |

*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.*

# Statutory auditors' report on the issue of shares and various securities with or without cancellation of preferential subscription rights

## Twenty-three, twenty-fourth, twenty-fifth, twenty-sixth, twenty-seventh and, twenty-eight, resolutions

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby present our report on the proposed issue of shares and various securities, with cancellation of preferential subscription rights, an operation upon which you are called to vote.

Your Executive Board proposes, on the basis of its report:

- that it be authorized, for a period of twenty-six months, to decide on whether to proceed with the following operations and to fix the final terms of these issues and proposes, if necessary, to cancel your preferential subscription rights:
  - the issue, with maintenance of preferential subscription rights (twenty-third resolution), (i) of ordinary shares of the Company and/or (ii) of securities that are equity securities of the Company giving access by any means, immediately and/or in the future, to other equity securities, existing or to be issued, of the Company or of any company of which the Company directly or indirectly owns more than half of the share capital (a "Subsidiary"), or to existing equity securities of any company including the Company which does not directly or indirectly own more than half of the share capital, and/or entitles the holder to the allotment of debt securities of the Company, any Subsidiary or any company referred to above, and/or (iii) of all hybrid or non-hybrid securities, giving access by any means, immediately and/or in the future, to equity securities to be issued by the Company and/or any Subsidiary, such securities may also give access to existing equity securities and/or give rise to the allocation of debt securities;
  - the issue, with cancellation of preferential subscription rights, through an offering to the public, (twenty-fourth resolution), (i) of ordinary shares and/or (ii) of securities which are equity securities of the Company giving access by any means, immediately and/or in the future, to other equity securities, existing or to be issued, of the Company or of any company of which the Company directly or indirectly owns more than half of the share capital (a "Subsidiary"), or to existing equity securities of any company of which the Company does not directly or indirectly own more than half of the share capital, and/or entitles the holder to the allotment of debt securities of the Company, any Subsidiary or any Company referred to above, and/or (iii) of all securities, whether or not composed, giving access by any means, immediately and/or in the future, to equity securities to be issued by the Company and/or any Subsidiary, for which securities may also give access to existing equity securities and/or give rise to the allocation of debt securities;
  - the issue, with cancellation of preferential subscription rights, through offers in accordance with II of Article L. 411-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and within the limit of 20% of the share capital per year (twenty-fifth resolution), (i) of ordinary shares of the Company and/or (ii) of securities which are equity securities of the Company giving access by any other means, immediately and/or in the future, to other equity securities, existing or to be issued, of the Company or any company directly or indirectly owned by the Company more than half of the share capital (a "Subsidiary") Or to existing equity securities of any Company of which the Company does not directly or indirectly own more than half of the share capital, and/or entitles the holder to the allotment of debt securities of the Company, any Subsidiary or any other company referred to above, and/or (iii) all securities, whether or not composed, giving access by any means, immediately and/or in the future, to equity securities to be issued by the Company and/or any Subsidiary, for which securities may also give access to some existing equity securities or give rise to the allocation of debt securities;
  - the issue, in the event of a public exchange offer initiated by your Company (twenty-seventh resolution) (i) of ordinary shares of the Company and/or (ii) of securities which are equity securities of the Company giving access by any other means, immediately and/or in the future, to other equity securities, existing or to be issued, of the Company and/or entitled to the allotment Debt securities of the Company, and/or (iii) of all hybrid or non-hybrid securities, giving access by any means, immediately and/or in the future, to equity securities to be issued by the Company, for which securities may also give access to existing equity securities or give rise to the allocation of debt securities;
  - that it be authorized, for a period of twenty-six months, to decide on whether to proceed with the issue (i) of ordinary shares of the Company and/or (ii) of securities which are equity securities of the Company giving access by any other means, immediately and/or in the future, to other equity securities, existing or to be issued, of the Company and or entitled to the allotment of debt securities of the Company, and/or (iii) of all hybrid or non-hybrid securities, giving access by any means, immediately and or in the future, to equity securities to be issued by the Company, such securities may also give access to existing equity securities or for the purpose of remunerating contributions in kind granted to the Company and consisting of equity securities or securities giving access to the capital of other companies (twenty-eighth resolution), within the Limit of 10% of the capital;

The overall nominal amount of capital increases that can be carried out immediately or in the future may not, according to the twenty-ninth resolution, exceed three hundred and fifty million six hundred and seventy-five thousand seven hundred ninety six euros (€ 350,675,796) pursuant to the twenty-third, twenty-fourth, twenty-fifth, twenty-seventh, twenty-eight, thirtieth and thirty-first resolutions;

  - the nominal amount of the capital increases likely to be carried out immediately or in the future may not exceed two hundred and fifteen million nine hundred thirty-six thousand four hundred and thirty-nine (€ 215,936,439) euros pursuant to the twenty-third resolution;
  - the aggregate nominal amount of capital increases that may be carried out immediately or in the future may not, in accordance with the twenty-fourth resolution, exceed eighty-six million three hundred seventy-four thousand five hundred seventy-five (€ 86,374,575) pursuant to the twenty-fourth, twenty-fifth, twenty-seventh, and twenty-eighth resolutions.

The overall nominal amount of debt instruments likely to be issued may not, according to the twenty-third resolution, exceed two billion three hundred and five million eight hundred thousand euros (€ 2,305,800,000) pursuant to the twenty-third, twenty-fourth, twenty-fifth, twenty-seventh and twenty-eight resolutions.

These ceilings take into consideration the additional number of securities to be created within the framework of the implementation of delegations referred to in the twenty-third, twenty-fourth and twenty-fifth resolutions, in accordance with Article L. 225-135-1 of the French Commercial Code (*Code de commerce*), if you adopt the twenty-sixth resolution.

It is the responsibility of the Executive Board to prepare a report in accordance with Articles R. 225-113 et seq. of the French Commercial Code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating to the issue provided in the report.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Executive Board's report relating to those operations and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the shares issued that would be decided, we have no matters to report as to the methods used to determine the issue price of the equity securities to be issued provided in the Executive Board's report under the twenty-fourth and twenty-fifth resolutions.

Moreover, as the methods used to determine the issue price of the equity securities to be issued in accordance with the twenty-third, twenty-seventh and twenty-eight resolutions are not specified in that report, we cannot report on the choice of constituent elements used to determine the issue price.

As the final conditions in which the issues would be performed have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights in the twenty-fourth and twenty-fifth resolutions.

In accordance with the Article R. 225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Executive Board has exercised these authorizations in the event of the issue of securities which are equity shares giving access to other equity shares or giving the right to the allocation of debt securities, in the event of the issue of securities giving access to equity shares to be issued and in the event of a share issue with cancellation of preferential subscription rights.

Courbevoie and Paris-La Défense , March 21, 2017

The Statutory Auditors

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Jean-François Bélorgey |

*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.*

# Statutory auditors' report on the increase in capital reserved for employees who are members of a company savings scheme

## Thirtieth resolution

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L. 225-135 et seq. of the French commercial code (*Code de commerce*), we hereby report on the proposal to authorize your Managing Board to decide whether to proceed with an increase in capital by an issue of ordinary shares with cancellation of preferential subscription rights reserved for employees and eligible in accordance with legal stipulations who are members of a company savings scheme or a group savings scheme of Peugeot S.A. or French or foreign entity in the meaning of articles L. 225-180 of the French commercial code (*Code de commerce*) et L. 3344-1 of the French labour code (*Code du travail*), an operation upon which you are called to vote.

The maximum amount of the capital increase that may result from this issue amounts to € 8,637,457, it being specified that this amount will be deducted from the ceiling provided for in the eighteenth resolution of this meeting.

This increase in capital is submitted for your approval in accordance with articles L. 225-129-6 of the French commercial code (*Code de commerce*) and L. 3332-18 et seq. of the French labour code (*Code du travail*).

Your Managing Board proposes that, on the basis of its report, it be authorized for a period of twenty-six months, to decide on whether to proceed with an increase in capital and proposes to cancel your preferential subscription rights. If applicable, it shall determine the final conditions of this operation.

It is the responsibility of the Managing Board to prepare a report in accordance with articles R. 225-113 and R. 225-114 of the French commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating to the share issue provided in the report.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Managing Board's report relating to this operation and the methods used to determine the issue price of the shares.

Subject to a subsequent examination of the conditions for the increase in capital that would be decided, we have no matters to report as to the methods used to determine the issue price for the ordinary shares to be issued provided in the Managing Board's report.

As the final conditions for the increase in capital have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French commercial code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Managing Board has exercised this authorization.

Courbevoie and Paris-La Défense, March 21, 2017

The statutory auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Jean-François Bélorgey |

*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.*

8

# Statutory auditors' report on the issue of share warrants with cancellation of preferential subscription rights to the benefit of General Motors companies

## Thirty-first resolution

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L. 228-92 of the French commercial code (*Code de commerce*), we hereby report on the proposal to authorize your Managing Board to decide the issue of share warrants with cancellation of preferential subscription right to the benefit of all companies in which General Motors Company holds, directly or indirectly, a majority stake in the capital or voting rights, an operation upon which you are called to vote.

The maximum amount of share warrants that may be issued amounts to 39,727,324 at a price of € 16,3386515 per share warrant. Each share warrant entitles the holder to the allotment of one existing share or to the subscription of one new share, with a nominal value of € 1, according to the terms and conditions provided by Share Warrants Terms and Conditions. Thus, the overall nominal amount of the capital increase that may result from this issue amounts to € 39,727,324.

Your Managing Board proposes that, on the basis of its report, it be authorized for a period of eighteen months, to decide on whether to proceed with an issue of share warrants and proposes to cancel your preferential subscription rights. If applicable, it shall determine the final conditions of this operation.

It is the responsibility of the Managing Board to prepare a report in accordance with articles

R. 225-113 et seq. of the French commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating to the issue provided in the report.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Managing Board's report relating to this operation and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions of the issue that would be decided, we have no matters to report as to the issue price of the equity securities to be issued provided in the Managing Board's report.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French commercial code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Managing Board has exercised this authorization.

Courbevoie and Paris-La Défense, March 21, 2017

The statutory auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Jean-François Bélorgey |

*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.*

# Statutory auditors' report on the issue of bonus share warrants in the event of takeover bids targeting the company's shares

## Thirty-second resolution

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L. 228-92 of the French commercial code (*Code de commerce*), we hereby report on the proposed issue of bonus share warrants in the event of takeover bids targeting the company's shares, an operation upon which you are called to vote.

Your Managing Board proposes that, on the basis of its report, it be authorized for a period of eighteen months starting on the date of the present extraordinary shareholders' meeting, under article L. 233-32 II of the French commercial code (*Code de commerce*):

- to resolve to issue share warrants with preferential subscription rights, for one or more shares in the company, and their allocation free of charge to all qualified shareholders before expiration of the takeover bid;
- to set the conditions under which the warrants may be exercised and the features of such warrants.

The maximal nominal amount of the shares thus issued may not exceed the ceiling of € 431,872,878 and the maximum number of share warrants may not exceed the number of shares outstanding at the time the share warrants are issued.

It is the responsibility of the Managing Board to prepare a report in accordance with articles R. 225-113 et seq. of the French commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, and on other information relating to the issue provided in the report.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Managing Board's report relating to this operation.

Subject to a subsequent examination of the conditions for the proposed issue, we have no matters to report on the information provided in the Managing Board's report on the proposed issue of bonus share warrants in the event of takeover bids targeting the company's shares.

In accordance with article R. 225-116 of the French commercial code (*Code de commerce*) we will issue a supplementary report, if necessary, when your Managing Board has exercised this authorization.

Courbevoie and Paris-La Défense, March 21, 2017

The statutory auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Jean-François Bélorgey |

# ADDITIONAL INFORMATION

9

# 9.1. PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

## Person responsible for the 2016 Registration Document

Carlos Tavares

Chairman of the Peugeot S.A. Managing Board

## Statement by the person responsible for the 2016 Registration Document

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, i) the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Peugeot S.A. and of the companies in the consolidated group, and ii) the Report of the Managing Board, whose contents are described on pages 351 and 352, presents a true and fair view of the business development, results and financial position of Peugeot S.A. and the companies in the consolidated group, together with a description of the main risks and uncertainties they face.

I have obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the historical accounts contained therein.

Carlos Tavares

Chairman of the Peugeot S.A. Managing Board

## Person Responsible for Financial Information

Frédéric Brunet

Head of Financial Communication and Investor Relations

Tel: +33 (0)1 40 66 42 59

# 9.2. HISTORICAL FINANCIAL INFORMATION

In compliance with Article 28 of EC regulation No. 809/2004, the following information is incorporated by reference in the Registration Document:

## For financial year 2015

Required disclosures in the Report of the Managing Board appearing on page 331, the consolidated financial statements are presented on pages 163 to 259 and the corresponding Auditors' Report is presented on page 260 of the 2015 Registration Document filed with the *Autorité des Marchés Financiers* on 24 March 2016 under No. D. 16-0204.

## For financial year 2014

Required disclosures in the Report of the Managing Board appearing on page 345, the consolidated financial statements are presented on pages 170 to 262 and the corresponding Auditors' Report is presented on pages 263 and 264 of the 2014 Registration Document filed with the *Autorité des Marchés Financiers* on 28 March 2015 under No. D. 15-0215.

## Date of latest financial information

31 December 2016

# 9.3. DOCUMENTS AVAILABLE TO THE PUBLIC

The following documents are available on the Company's website (www.groupe-psa.com):

- the present 2016 Registration Document filed with the *Autorité des Marchés Financiers* as an Annual Report;
- financial press releases;
- By-laws of Peugeot S.A.;
- historical financial information for Peugeot S.A. and its subsidiaries;
- full year results 2016 presentation.

Documents and information concerning the Company can be also requested at the Company's registered office located at 75, avenue de la Grande-Armée, 75116 Paris.

# 9.4. PERSONS RESPONSIBLE FOR AUDITING THE ACCOUNTS

## 9.4.1. Statutory Auditors

### ERNST & YOUNG ET AUTRES

*(Member of the Compagnie régionale des Commissaires aux Comptes de Versailles)*

Christian Mouillon and Jean-François Bélorgey

1-2, place des Saisons

92400 Courbevoie – Paris-la Défense 1

Date of first appointment: Ordinary Shareholders' Meeting of 31 May 2011.

End date of current appointment: at the close of the Shareholders' Meeting called to approve the 2016 financial statements.

### MAZARS

*(Member of the Compagnie régionale des Commissaires aux Comptes de Versailles)*

Jérôme de Pastors and Jean Louis Simon

61, rue Henri-Regnault

92400 Courbevoie (Hauts-de-Seine)

Date of first appointment: Ordinary Shareholders' Meeting of 25 May 2005.

End date of current appointment: at the close of the Shareholders' Meeting called to approve the 2016 financial statements.

## 9.4.2. Alternate Statutory Auditors

### SOCIÉTÉ AUDITEX

1-2, place des Saisons

92400 Courbevoie – Paris-la Défense 1

Date of first appointment: Ordinary Shareholders' Meeting of 31 May 2011.

End date of current appointment: at the close of the Shareholders' Meeting called to approve the 2016 financial statements.

### PATRICK DE CAMBOURG

61, rue Henri-Regnault

92400 Courbevoie (Hauts-de-Seine)

Date of first appointment: Ordinary Shareholders' Meeting of 25 May 2005.

End date of current appointment: at the close of the Shareholders' Meeting called to approve the 2016 financial statements.

## 9.4.3. Fees Paid to the Auditors

The Statutory Auditors' fees and those of their network are shown in Note 19 to the consolidated financial statements for 2016, Section 5.6, page 251.

# 9.5. CROSS-REFERENCE TABLES

## 9.5.1. Cross-reference table on the Report of the Managing Board

This Registration Document includes all of the information in the Report of the Managing Board of the Group and the Parent Company as provided for in Articles L. 225-100 and L. 225-100-2 of the French Commercial Code.

The following table cross-refers each section of the Group's or the Parent Company's Management Report to the corresponding pages of the Registration Document.

| Section | Registration Document Section | Pages |
|---|---|---|
| Business review/Results/Financial position and performance indicators | 1.1. Key figures | 2 and 3 |
| | 1.3. Activities and strategy | 9 to 19 |
| | 4.1. Analysis of the business and consolidated operating results | 138 to 140 |
| | 4.2. Financial position and cash | 140 to 141 |
| | 4.3. Parent company results | 142 to 143 |
| | 5. Consolidated financial statements for 2016 | 174 to 256 |
| | 6. Financial statements of Peugeot S.A. for 2016 | 260 to 281 |
| The Company's use of financial instruments, where material for the assessment of its assets, liabilities, financial position and profit or loss | 5. Consolidated financial statements for 2016 (Notes 11 and 12) | 218 to 241 |
| Description of the main risks and uncertainties | 1.4. Risk factors | 20 to 29 |
| Material acquisitions of equity interests in companies with their head office in France | 5. 2016 Consolidated financial Statements (Note 20: list of consolidated companies) | 252 to 256 |
| Subsequent events/Outlook | 4.6. Recent events and outlook<br>5. Consolidated financial statements for 2016 (Note 18 Subsequent events)<br>6.4. 2016 Financial statements of Peugeot S.A. (Note 29) | 171<br>250<br>279 |
| Dividends paid over the past three years | 7.4. Corporate financial instrument markets – Dividends | 298 |
| Exposure to interest-rate, currency and equity risks | 1.4.2. Risk factors – Financial market risks<br>5. Consolidated financial statements for 2016 (Note 12.5) | 24<br>239 to 240 |
| Purchases and sales of Company shares | 5. Consolidated financial statements for 2016 (Note 14.1.C Treasury shares)<br>7.2.8. Description of buyback programme | 246<br>293 |
| Compensation of corporate officers | 3.4. Compensation of corporate officers<br>5. Consolidated financial statements for 2016 (Note 6.3 Management compensation) | 122 to 136<br>204 |
| Trading in the Company's shares by management | 3.1.3. Trading in the Company's shares by management and those related to them | 105 |
| Main functions and directorships held by corporate officers | 3.1. Management and supervisory bodies | 90 to 105 |
| Arrangements which may have a bearing in the event of a takeover bid | 7.2. Information about the Company's share capital<br>7.3. Ownership structure | 290 to 293<br>294 |
| Ownership structure | 7.3. Ownership structure | 294 to 295 |
| Adjustments to the rights of holders of share equivalents | 5. Consolidated financial statements for 2016 (Note 6.2 Share-based payment)<br>7.2. Information about the Company's share capital<br>7.3. Ownership structure | 203 to 204<br>290 to 293<br>294 to 295 |
| Social responsibility and environmental information | 2. Corporate responsibility: sustainable development initiatives | 31 to 88 |
| Research and development activities | 4.5. Capital expenditure and Research & Development | 165 to 170 |
| Agreements signed between a subsidiary and a shareholder owning over 10% of its voting rights | 4.3. Executive Management statement | 142 to 143 |
| Information on supplier payment terms | 4.3. Executive Management statement | 143 |

| Section | Registration Document Section | Pages |
|---|---|---|
| **Appendices** | | |
| Table of authorisations to issue new shares and share equivalents | 7.2.7. Authorisations in effect | 292 |
| Peugeot S.A. five-year financial summary | 6. Financial statements of Peugeot S.A. for 2016 | 281 |
| Report of the Chairman of the Supervisory Board on corporate governance and internal control and risk management procedures | 3.2. Report of the Chairman of the Supervisory Board | 106 to 120 |

## 9.5.2. Cross-reference table on the Annual Financial Report

| Information required in the Annual Financial Report | Pages |
|---|---|
| **Statement by the person responsible for the Annual Financial Report** | **348** |
| **Report of the Managing Board** | |
| Analysis of profits and losses, financial position and risks of the parent company and the consolidated Group (Article L. 225-100 and L. 225-100-2 of the French Commercial Code) | 20 to 29; 138 to 171 |
| Information on the capital structure and elements that may have a bearing on a takeover bid (Article L. 225-100-3 of the French Commercial Code) | 290 to 296 |
| Information on buyback of shares (Article L. 225-211 paragraph 2 of the French Commercial Code) | 246 to 247; 293 |
| **Financial statements and reports** | |
| Parent company financial statements | 260 to 281 |
| Statutory Auditors' Report on the parent company financial statements | 282 |
| Consolidated financial statements | 174 to 256 |
| Statutory Auditors' Report on the consolidated financial statements | 257 |

## 9.5.3. Cross-reference table on the minimum disclosure requirements listed in Annex I of European Commission Regulation (EC) 809/2004

| | Section | Pages |
|---|---|---|
| **1.** | **Persons responsible** | **348** |
| **2.** | **Statutory Auditors** | **350** |
| **3.** | **Selected financial information** | |
| 3.1. | Selected historical financial information | 349 |
| 3.2. | Selected financial information for interim periods | n/a |
| **4.** | **Risk factors** | **20 to 29** |
| **5.** | **Information about the issuer** | |
| 5.1. | History and development of the Issuer | 6 |
| 5.2. | Capital expenditure | 165 to 170 |
| **6.** | **Business overview** | |
| 6.1. | Principal activities | 9 to 19 |
| 6.2. | Principal markets | 9 to 19; 171 |
| 6.3. | Exceptional factors | n/a |
| 6.4. | Dependence on patents or licences, industrial, commercial or financial contracts or new manufacturing processes | 28 |
| 6.5. | Competitive position | 9 to 19; 171 |
| **7.** | **Organisational structure** | |
| 7.1. | Brief description of the Group and the issuer's position within the Group | 7 |
| 7.2. | List of significant subsidiaries | 8; 252 to 256 |
| **8.** | **Property, plant and equipment** | |
| 8.1. | Existing or planned material property, plant and equipment | 14 to 16 |
| 8.2. | Environmental issues that may affect the utilisation property, plant and equipment | 23; 43 to 54 |
| **9.** | **Financial position and results** | |
| 9.1. | Financial position | 140 and 141 |
| 9.2. | Operating results | 138 to 140 |
| **10.** | **Capital resources** | |
| 10.1. | Issuer's capital resources | 178 to 179 |
| 10.2. | Sources and amounts of cash flows | 140 and 141; 180 and 181 |
| 10.3. | Borrowing requirements and funding structure | 141 |
| 10.4. | Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect the issuer's operations | 245 |
| 10.5. | Information regarding the anticipated sources of funds needed to fulfil commitments referred to in items 1.3.1.1.5 and 4.5 | 141 |
| **11.** | **Research and development, patents and licences** | **165 to 170** |
| **12.** | **Trend information** | **171** |
| **13.** | **Profit forecasts or estimates** | |
| **14.** | **Administrative, management, and supervisory bodies and Executive Management** | |
| 14.1. | Members of the administrative, management or supervisory bodies | 90 to 105 |
| 14.2. | Administrative, management, and supervisory bodies and management conflicts of interests | 104 |
| **15.** | **Compensation and benefits** | |
| 15.1. | Compensation paid and benefits in kind granted | 122 to 136; 204 and 205 |
| 15.2. | Amounts set aside or accrued to provide pension, retirement or similar benefits | 279 |

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