PSA PEUGEOT CITROËN

# REGISTRATION DOCUMENT

2014

PSA PEUGEOT CITROËN

# 2014

# REGISTRATION DOCUMENT

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 27 March 2015, 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.

# CONTENTS



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

# 1 PSA PEUGEOT CITROËN

# 1.1. KEY FIGURES

This document gives the PSA Peugeot Citroën Group's consolidated financial statements for the years 2014 and 2013. The 2012 consolidated financial statements are included in the Registration Document that was filed with the French securities regulator (*Autorité des Marchés Financiers* – AMF) on 28 March 2013 under no. D. 13-0239. Please also see paragraph 5.1 below.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union as at 31 December 2014, the balance sheet date.

Comparative information has been restated to reflect the application of IFRS 5, 10 and 11 and IFRIC 21.

## CONSOLIDATED INCOME STATEMENT

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | Manufacturing and Sales Companies | Finance Companies | Eliminations | TOTAL | Manufacturing and Sales Companies | Finance Companies | Eliminations | TOTAL |
| Revenues | 53,019 | 628 | (40) | 53,607 | 52,459 | 668 | (48) | 53,079 |
| Recurring operating income/(loss) | 779 | 126 | - | 905 | (516) | 152 | - | (364) |
| Operating Income/(loss) | 100 | 123 | - | 223 | (1,681) | 152 | - | (1,529) |
| Net financial expense | (755) | (8) | - | (763) | (664) | - | - | (664) |
| Income taxes | (226) | (87) | | (313) | (266) | (40) | - | (306) |
| Share in net earnings of companies at equity | 270 | 12 | - | 282 | 165 | 8 | - | 173 |
| Net income/(loss) from operations intended to be transferred to new joint ventures | (34) | 50 | - | 16 | (19) | 118 | - | 99 |
| Consolidated profit/(loss) | (645) | 90 | - | (555) | (2,465) | 238 | - | (2,227) |
| Group share | (787) | 86 | (5) | (706) | (2,556) | 223 | 6 | (2,327) |
| Attributable to minority interests (in euros) | 142 | 4 | 5 | 151 | 91 | 15 | (6) | 100 |
| **Basic earnings per €1 par value share – Group share** | | | | **(1,15)** | | | | **(6,80)** |

## CONSOLIDATED BALANCE SHEET

| | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** *(in millions of euros)* | Manufacturing and Sales Companies | Finance Companies | Eliminations | TOTAL | Manufacturing and Sales Companies | Finance Companies | Eliminations | TOTAL |
| Total non-current assets | 20,331 | 279 | (5) | 20,605 | 19,709 | 389 | (1) | 20,097 |
| Total current assets | 16,526 | 6,209 | (704) | 22,031 | 15,524 | 24,668 | (568) | 39,624 |
| Total assets intended to be transferred to new joint ventures | 167 | 18,529 | (120) | 18,576 | 43 | - | - | 43 |
| **TOTAL ASSETS** | **37,024** | **25, 017** | **(829)** | **61,212** | **35,276** | **25,057** | **(569)** | **59,764** |

## EQUITY AND LIABILITIES

| *(in millions of euros)* | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Manufacturing and Sales Companies | Finance Companies | Eliminations | TOTAL | Manufacturing and Sales Companies | Finance Companies | Eliminations | TOTAL |
| Total equity | | | | 10,418 | | | | 7,837 |
| Total non-current liabilities | 11,637 | 2 | (1) | 11,638 | 12,622 | 364 | (1) | 12,985 |
| Total current liabilities | 18,071 | 13,368 | (537) | 30,903 | 18,109 | 21,401 | (568) | 38,942 |
| Liabilities intended to be transferred to new joint ventures | 37 | 8,508 | (292) | 8,253 | - | - | - | - |
| **TOTAL EQUITY & LIABILITIES** | | | | **61,212** | | | | **59,764** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| *(in millions of euros)* | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Manufacturing and Sales Companies | Finance Companies | Eliminations | TOTAL | Manufacturing and Sales Companies | Finance Companies | Eliminations | TOTAL |
| **Consolidated profit/(loss) from continuing operations** | **(611)** | **(211)** | **-** | **(822)** | **(2,446)** | **(128)** | **-** | **(2,574)** |
| **Funds from operations** | **2,126** | **13** | **-** | **2,139** | **804** | **(21)** | **-** | **783** |
| Net cash from/(used in) operating activities | 3,878 | 448 | (262) | 4,064 | 1,244 | (478) | (9) | 757 |
| Net cash used in investing activities of continuing operations | (2,314) | (22) | - | (2,336) | (2,474) | (33) | - | (2,507) |
| Net cash from/(used in) financing activities of continuing operations | 675 | 3 | 334 | 1,012 | 2,058 | (153) | - | 1,905 |
| **Net cash used by new borrowings and repayments of borrowings of finance operations not transferred to new joint ventures** | **-** | **(1,448)** | **-** | **(1,448)** | **-** | **(2,294)** | **-** | **(2,294)** |
| **Net cash from/(used by) changes in assets and liabilities of finance operations intended to be transferred to new joint ventures** | **(20)** | **1,817** | **10** | **1,807** | **(72)** | **3,099** | **74** | **3,101** |
| Effect of changes in exchange rates | 47 | 1 | - | 48 | (91) | (6) | 4 | (93) |
| **Increase/(decrease) in cash and cash equivalents of continuing operations and operations intended to be transferred to new joint ventures** | **2,266** | **799** | **82** | **3,147** | **665** | **135** | **69** | **869** |
| **Net cash and cash equivalents at beginning of period** | **6,161** | **1,804** | **(210)** | **7,755** | **5,496** | **1,669** | **(279)** | **6,886** |
| **NET CASH AND CASH EQUIVALENTS AT END OF PERIOD – CONTINUING OPERATIONS** | **8,427** | **2,603** | **(128)** | **10,902** | **6,161** | **1,804** | **(210)** | **7,755** |

# 1.2. 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 SA 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 marque – 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 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.

Since 2012, PSA Peugeot Citroën and General Motors (GM) have been working together through three shared projects (C-CUV, B-CUV and potentially B-LCV) and the setting up of a sales organisation to develop synergies off of these three projects.

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

Following the project to increase the investment of PSA Peugeot Citroën 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 Peugeot Citroën took exclusive control of Française de Mécanique.

On 19 February 2014, the Group announced major transaction plans for its development, including the strengthening of its industrial and commercial partnership with Dongfeng Motor Group (DFG). The final agreements were signed on 26 March 2014. In addition, Peugeot S.A. carried out capital increases totalling €3 billion, which were approved by the Annual Shareholders' Meeting of 25 April 2014. Share subscription warrants (BSA) were issued to shareholders for free on that same date. For more details, please refer to Sections 1.4.2.2 and 4.4 below.

Following the start of exclusive negotiations on 19 February 2014, Banque PSA Finance and Santander Consumer Finance (Santander CF) announced on 10 July that they had signed a framework agreement to create a partnership in 11 countries in Europe, which will take the form of joint ventures in most countries, or of commercial agreements. On 2 February 2015, the first joint ventures started operations in France and the United Kingdom. For more details, please refer to Sections 1.4.1.3 below.

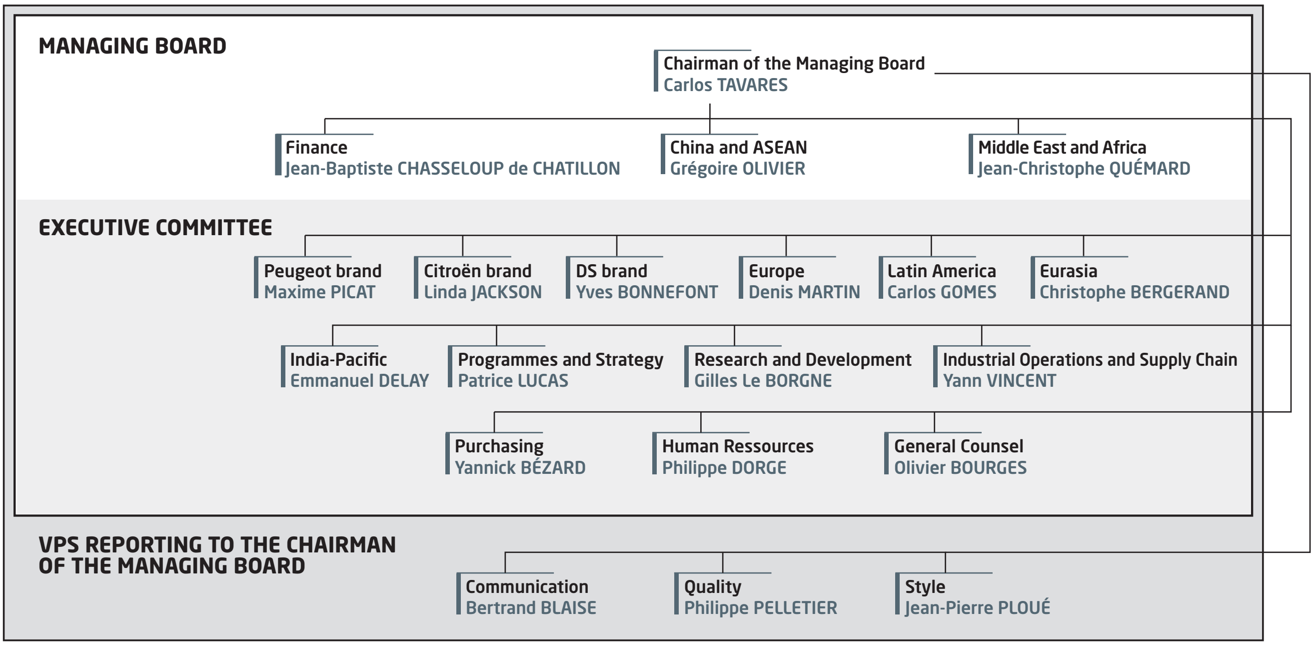
In addition, to speed up the expansion of Peugeot Motocycles, strengthen the brand and its products, and secure its future, PSA Peugeot Citroën started exclusive negotiations with the Mahindra & Mahindra Group (M&M) to form a long-term strategic partnership. These transactions, which were completed on 19 January 2015, left M&M holding a 51% interest in Peugeot Motocycles (PMTC). For more details, please refer to Note 3.3.B to the 2014 consolidated financial statements (see Section 5.6 below).

On 13 February 2015, the Group signed a purchase agreement for Mister Auto, an e-commerce leader for spare parts for all automotive brands on the European market. This transaction remains subject to the fulfilment of conditions precedent, one of which is the clearance from the relevant competition authorities.

# 1.3. ORGANISATIONAL STRUCTURE

## 1.3.1. GROUP ORGANISATIONAL STRUCTURE – FUNCTIONS

The corporate management organisational chart as from 1st November 2014 is presented below:




## 1.3.2. GROUP ORGANISATION

The executive management of the PSA Peugeot Citroën 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 and approved by the Supervisory Board. The Managing Board defines Group policies. It is a decision-making body and it allocates resources.

The Managing Board is backed by the Executive Committee. Since 1 September 2014, the latter has been 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.

The Executive Committee is therefore comprised of, in addition to the four Managing Board members, three brand VPs (for Peugeot, Citroën and DS), six regional COOs (two of whom are Managing Board members), the Executive VPs for Programmes and Strategy, Research and Development, Manufacturing and Supply Chain, Purchasing and Human Resources, and the General Counsel.

The VP of Corporate Communications, the VP of Corporate Quality and the VP of Corporate Style also report to the Chairman of the Managing Board.

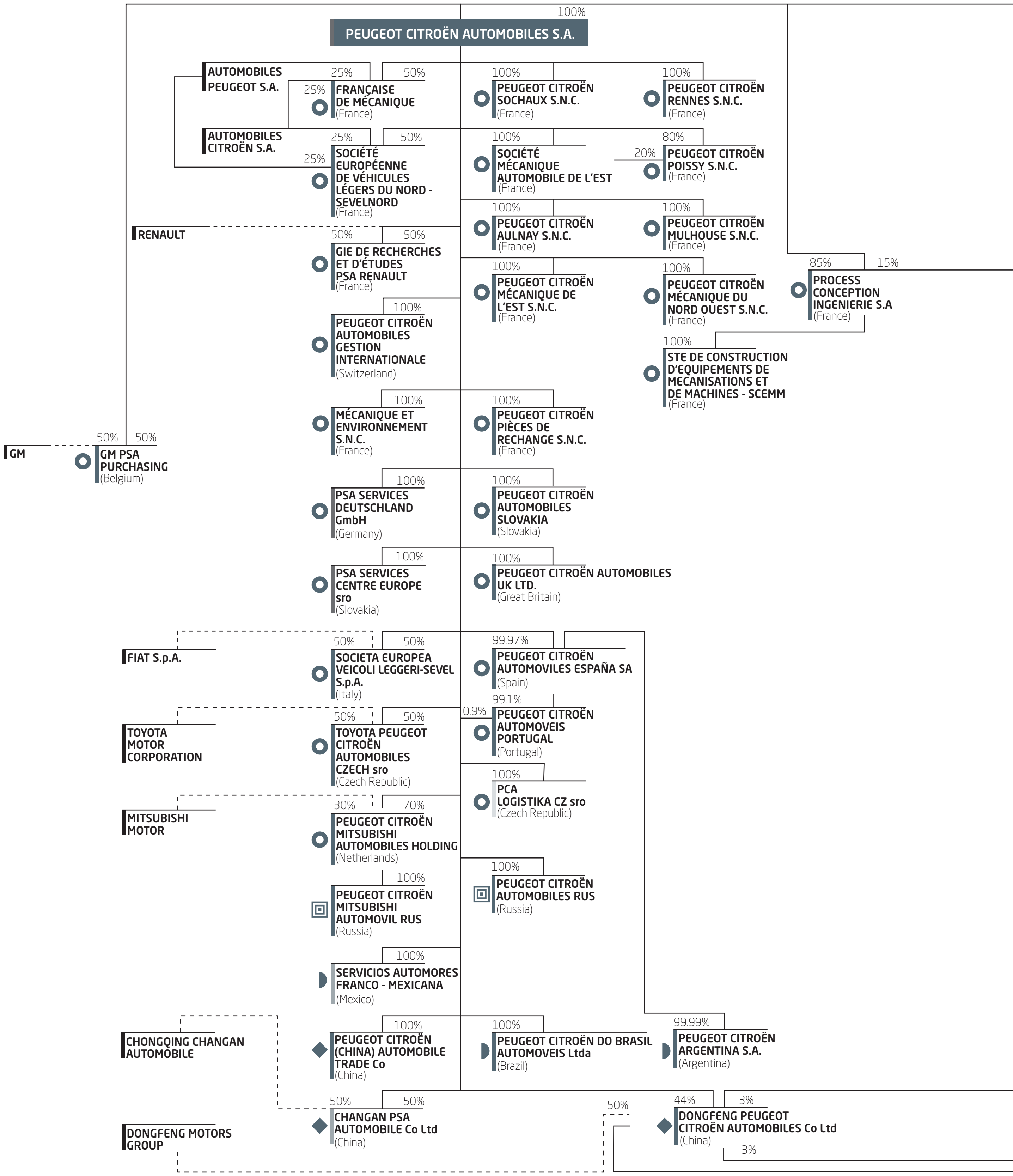
## 1.3.3. PARENT-SUBSIDIARY RELATIONSHIPS

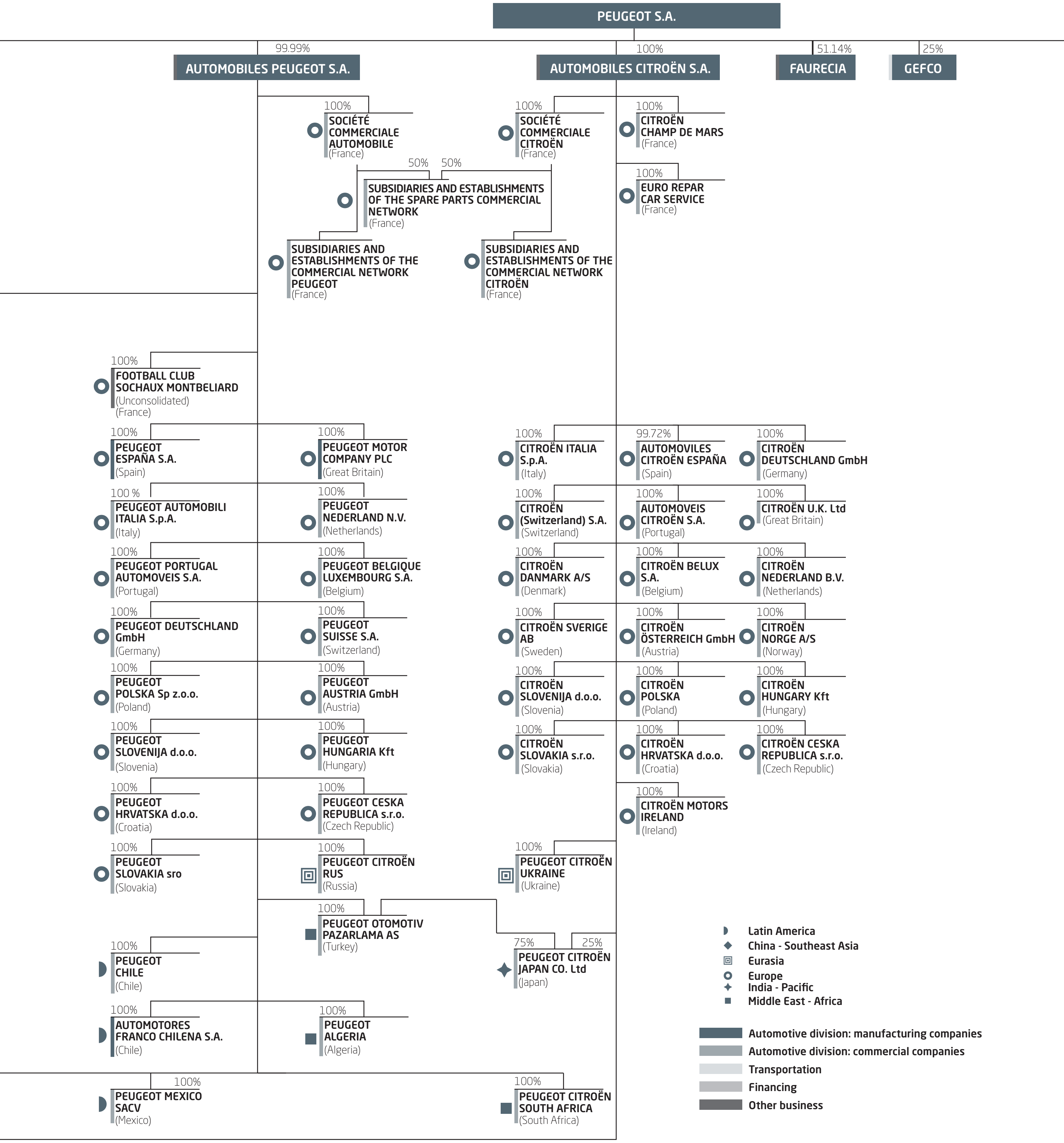
As the Group's holding company, Peugeot S.A. is not directly involved in any material operating activities.

Peugeot S.A. has a normal parent company relationship with its subsidiaries. The main events in this relationship are reviewed in the Company's financial statements in Section 6.4. Please refer as well to Note 18 to the 2014 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 Chapter 6.7 below, page 290).

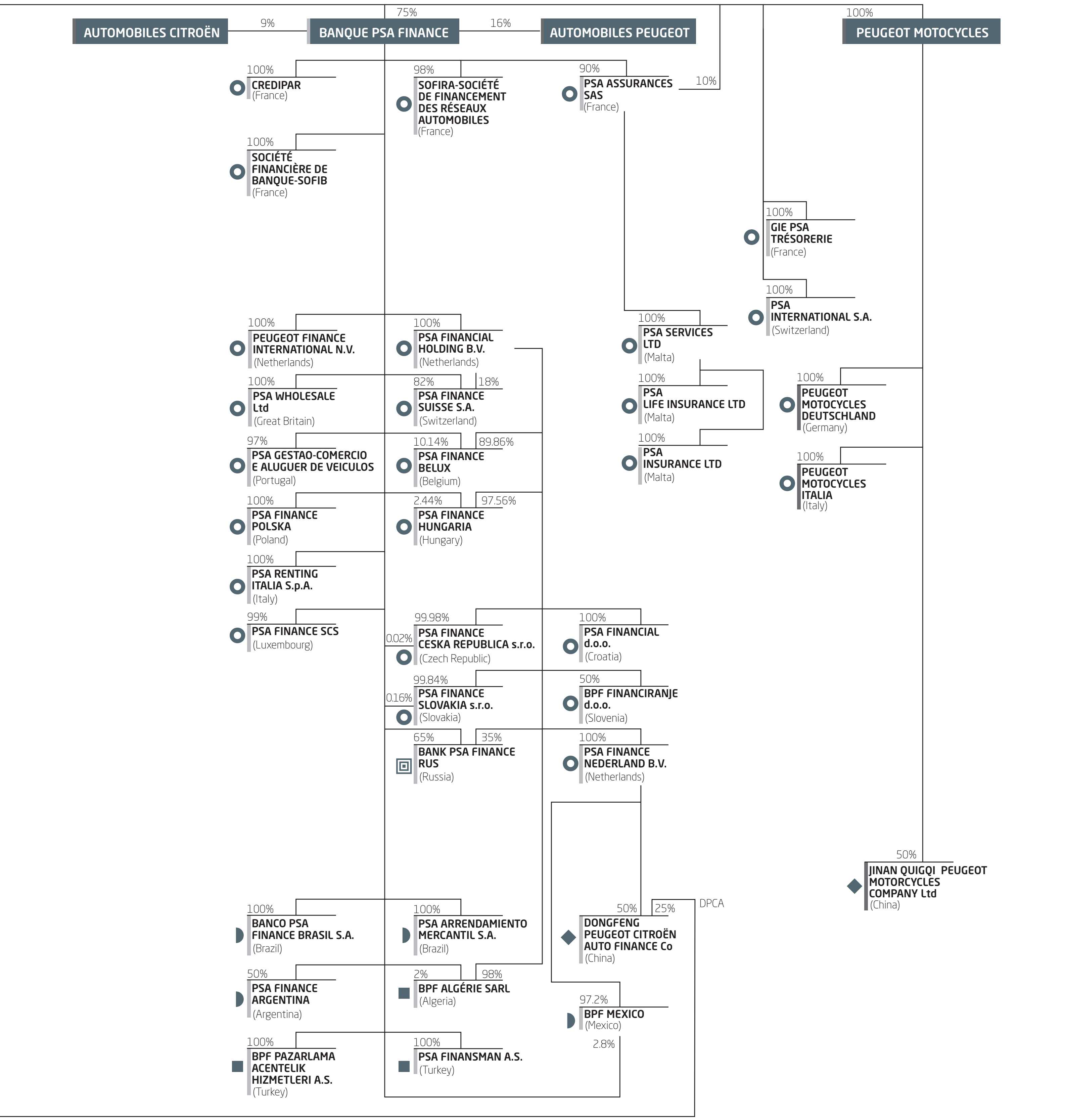
## 1.3.4. MAIN SUBSIDIARIES AND EQUITY HOLDINGS OF THE COMPANY






*At 31 December 2014, there were 407 entities included in the scope of consolidation. The simplified legal structure below presents the main consolidated legal entities. The percentages shown refer to direct or indirect shareholdings.*

*This is not an exhaustive list (dealer networks and Faurecia group companies are not shown). A comprehensive list of consolidated companies is found starting on page 255.*


AUTOMOBILES CITROËN
9%
75%
BANQUE PSA FINANCE
16%
AUTOMOBILES PEUGEOT
100%
PEUGEOT MOTOCYCLES
100%
CREDIPAR
(France)
98%
SOFIRA-SOCIÉTÉ DE FINANCEMENT DES RÉSEAUX AUTOMOBILES
(France)
90%
PSA ASSURANCES SAS
(France)
10%
100%
SOCIÉTÉ FINANCIÈRE DE BANQUE-SOFIB
(France)
100%
GIE PSA TRÉSORERIE
(France)
100%
PSA INTERNATIONAL S.A.
(Switzerland)
100%
PEUGEOT FINANCE INTERNATIONAL N.V.
(Netherlands)
100%
PSA FINANCIAL HOLDING B.V.
(Netherlands)
100%
PSA SERVICES LTD
(Malta)
100%
PSA WHOLESALE Ltd
(Great Britain)
82%
18%
PSA FINANCE SUISSE S.A.
(Switzerland)
100%
PSA LIFE INSURANCE LTD
(Malta)
100%
PEUGEOT MOTOCYCLES DEUTSCHLAND
(Germany)
97%
PSA GESTAO-COMERCIO E ALUGUER DE VEICULOS
(Portugal)
10.14%
89.86%
PSA FINANCE BELUX
(Belgium)
100%
PSA INSURANCE LTD
(Malta)
100%
PEUGEOT MOTOCYCLES ITALIA
(Italy)
100%
PSA FINANCE POLSKA
(Poland)
2.44%
97.56%
PSA FINANCE HUNGARIA
(Hungary)
100%
PSA RENTING ITALIA S.p.A.
(Italy)
99%
PSA FINANCE SCS
(Luxembourg)
99.98%
0.02%
PSA FINANCE CESKA REPUBLICA s.r.o.
(Czech Republic)
100%
PSA FINANCIAL d.o.o.
(Croatia)
99.84%
0.16%
PSA FINANCE SLOVAKIA s.r.o.
(Slovakia)
50%
BPF FINANCIRANJE d.o.o.
(Slovenia)
65%
35%
BANK PSA FINANCE RUS
(Russia)
100%
PSA FINANCE NEDERLAND B.V.
(Netherlands)
50%
JINAN QUIGQI PEUGEOT MOTORCYCLES COMPANY Ltd
(China)
100%
BANCO PSA FINANCE BRASIL S.A.
(Brazil)
100%
PSA ARRENDAMIENTO MERCANTIL S.A.
(Brazil)
50%
25%
DPCA
DONGFENG PEUGEOT CITROËN AUTO FINANCE Co
(China)
50%
PSA FINANCE ARGENTINA
(Argentina)
2%
98%
BPF ALGÉRIE SARL
(Algeria)
97.2%
BPF MEXICO
(Mexico)
2.8%
100%
BPF PAZARLAMA ACENTELIK HIZMETLERI A.S.
(Turkey)
100%
PSA FINANSMAN A.S.
(Turkey)

# 1.4. BUSINESS ACTIVITIES AND STRATEGY

## 1.4.1. MAIN BUSINESS ACTIVITIES OF THE GROUP

The Group's operations are organised around three main 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, Automotive Exteriors and Emissions Control Technologies;
- 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 two brands' dealer networks. Banque PSA Finance is classified as a financial institution.

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

| *(in millions of euros)* | Revenues 2014 | Revenues 2013 | Revenues Change | Recurring operating income(/loss) 2014 | Recurring operating income(/loss) 2013 |
|---|---|---|---|---|---|
| Automotive | 36,085 | 36,415 | -0.9% | 63 | (1,039) |
| Faurecia | 18,829 | 18,029 | 4.4% | 673 | 538 |
| Banque PSA Finance | 1,703 | 1,773 | -3.9% | 337 | 369 |
| Banque PSA Finance – Reconciliation* | (752) | (843) | - | (211) | (217) |
| Eliminations and other businesses | (2,258) | (2,295) | - | 43 | (15) |
| **TOTAL** | **53,607** | **53,079** | **1.0%** | **905** | **(364)** |
| Group sales *(in thousands of units)* | 2,939 | 2,818 | 4.3% | | |

* *The reconciliation includes IFRS 5 impacts and provides a link with the presentation given in the consolidated income statement.*

Regarding segment information – business segments and principal markets – please refer to Note 4 to the 2014 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 150.

### 1.4.1.1. AUTOMOTIVE DIVISION

#### 1.4.1.1.1. SIGNIFICANT EVENTS OF THE SALES ACTIVITIES IN 2014

- PSA Peugeot Citroën unit sales up 4.3% to 2,939,000 vehicles in 2014 compared to 2013 ;
- China now the Group's largest market, with unit sales up 31.9% to 734,000 ;
- strong growth in Europe, with 1,761,000 vehicles sold, for an increase of 8.1% ;
- worldwide success for the entire Peugeot product range: globalisation of models that end in 8 and successful move upmarket with a strong contribution from the Peugeot 308 and the Peugeot 2008 and 3008 crossovers ;
- good performance from Citroën-brand models: the new Citroën C4 Picasso is the European leader in the MPV segment, the Citroën C4 Cactus has exceeded objectives since launch and the C-Elysée has been resounding success in China, where it is Dongfeng Peugeot Citroën Automobile's (DPCA's) best-selling model with more than 100,000 units sold ;
- global launch of DS as the Group's premium brand.

#### 1.4.1.1.2. THE GROUP'S MARKETS

*Market share data are taken from statistics published by the "Association Auxiliaire de l'Automobile" for Western European countries and by various local organisations for other countries.*

##### EUROPE

**THE GROUP SUSTAINED ITS RESULTS IN A GROWING, YET FRAGILE MARKET**

Group sales in Europe rose 8.1% year-on-year to 1,761,000 units, reflecting the favourable market reaction to the Peugeot 308, voted 2013 car of the year (56,900 units sold), and the positive results of the C4 Cactus (more than 36,800 orders booked as of 31 December 2014).

Registrations of Peugeot-brand vehicles increased by 6.2% to 952,000 units. The range's updated and consistent model line-up, combined with the dealership network's management of net pricing and a high standard of service quality enhanced the brand's attractiveness and helped it deliver robust, profitable growth. Peugeot gained 0.3 points in the consumer sales channel, a benchmark indicator.

Citroën outperformed the market while focusing on the most profitable distribution channels, with registrations up 7.2% to 689,000 units and market share gains in France, the United Kingdom, Spain and Germany. This positive momentum was driven by the brand's successful product offensive, headed in particular by the new C4 Picasso, the European MPV leader with 120,000 units sold in 2014, and the year's three successful model launches: the new Jumper introduced in April

(31,000 units sold), the new C1 (41,000 units sold) and the C4-Cactus introduced in June (42,000 units sold).

DS registrations in Europe totalled 85,900 units. The brand is concentrating on profitable sales channels to preserve its models' long-term resale value. In addition, 61 dedicated points of sale (58 DS Salons and three DS Stores) have been opened. The year was shaped by a technological offensive that included the introduction of six new powertrains and a new Xenon Full-LED signature.

## CHINA AND SOUTHEAST ASIA

### THE PEUGEOT, CITROËN AND DS BRANDS ALL SET NEW SALES RECORDS IN CHINA, WHICH IS NOW THE GROUP'S LARGEST MARKET

The Chinese market again expanded significantly, with demand up 11,5%. The Group achieved unit sales of 734,000, lifting its market share to 4.3% from 3.6% in 2013.

The Peugeot brand had another record year with unit sales rising 43.1% to 386,565, the strongest increase among the market's top 20 players. The Peugeot 3008 and 2008 fully benefited from growth in the SUV segment and accounted for a third of Dongfeng Peugeot's sales. In the C segment, which represents 52% of the Chinese passenger car market, the new Peugeot 408 got off to a quick start with 30,943 units sold in four months. The brand also added 100 dealerships to its network in 2014.

Citroën also outpaced the market, setting a new sales record with growth of 14.3% to 320,000 units sold. China now accounts for more than one out of four Citroën sold worldwide and has confirmed its status as the brand's leading market, ahead of France. This performance was driven in part by the success of recent launches, including the new Citroën C-Elysée, Dongfeng Citroën's best-selling model with more than 100,000 units sold in 2014, and the Citroën C4-L, which sold 66,000 units during the year. The brand extended its line-up in December with the introduction of the C3-XR SUV. The year's performance was also supported by Dongfeng Citroën's increasingly tight-knit and well-respected dealership network, which ranked first in JD Power's 2014 China Sales Satisfaction Index (SSI) study.

Sales of DS-brand models have taken off in China, for a total of 26,000 units in 2014, thanks to a premium line-up comprising three models produced in Shenzhen and launched just one year ago: the DS5, the DS 5LS and the DS 6. At the same time, the brand has actively developed its distribution network with 80 DS Stores covering China's 60 largest cities. China now accounts for 22% of the brand's worldwide registrations, versus 2% in 2013.

## EURASIA, LATIN AMERICA, MIDDLE-EAST & AFRICA, ASIA-PACIFIC

In the rest of the world, the market environment was difficult in 2014 due to a decline in automobile sales and unfavourable exchange rates. As a result, PSA Peugeot Citroën focused on profitability by applying a rigorous pricing policy.

In Eurasia, the Group put an emphasis on local production of the Peugeot 408 and the Citroën C4 Sedan, which together captured 8.5% of their segment in Russia with 6,500 and 9,000 units sold, respectively.

In Latin America, in a difficult economic environment, the Group recorded 200,000 units sold and strengthened its position in Argentina, achieving a market share in that country of 15.1%. Recent launches delivered results, with 49,000 units sold for the Peugeot 208 and more than 13,000 units sold for the Citroën C4 Lounge. Sales of the Citroën C3 held up well, at 35,300 units.

In the Middle-East & Africa, priority was given to improving profitability in an unfavourable currency environment. The Group maintained strong positions in numerous countries, leading the market in Tunisia and France's overseas departments and ranking second in Morocco. Peugeot was the second best-selling brand in Algeria and achieved strong growth in Egypt, with unit sales up 77%. The Peugeot 301 and Citroën C-Elysée were again the leading models in 2014, with 30,400 and 14,800 units sold, respectively. Launched during the course of the year, the flagship Peugeot 2008 and Peugeot 308 achieved unit sales of 8,400 for the first and 7,400 for the second. Sales of light commercial vehicles increased year on year.

The India-Pacific region saw an increase in sales with the successful launches of the Peugeot 2008 (1,000 orders in 3 months), the Peugeot 308 (3,200 units sold) and the Citroën C4 Picasso (1,450 units sold).

# 1.4.1.1.3. $CO_2$ EMISSION POLICY

## PSA PEUGEOT CITROËN LEADS EUROPE IN REDUCING $CO_2$ EMISSIONS

PSA Peugeot Citroën recaptured its first place standing in reducing emissions at end 2014 in Europe, with an average of 110.3 grams of $CO_2$ per kilometre* (source: AAA DATA), compared with an average of 123.7 grams for the European market. Since 2008, the Group has gradually lowered its vehicle emissions by about 30 grams.

The new record illustrates PSA Peugeot Citroën's commitment to finding practical solutions to environmental problems. More than 50% of its R&D budget is devoted to developing technologies aimed at improving the fuel and environmental performance of its vehicles.

PSA Peugeot Citroën's top ranking is primarily the result of its engine downsizing strategy and the introduction of new PureTech 3-cylinder petrol engines, as well as the introduction of new-generation, fuel-efficient BlueHDi diesel engines. In 2014, nearly 30% of vehicles sold by the Group emitted less than 100 grams of $CO_2$.

Paired with these highly efficient petrol and diesel engines, many Group models are low-carbon leaders in their category. Due to the fact that they represent a significant proportion of European sales, they contribute to an overall reduction in emissions.

The following models are examples of low-carbon leader vehicles:

- Citroën C4 Cactus, 1.6-litre BlueHDi, 100 hp, 82 grams of $CO_2$ per kilometre;
- Citroën DS 3, 1.6-litre BlueHDi, 100 hp, 79 grams of $CO_2$ per kilometre;
- Peugeot 308, PureTech 1.2-litre, 130 hp, 107 grams of $CO_2$ per kilometre. This petrol version also set a new fuel economy record of 2.85 litres per 100 kilometres, covering 1,810 kilometres on a 51-litre tank of fuel.

The recent Peugeot 308 and Citroën C4 Picasso models (built on the new EMP2 platform) and the Citroën C4 Cactus (launched in 2014) weigh significantly less than their predecessors, by 140 kilograms and 200 kilograms, respectively, which is a key factor in reducing emissions.

* *Average homologated NEDC combined-cycle CO2 emissions of PSA Peugeot Citroën passenger cars registered in 2014 across 22 EU nations (excluding Greece, Croatia, Romania, Bulgaria, Cyprus and Malta).*

### 1.4.1.1.4. OPERATING STATISTICS

PSA PEUGEOT CITROËN – WORLDWIDE SALES

| | Region | Brand | 2013 Volume | 2014 Volume | % | %Chg |
|---|---|---|---|---|---|---|
| Assembled vehicles (AV) | China and Southeast Asia | Peugeot | 277,918 | 393,508 | 13.39% | 41.59% |
| | | Citroën | 281,110 | 321,602 | 10.94% | 14.40% |
| | | DS | 4,818 | 26,978 | 0.92% | ++ |
| | | **PSA Peugeot Citroën** | **563,846** | **742,088** | **25.25%** | **31.61%** |
| | Eurasia | Peugeot | 40,700 | 23,765 | 0.81% | -41.61% |
| | | Citroën | 31,931 | 19,198 | 0.65% | -39.88% |
| | | DS | 1,767 | 867 | 0.03% | -50.93% |
| | | **PSA Peugeot Citroën** | **74,398** | **43,830** | **1.49%** | **-41.09%** |
| | Europe | Peugeot | 878,950 | 965,090 | 32.84% | 9.80% |
| | | Citroën | 643,023 | 709,710 | 24.15% | 10.37% |
| | | DS | 106,691 | 86,044 | 2.93% | -19.35% |
| | | **PSA Peugeot Citroën** | **1,628,664** | **1,760,844** | **59.92%** | **8.12%** |
| | India Pacific | Peugeot | 15,049 | 16,933 | 0.58% | 12.52% |
| | | Citroën | 3,208 | 3,961 | 0.13% | 23.47% |
| | | DS | 2,705 | 1,456 | 0.05% | -46.17% |
| | | **PSA Peugeot Citroën** | **20,962** | **22,350** | **0.76%** | **6.62%** |
| | Latin America | Peugeot | 182,943 | 120,857 | 4.11% | -33.94% |
| | | Citroën | 115,670 | 77,827 | 2.65% | -32.72% |
| | | DS | 4,058 | 1,185 | 0.04% | -70.80% |
| | | **PSA Peugeot Citroën** | **302,671** | **199,869** | **6.80%** | **-33.96%** |
| | Africa and Middle East | Peugeot | 155,996 | 114,513 | 3.90% | -26.59% |
| | | Citroën | 68,384 | 52,936 | 1.80% | -22.59% |
| | | DS | 2,655 | 1,942 | 0.07% | -26.86% |
| | | **PSA Peugeot Citroën** | **227,035** | **169,391** | **5.76%** | **-25.39%** |
| | TOTAL | Peugeot | 1,551,556 | 1,634,666 | 55.62% | 5.36% |
| | | Citroën | 1,143,326 | 1,185,234 | 40.33% | 3.67% |
| | | DS | 122,694 | 118,472 | 4.03% | -3.44% |
| | | **PSA Peugeot Citroën** | **2,817,576** | **2,938,372** | **99.98%** | **4.29%** |
| Completely knocked down units (CKD) | China and Southeast Asia | Peugeot | 1,119 | 527 | 0.02% | -52.90% |
| | | **PSA Peugeot Citroën** | **1,119** | **527** | **0.02%** | **-52.90%** |
| Assembled vehicles + completely knocked down units (AV + CKD) | | Peugeot | 1,552,675 | 1,635,193 | 55.64% | 5.31% |
| | | Citroën | 1,143,326 | 1,185,234 | 40.33% | 3.67% |
| | | DS | 122,694 | 118,472 | 4.03% | -3.44% |
| | | **PSA PEUGEOT CITROËN** | **2,818,695** | **2,938,899** | **100.00%** | **4.26%** |

PSA PEUGEOT CITROËN: WORLDWIDE SALES BY MODEL

| Brand | Model | Year 2013 | Année 2014 |
|---|---|---|---|
| Peugeot | iOn | 500 | 800 |
| | 107 | 57,700 | 21,700 |
| | 108 | 0 | 44,100 |
| | 206 | 72,700 | 26,300 |
| | 207 | 59,200 | 14,100 |
| | 208 | 334,400 | 314,700 |
| | 2008 | 74,400 | 204,600 |
| | 301 | 72,200 | 110,400 |
| | 307 | 15,900 | 5,900 |
| | 308 | 240,700 | 296,600 |
| | 3008 | 140,700 | 153,600 |
| | 5008 | 44,400 | 35,800 |
| | 407 | 0 | 0 |
| | 408 | 83,100 | 78,000 |
| | 508 | 89,500 | 74,300 |
| | 807 | 2,800 | 1,700 |
| | 4007 | 800 | 0 |
| | 4008 | 9,100 | 7,700 |
| | RCZ | 9,200 | 7,000 |
| | Bipper | 22,700 | 18,500 |
| | Partner | 143,100 | 134,700 |
| | Expert | 26,100 | 30,200 |
| | Boxer | 53,500 | 54,500 |
| **TOTAL** | | **1,552,700** | **1,635,200** |

| Brand | | Model | Year 2013 | Année 2014 |
|---|---|---|---|---|
| Citroën | | C-Zéro | 300 | 600 |
| | | C1 | 59,500 | 62,500 |
| | | C2 | 10,000 | 0 |
| | | C3 | 177,100 | 182,900 |
| | | C3 Picasso | 90,000 | 65,300 |
| | | ZX | 55,900 | 26,100 |
| | | XSARA Picasso | 0 | 0 |
| | | C-Elysée | 56,300 | 125,700 |
| | | C3-XR | 0 | 1,200 |
| | | C4 Cactus | 0 | 43,900 |
| | | C4 | 283,300 | 251,200 |
| | | C4 Picasso | 99,900 | 124,100 |
| | | C5 | 65,500 | 53,300 |
| | | C6 | 0 | 0 |
| | | C8 | 2,800 | 1,600 |
| | | C4 Aircross | 13,600 | 14,600 |
| | | C-Crosser | 100 | 0 |
| | | Nemo | 19,500 | 17,000 |
| | | Berlingo | 140,700 | 139,800 |
| | | Jumpy | 25,000 | 28,000 |
| | | Jumper | 43,700 | 47,400 |
| | | *Autres* | *100* | *0* |
| **TOTAL** | | | **1,143,300** | **1,185,200** |
| DS | | DS3 | 69,000 | 57,000 |
| | | DS4 | 29,800 | 21,700 |
| | | DS5 | 23,900 | 33,200 |
| | | DS6 | 0 | 6,600 |
| **TOTAL** | | | **122,700** | **118,500** |
| PSA Peugeot Citroën | Passenger cars (PC) | | 2,448,600 | 2,562,200 |
| | Light Commercial Vehicle (LCV) | | 370,100 | 376,700 |
| | PC+LCV of which Petrol | | 1,449,700 | 1,532,300 |
| | of which Diesel | | 1,343,500 | 1,386,600 |
| | of which Hybrid | | 22,100 | 12,400 |
| | of which LPG | | 2,300 | 5,300 |
| | of which Electric | | 1,200 | 2,300 |
| **TOTAL PSA PEUGEOT CITROËN** | | | **2,818,700** | **2,938,900** |

## 1.4.1.1.5. EXISTING OR PLANNED MATERIAL TANGIBLE FIXED ASSETS

In 2014, Europe accounted for 68.2% of the Group's production (about 47.9% in France), South America 5.3% and Asia 26.5%.

### MANUFACTURING FACILITIES

#### ASSEMBLY PLANTS

| Manufacturing centres | Models produced as at 31 December 2014 | 2013 Output | 2014 Output |
|---|---|---|---|
| Madrid (Spain) | 207+, 207 CC, C4 Cactus | 54,800 | 59,900 |
| Mangualde (Portugal) | Partner, Berlingo | 56,700 | 53,500 |
| Mulhouse (France) | 2008, C4, DS4 | 213,500 | 246,900 |
| Buenos Aires (Argentina) | 207 HatchBack, 308, 408, C4 and C4 Lounge, Partner, Berlingo | 116,200 | 57,600 |
| Poissy (France)* | 208, C3, DS3, DS3 Cabrio | 278,200 | 258,500 |
| Porto Real (Brazil) | 207 HatchBack, 207, 208, Novo C3, C3 Aircross, C3 Picasso | 141,400 | 90,700 |
| Rennes (France) | C5, C5 t, 508, 508 SW, 508 RXH, 508 HY | 84,800 | 66,800 |
| Sevelnord (France) | 807, Expert, C8, Jumpy | 57,000 | 60,800 |
| Sochaux (France) | 308, 308 CC, 308 SW, 3008, 3008 HY, 5008, DS5, DS5 HY | 278,500 | 313,900 |
| Trnava (Slovakia) | 208, C3 Picasso | 248,400 | 255,200 |
| Vigo (Spain) | 301, C-Elysée, C4 Picasso, Grand C4 Picasso, Berlingo, Partner, electric Berlingo and electric Partner | 406,500 | 379,100 |

* *In accordance with the commitments made under the «New Social Contract», it was announced on 23 February 2015 that the new premium compact vehicle was attributed to the Poissy plant, thereby rounding out the DS offering. Production will be carried out on the new EMP1 platform, which is being launched at Poissy. The project is supported by more than €150 million in capital expenditure.*

#### MANUFACTURING COMPONENT PLANT AND FOUNDRIES

| | |
|---|---|
| Caen (France) | Chassis systems, axles suspension systems, transmissions |
| Charleville (France) | Aluminium and iron castings |
| Douvrin Française de Mécanique (France) | Petrol and diesel engines |
| Hérimoncourt (France) | Engines, gear boxes: small-scale assembly and reconditioning |
| Jeppener (Argentina) | Diesel, petrol and flex fuel engines, chassis systems |
| Metz (France) | Gear boxes |
| Mulhouse components (France) | Chassis systems |
| Mulhouse foundry (France) | Pressurised aluminium castings, steel forge, tooling |
| Porto Real (Brazil) | Flex-fuel and petrol engines |
| Saint-Ouen (France) | Stamping, body-in-white, tooling |
| Sept-Fons (France) | Iron castings |
| Trémery (France) | Petrol and diesel engines |
| Valenciennes (France) | Gear boxes |

The capacity utilisation rate in Europe stood at 79% in 2014 versus 72% in 2013 (harbour rate, based on two 8-hour shifts over 235 working days).

## SUBSIDIARIES JOINTLY-OWNED WITH OTHER CARMAKERS

| *(AT 31 DECEMBER)* | Production | 2013 Production Output | 2014 Production output |
|---|---|---|---|
| **OUTSIDE FRANCE** | | | |
| **Sevelsud, Società Europea Veicoli Leggeri (Italy)** | | | |
| 50% Peugeot Citroën Automobiles | Peugeot Boxer | 49,150 | 50,620 |
| 50% Fiat | Citroën Jumper | 39,720 | 44,830 |
| | **Total** | **88,870** | **95,450** |
| **DPCA, Dongfeng Peugeot Citroën Automobiles (Wuhan, China)** | | | |
| 50% Peugeot Citroën Automobiles | | | |
| 50% Dongfeng Motors | | | |
| | C-Elysée, New C-Elysée, 301, 207 China, 307 China, 308 China, New 308 China, C3XR, C4 China Restyled, C4 Lounge, C Triomphe, 408 China and New 408 China, 508 China, C5 China, 3008 China, 2008 China | 557,300 | 718,200 |
| | **Total** | **557,300** | **718,200** |
| **TPCA, Toyota Peugeot Citroën Automobiles (Kolin, Czech Republic)** | | | |
| 50% Peugeot Citroën Automobiles | Peugeot 107-108 | 57,270 | 65,940 |
| 50% Toyota Motor Corporation | Citroën C1 | 58,470 | 64,650 |
| | **Total** | **115,740** | **130,590** |
| **PCMA Rus (Kaluga, Russia)** | | | |
| 70% Peugeot Citroën Automobiles | | | |
| 30% Mitsubishi Motors Company (MMC) | Citroën C4 L, Peugeot 408 | 21,760 | 13,320 |
| | **Total** | **21,760** | **13,320** |
| **CAPSA, Changan PSA Auto Company Ltd (Shenzhen, China)** | | | |
| 50% Peugeot Citroën Automobiles | DS5 | 2,870 | 7,950 |
| 50% Changan | DS5 LS, DS6 WR | 2,870 | 18,360 |
| | **Total** | **5,740** | **26,310** |
| **OTHER JOINT VENTURES** | | | |
| **Okazaki (Japan)** | | | |
| Mitsubishi Motors Company cooperation agreement | Citroën C4 Aircross, Peugeot 4008 | **19,450** | **20,400** |
| **Mizushima (Japan)** | | | |
| Mitsubishi Motors Company cooperation agreement | Citroën C-Zéro, Peugeot iOn | **940** | **1,170** |
| **Bursa (Turkey)** | | | |
| Fiat and Tofas cooperation agreement | Citroën Nemo, Peugeot Bipper | **41,750** | **34,230** |
| **Bursa (Turkey)** | | | |
| Karsan cooperation agreement | Citroën Berlingo, Peugeot Partner | **10,080** | **-** |
| **Graz (Austria)** | | | |
| Magna Steyr cooperation agreement | Peugeot RCZ | **8,310** | **6,660** |

For more information on property, plant and equipment, please refer to Note 8.2 to the 2014 consolidated financial statements (see Section 5.6 below).

## SPARE PARTS

As at 31 December 2014, 13 spare parts warehouses, totalling nearly a million square meters of storage space, were managing some 275,000 SKUs:

- Algiers (Algeria);
- Barueri (Brazil);
- Moscow (Russia);
- Natolin (Poland);
- Pacheco (Argentina);
- Pinto (Spain);
- Pregnana (Italy);
- Rieste (Germany);
- Spillern (Austria);
- Tile Hill (UK);
- Vesoul (France);
- Shenzen (China);
- Wuhan (China).

The environmental issues that may influence the use of these assets by PSA Peugeot Citroën are presented below in Section 2.

## 1.4.1.2. 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, automotive exteriors and Emissions Control Technologies – Faurecia is in the top three global leaders.

As at 31 December 2014, Peugeot S.A. held 51.14% of Faurecia's capital and 67.35% of its voting rights.

With 320 production sites in 34 countries, Faurecia does business on every continent.

It employs 99,600 people worldwide.

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

Faurecia reported revenue of €18,829 million in 2014, versus €18,029 million in 2013 (for more detailed information about Faurecia's revenue, please see Section 4.1.1.3 below).

Faurecia ended 2014 with recurring operating income of €673 million (representing 3.6% of revenue), compared with recurring operating income of €538 million (or 3% of revenue) in 2013.

### 1.4.1.2.1. FOUR CORE BUSINESSES

#### AUTOMOTIVE SEATING

Faurecia designs and assembles seats and makes their main components, including frames, adjustment mechanisms, foams and upholstery, and comfort and safety accessories. In 2014, this activity accounted for 35.1% of product sales.

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.

#### EMISSIONS CONTROL TECHNOLOGIES

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 automakers in their search for new engine configurations by pioneering innovative technological solutions like the diesel particulate filter. In 2014, this activity accounted for 24.4% of product sales.

#### 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 automakers. It offers advanced solutions in the areas of passenger safety, interior fittings and weight reduction. In 2014, interior systems accounted for 28.4% of product sales.

#### AUTOMOTIVE EXTERIORS

Faurecia is the top supplier for bumpers in Europe and one of the world's leading suppliers of front-end carriers in composite materials. In 2014, this activity accounted for 12.2% of product sales.

### 1.4.1.2.2. INDUSTRIAL FOOTPRINT

Working with almost all of the world's automakers, Faurecia's production facilities are found across the world. In 2014, Faurecia's product sales by region were as follows: 56% in Europe, 25% in North America, 14% in Asia, 4% in Latin America and 1% in other countries.

Faurecia can adapt its worldwide production facilities to fit the needs and expectations of automakers. 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.

### 1.4.1.2.3. CUSTOMERS

In 2014, Faurecia continued to diversify its customer base, with the Volkswagen group remaining Faurecia's largest customer, accounting for 25% of product sales. Ford accounts for 15% of product sales, PSA Peugeot Citroën 14%, Renault Nissan 11%, GM 8%, Daimler 7% and BMW 6%.

*(1) For more information on Faurecia, please visit the website www.faurecia.fr and consult Faurecia's 2014 Registration Document.*

## 1.4.1.3. BANQUE PSA FINANCE

100% directly controlled by companies in the PSA Peugeot Citroën Group and closely associated with the sales policies of the Peugeot, Citroën and DS brands, Banque PSA Finance (BPF) provides financing of vehicle sales by the three brands' dealers in the 23 countries where it has locations.

It also 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, and offers individuals and businesses a complete range of financing and other services.

BPF financing for individuals or companies will typically tie insurance and services into the package.

Through the Banque PSA Finance's organisational structure, its loan approval process is totally independent of the three brands and of the dealer network, and dealers are unable to exert any influence on the approval decision.

### COOPERATION WITH SANTANDER CONSUMER FINANCE

On 19 February 2014, PSA Peugeot Citroën Group and Banque PSA Finance 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 European countries, the 11 transactions are expected to be completed in 2015 and early 2016.The partnership has received the approval of the Works Councils of PSA Peugeot Citroën and BPF. The newly formed partnerships will be consolidated by BPF using the equity method.

The scope of this project will cover close to 90% of Banque PSA Finance's current activities.

The partnership will also enhance commercial capabilities for PSA Peugeot Citroën's brands enabling them to increase their penetration of the car finance market. It will also create a sustainable and dynamic captive financing activity with competitive offers dedicated to PSA Peugeot Citroën's brands and customers and should boost the Group's cash by nearly €1.5 billion by 2018.

Cooperation will be implemented in each country through the legal transactions described below.

#### SCF'S INVESTMENT IN NEWLY CREATED ENTITIES

- In Germany, a new German subsidiary will be created, 50% owned by BPF and 50% owned by SCF, which will receive the activities of the existing German branch.
- In Austria, a new branch will be created, 50% owned by BPF and 50% owned by SCF, which will receive the activities of the existing Austrian branch. This new branch will be part of the newly created German subsidiary.
- In Italy, a new Italian subsidiary will be created, 50% owned by BPF and 50% owned by SCF, which will receive the activities of the existing Italian branch of BPF, with the exception of existing retail loans. The existing Italian branch of BPF will continue to manage the run-off of existing retail loans and will close once these loans are extinguished.
- In Spain, a new Spanish subsidiary will be created which will receive the activities of the existing Spanish branch of BPF, with the exception of existing retail loans. This new Spanish subsidiary will be 50% owned by BPF and 50% owned by SCF. The existing Spanish branch of BPF will continue to manage the run-off of existing retail loans and will close once these loans are extinguished.
- Excluding financial services, two subsidiaries in Malta were established as insurance companies 50% owned by BPF and 50% owned by SCF.

#### SCF'S INVESTMENT IN EXISTING ENTITIES

- In France, SCF will invest up to 50% in the capital of SOFIB which will wholly own Crédipar and SOFIRA. CLV will continue to be wholly owned by Crédipar. Subsequently, SOFIRA will be merged into Crédipar.
- In Belgium, SCF will acquire up to 50% of the capital of the existing Belgian subsidiary.
- In the UK, SCF will acquire up to 50% of the capital of the existing UK subsidiary of BPF, to which the activities of the existing UK branch of BPF will have previously been transferred.
- In Switzerland, the capital of BPF's existing subsidiary will be transferred to the newly created Spanish subsidiary 50% owned by BPF and 50% owned by SCF.
- In the Netherlands, the capital of BPF's Dutch subsidiary will be transferred to the Belgian subsidiary 50% owned by BPF and 50% owned by SCF.

#### SCF'S INVESTMENT IN POLAND

- In Poland, SCF will acquire up to 50% of the capital of the existing subsidiary and will invest up to 50% in the capital of a newly created Polish subsidiary, to which the activities of the existing Polish branch of BPF will have previously been transferred.

#### A COMMERCIAL COOPERATION AGREEMENT WITH BPF IN PORTUGAL

- In Portugal, the existing Portuguese branch and Portuguese subsidiary of BPF will be sold to a Portuguese subsidiary of SCF. BPF and the Portuguese subsidiary of SCF will also enter into a commercial cooperation agreement.

At the date of this Registration Document, the first two joint ventures had obtained approval from regulatory authorities to jointly carry out banking operations in France and the United Kingdom. The companies now provide wholesale financing to Peugeot, Citroën and DS dealers in both countries, as well as retail financing to the dealers' customers. These first two companies account for 53% of the outstanding loans covered by the framework agreement. On 2 February 2015, BPF and SCF announced that the first joint ventures had obtained approval from regulatory authorities to jointly carry out banking operations in France and the United Kingdom.

These events also allow Banque PSA Finance to announce that it will no longer use the French government's guarantee for new bond issues. At the date of this Registration Document, BPF only used such guarantee for two issues totalling €1.5 billion (€1.2 billion in April 2013 and €300 million in July 2014). Both issuances will continue to benefit from the guarantee.

### AQR – EUROPEAN CENTRAL BANK

In 2014, Banque PSA Finance underwent an asset quality review process and stress tests under the supervision of the European Central Bank (ECB), in preparation for the Single Supervisory Mechanism (SSM) which became operational in November 2014. One hundred and thirty European banks, including the thirteen largest French banks, participated in this exercise. Published by the ECB on 26 October 2014, Banque PSA Finance's results in the two pillars of the exercise (the Asset Quality Review (AQR) and the Stress Tests) were excellent and ranked BPF among the market leaders. They reflected the relevance and strength of its business model.

## REFINANCING STRATEGY

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 a broad range of liquidity sources, synchronising the maturities of its liabilities and assets, and hedging its exposure to currency and interest rate risks.

BPF's refinancing facilities have maturities that comfortably cover the maturities of the retail loan portfolio. In addition to facilities that have been drawn down, undrawn credit facilities have been arranged bilaterally or with syndicates of leading banks. The bank also has cash reserves of €1,270 million, including €1,148 million in high quality liquid assets as at 31 December 2014, before weighing for the calculation of the liquidity coverage ratio (LCR).

As at 31 December 2014, syndicated back-up facilities expire at three different dates: December 2015 (€136 million), January 2016 (€1,216 million) and December 2016 (€1,794 million). They were concluded with syndicates of leading banks. None of these syndicated back-up facilities were drawn down as at 31 December 2014.

As at the end of 2014, BPF was required to comply with certain covenants, such as retaining the option of a guarantee from the French government for bond issues in euros and reporting a Common Equity Tier 1 ratio of at least 11%.

Lastly, in 2014 Banque PSA Finance also obtained commitments to create or renew bilateral bank facilities for a total amount of €1.7 billion.

In all, as in prior years, these facilities are sufficient to cover over six months of loan origination at constant sales levels.

Moreover, on 6 February 2015, Banque PSA Finance announced the establishment of a new syndicated loan in the amount of €700 million maturing in five years. This credit facility is part of the launch of the partnership between Banque PSA Finance and Santander Consumer Finance in France and the UK, resulting in a sharp reduction in Banque PSA Finance's financing needs and associated financial securities. On that same date, BPF repaid and cancelled the syndicated loan in the amount of €4.1 billion granted on 11 January 2013, the revolving credit facility in the amount of €1.2 billion granted on 11 January 2013 and the syndicated loan in the amount of €2 billion granted on 13 December 2011.

The new syndicated loan agreement revised the previous covenants by notably eliminating the requirement to retain the option of a guarantee from the French government for future bond issues.

In March 2013 Banque PSA Finance entered the online mass market savings business under the brand PSA Banque by creating the "Distingo" savings account.

On 24 March 2014, PSA Banque developed its "Distingo" product range in France, with the launch of a fixed-rate two-year term account "Distingo Fixe".

It also continued to develop this business outside France by launching:

- a savings account under the PSA BANK brand in Belgium in September 2014;
- a savings account and a term account under the PSA DIREKTBANK brand in Germany in October 2014.

This new business line generated assets of €2,074 million as at 31 December 2014 and so significantly helped BPF to diversify its sources of refinancing.

As of 31 December 2014, 27% of the financing came from drawn bank loans, 27% from capital markets, 28% from securitization operations on the markets, 8% from "other" financing (including 7% of public origin such as the ECB), and 10% from the bank deposit business started in March 2013. At 31 December 2013, these sources provided 22%, 38%, 25%, 10% (of public origin) and 5% of our financing, respectively. The renewal of bank facilities, the new deposit business, securitisation issues, collateralisation and the issuance of bonds backed by a French state guarantee ensure BPF's funding for at least the 12 coming months and until the closing of transactions with Santander Consumer Finance.

For the year ended 31 December 2014, Banque PSA Finance's net banking revenue was €309 million for the business activities to be retained by Banque PSA Finance (€851 million for all business activities), compared with €333 million for the business activities to be retained by Banque PSA Finance (€891 million for all business activities) for the year ended 31 December 2013. Loans outstanding to be retained by Banque PSA Finance as at 31 December 2014 amounted to €4,039 million and total outstanding loans amounted to €21,021 million, down by 1.4% from €21,312 million of total outstanding loans as at the end of December 2013.

For more detailed information on Banque PSA Finance financial performance please refer to Section 4.1.1.3 below.

### 1.4.1.3.1. FINANCIAL SERVICES TO THE FINAL CUSTOMER

Financial services to the final customer, which includes financing for Corporates Excluding Dealers and Equivalent and non-corporate Retail financing, represented 72% of Banque PSA Finance's total loans outstanding (loans outstanding of this type to be retained by Banque PSA Finance or €3,612 million represent 89% of total loans outstanding) or €15,130 million as at 31 December 2014 versus €15,762 million as at 31 December 2013.

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, Banque PSA Finance offers diversified financing products and services, as well as bundled offers, that together with the three brands provide a comprehensive range of mobility solutions.

The bank's penetration rate among buyers of new Peugeots, Citroëns and DSs reached 28.7% in 2014 vs. 29.1% in 2013.

### 1.4.1.3.2. WHOLESALE FINANCING

Banque PSA Finance provides financing for new and demonstration vehicles and spare parts for the three brands' dealer networks.

Wholesale financing represented 28% of Banque PSA Finance's total loans outstanding (outstanding of this type to be retained by Banque PSA Finance or €427 million represent 11% of total outstanding loans) or €5,891 million as at 31 December 2014.

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.

#### 1.4.1.3.3. 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 co-ordinated with Peugeot, Citroën and DS (extended warranties, maintenance contracts, roadside assistance, etc.).

Due to its growth in these business lines, in 2009 BPF created PSA Insurance to bring together the skills and knowledge necessary to develop and properly manage this particular strategic business for BPF and the Peugeot, Citroën and DS brands. Through all the BPF subsidiaries and branches, 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.

In 2014, despite poor market conditions, BPF sold 1,400,088 insurance policies and/or services, or on average 1.95 contracts per customer financed, which marked a sharp 13.2 point increase in penetration over 2013. The contribution of this business to BPF's recurring operating income was €142 million (€117 million for business activities to be contributed in partnership).

2014 was the fifth year running of sales growth for this strategic business.

#### 1.4.1.3.4. GEOGRAPHIC DISTRIBUTION OF BANQUE PSA FINANCE CUSTOMERS

Banque PSA Finance's leading markets are in:

- France;
- Western Europe: Germany, Austria, Belgium, Luxembourg, Spain, Italy, Netherlands, Portugal, United Kingdom and Switzerland;
- Russia;
- Latin America: Argentina, Brazil, Mexico;
- Central Europe: Hungary, Poland, Czech Republic, Slovakia, Slovenia, Croatia;
- Turkey;
- and China.

BPF's remaining French subsidiaries accounted for 1.7% of total loans outstanding, the rest of Europe 70.8% (including 62.9% for Western Europe and 7.9% for Central and Eastern Europe) and the rest of the world (including Latin America) 27.5% as at 31 December 2014.

BPF's French subsidiaries accounted for 38.4% of total loans outstanding, the rest of Europe 56.3% (including 53.8% for Western Europe and 2.5% for Central and Eastern Europe) and the rest of the world (including Latin America) 5.3% as at 31 December 2014.

## 1.4.2. THE GROUP'S STRATEGIC TRENDS

### 1.4.2.1. THE "BACK IN THE RACE" PLAN TO STEP UP THE GROUP'S RECONSTRUCTION

The 2014-2018 "Back in the Race" roadmap designed to ensure the Group's reconstruction, which includes three metrics, was presented on 14 April 2014:

- recurring positive Group operating free cash flow by 2016 at the latest;
- €2 billion in total Group operating free cash flow over the 2016-2018 period;
- a 2% operating margin in the Automotive Division by 2018, with a target of 5% during the next medium-term plan covering the period 2019-2023.

#### "BACK IN THE RACE" IS BUILT AROUND FOUR OPERATIONAL OBJECTIVES:

1. **DS, Peugeot and Citroën, three distinct and complementary brands**
   - The development of DS as a fully-fledged premium brand has been stepped up.
   - At the same time, the Group is continuing to reposition the three brands, while clarifying their line-ups to ensure their complementarity, and improving their price positioning.
2. **A focused, targeted global product plan more aligned with market demand**
   - The Group's line-ups are gradually being rationalised and will be streamlined to 26 models by 2022. By focusing on a more compact range, PSA Peugeot Citroën will be able to improve market coverage and improve margins by targeting the most profitable segments.
   - In addition, this helps to optimise the use of platforms and programmes around the world and allocates R&D spending and capex more efficiently.
3. **A drive for profitable international growth accordance with the fundamentals of the automobile business**
   - The Group is continuing to accelerate its expansion in China, with the objective to 1.5 million vehicles par annum by the early 2020s, with the brands Peugeot, Citröen and the brand manufacturing by joint venture (Fengshen), and successfully completing the development of the DS brand.
   - The partnership signed with Dongfeng is also helping to drive faster growth in the ASEAN region.
   - At the same time, the Group is transforming the business model in Latin America and Russia, with the objective of returning to profit in the two regions by 2017.
   - Lastly, PSA Peugeot Citroën is seeking expansion opportunities in new growth countries, for example in Africa and the Mediterranean basin.
   - To do this, a new global organisation, structured around six major regions, has been established: Eurasia, Europe, Middle East/Africa, Latin America, China and ASEAN, Asia-Pacific.
4. **Modernising to improve competitiveness**
   - To address its competitiveness challenges, PSA Peugeot Citroën is stepping up the modernisation of its plants and bringing them in line with global benchmark production facilities, while continuing to reduce costs and inventory.

2014 marked the first phase of the Group's reconstruction plan. For further information on the results and the main focuses of the "Back in the Race" plan, please refer to section 4.6 below.

#### 1.4.2.2. A STRENGTHENING OF THE INDUSTRIAL AND COMMERCIAL PARTNERSHIP WITH DONGFENG MOTOR GROUP

On 19 February 2014, PSA Peugeot Citroën announced the strengthening of the industrial and commercial partnership with Dongfeng Motor Group (DFG). This strategic partnership covers three aspects:

- a joint commitment to propel (Dongfeng Peugeot Citroën Automobile) DPCA into a new phase of growth, with the objective of tripling its volumes to 1.5 million vehicles *per annum* by the early 2020s, thanks to a reinforced product plan;
- the creation of a joint R&D centre, dedicated to the development of products and technologies for fast growing countries, including China;
- the creation of a new joint venture to drive the sales of PSA Peugeot Citroën and DFG vehicles in the rest of Asia and possibly in other emerging markets. This is aimed at capturing the strong growth opportunities in the ASEAN economies and leveraging the similarities between the model line-ups marketed there and in China.

This reinforced partnership represents, under its current form, synergies estimated at around €400 million per year for PSA Peugeot Citroën by 2020 and could later be extended to other areas of collaboration.

The final agreements between PSA Peugeot Citroën and Dongfeng Motor Group were signed on 26 March 2014.

#### 1.4.2.3. STRATEGIC PARTNERSHIP BETWEEN BANQUE PSA FINANCE AND SANTANDER CONSUMER FINANCE

Following their entry into exclusive negotiations on 19 February 2014, Banque PSA Finance and Santander Consumer Finance (Santander CF) announced on 10 July the signing of a framework agreement on the establishment of a partnership covering 11 European countries, which boosts the competitiveness of the Peugeot, Citroën and DS brands. The start of the operations of the first two joint ventures in France and the United Kingdom was announced on 2 February 2015. The launch of operations in the other nine countries is expected to be finalised in 2015 and early 2016.

For more information on the partnership, please refer to Section 1.4.1.3 above, in the part relating to Banque PSA Finance.

# 1.5. RISK FACTORS

The PSA Peugeot Citroën Group pays close attention to ensuring that effective control is maintained over the risks associated with its various businesses. This chapter describes the main identified risks and the procedures for limiting both their occurrence and their impact. It also presents the Group's insurance programmes.

The various operating units identify and assess risks and evaluate the related internal controls on an on-going basis, in France and abroad, within the main units of the Automotive Division and the non-Automotive subsidiaries (except Faurecia which has its own system).

As part of the approach, risk maps are drawn up by each operating unit and at Group level, in order to assess how well the major risks ("Top Risks") are managed and draw up Action Plans to address any weaknesses.

An annual reporting system has been set up to keep the Executive Committee informed about the Top Risks and associated Action Plans.

For more detailed information on risk management, please refer to Section 3.2 (paragraph 3.2.2), page 133 of this Registration Document.

## 1.5.1. OPERATIONAL RISKS

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

### RISK FACTORS

In 2014, despite its international expansion strategy, the Group was still heavily dependent on the European market with its saturated fleets and reduced space allocated to vehicles in urban areas, all within the context of an uncertain economic environment.

Furthermore, the Group's activities particularly in the 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.

Lastly, strong volume growth in China led to an increased exposure to the Chinese market, whose potential slowdown could quickly trigger a situation of overcapacity given the high rate of investments from manufacturers and the resulting pressure on prices and margins.

### RISK MANAGEMENT AND CONTROL PROCESSES

The Group's efforts to mitigate these risks revolve around three areas: strategy, organisation and operations.

#### STRATEGY

The Group's globalisation strategy is the main lever for dealing with any negative consequences that could arise in a particular geographic area as a result of a recession or serious geopolitical events.

This strategy has been complemented by the creation of the DS premium brand, strengthening the positioning, differentiation and upscaling of all three Group brands.

### ORGANISATION

To promote rapid, hands-on decision making, an organisation structured around six regions has been in place since 1 September 2014 (Latin America, China-Southeast Asia, Eurasia including Russia, Europe, India-Pacific, and Middle East-Africa including Iran).

Each region is headed by a Chief Operating Officer (COO) reporting to the Chairman of the Managing Board, who ensures the profitable growth of the Group's operations in the region. The COO is also responsible for economic profit and the management of Group resources in the region, including manufacturing and sales companies.

The reorganisation of the Group is therefore a key factor for its responsiveness to market developments with respect to operational management of cost factors.

The Regions most exposed to currency risk set up dedicated procedures based on specific indicators to ensure maximum responsiveness (crisis management process, adapted governance).

### OPERATIONS

The "Back in the Race" plan has focused on lowering the breakeven point in the European market, specifically through the optimisation of the European production base and proactive efforts by divisions to convert fixed costs into variable costs.

This plan also applies to other regions by taking into account specific local risks: objectives focusing on local integration in Latin America and Russia, USD/ARS exchange risk hedging for purchase cash flows in Argentina, tightening of the import flow decision criteria for vehicles assembled for the Brazilian and Argentinian markets.

In China, the strengthening of the partnership with Dongfeng Motors through DPCA will provide the Group with a more effective engineering base for the development of cost-efficient products and an export structure for the rest of Asia that will reduce its dependence on the Chinese domestic market. Moreover, the premium positioning strategy of the DS brand (manufactured by CAPSA, the second joint venture in China) enables the Group to diversify its customer categories.

In 2014, the departments of Purchasing and Finance strengthened the natural hedging processes in all the regions where the Group's cash flows are material.

## 1.5.1.2. 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 mechanical sub-assemblies is exposed to continuous changes in regulations which impose increasingly stringent requirements, particularly in terms of emissions (Euro 6.2, Innovar in Brazil, Beijing 6 in China).

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

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

The emergence of new distribution channels *via* the Internet risks a partial loss of the relationship between the dealer network and end customers. Moreover it is highly likely that in the future the car will become a mere instrument for embedded technology or a service.

### RISK MANAGEMENT AND CONTROL PROCESSES

The objective of the Automotive Programmes Department is 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 now has 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 improved, thanks to project experience feedback conducted in cooperation with our partner carmakers. For each vehicle project, a set of product services, profitability, quality, time-to-market and $CO_2$ reduction 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.

The creation of a "Vehicles and Connected Services" business unit in early 2014 assembling all the resources dedicated to digital solutions should enable the Group to participate in the mobility and future networked services value chain.

## 1.5.1.3. CUSTOMER AND DEALER RISK

### RISK FACTORS

The 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 this risk are presented in Note 13.3 for Banque PSA Finance and Note 6.2 for the manufacturing and sales companies in the notes to the 2014 consolidated financial statements, Section 5.6 below, on pages 234 and 104, 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 1.5.3 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, spare parts or subassemblies); and (ii) the level of approval required for granting special dispensation from the rules set out in the standard. Protection mechanisms have been set up to fully guarantee the payment of amounts owed by foreign importers.

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.

## 1.5.1.4. RAW MATERIALS RISK

### RISK FACTORS

The Group's Automotive Division is exposed to raw materials risks through its direct and indirect purchases of raw materials. In 2014, purchases of raw materials for Europe amounted to nearly €5 billion (or just over 20% of the purchasing budget).

The purchase prices of raw materials are either negotiated between purchasing officers and vendors, as in the case of steel and plastics, or are based directly on quoted market prices for commodities traded on organised markets, such as aluminium, copper, lead or precious metals. The raw materials used, in declining order of their impact, are:

- for materials with negotiated purchase prices: steel (34% of total raw material series purchasing costs), thermoplastics and elastomers (27%);
- for traded commodities: aluminium (8%), precious metals (2%) and non-ferrous metals (copper, zinc, lead) (3%).

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

In response to these two related risks, the Purchasing Department aims to fully leverage a number of measures, in particular: optimising global sourcing, using bulk purchases, increasing flexibility in terms of 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 quarterly reviews chaired by the Director of Research and Development and the Director of Group Purchasing. It is deployed by technical Purchasing units organised by material, which are responsible for implementing the action measures and regularly monitoring the supply risks.

In order to limit the economic risk of traded commodities, the Group set up a hedging management, steering and monitoring process in 2009 *via* the Metal Committee. This body is run by the Finance Department and Purchasing Department: it conducts quarterly reviews to decide on positions according to established governance rules. The Group does not use speculative hedging. The auditing and risk management Department regularly audits this process.

## 1.5.1.5. 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 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.

The Purchasing Department leverages its extensive expertise in production costing and raw materials price management and its in-depth understanding of global markets to efficiently manage competitive bidding processes and supplier relationships.

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 PSA Peugeot Citroën'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.

Since the economic and financial crisis of 2008, which impacted suppliers heavily, the Group has reinforced its early alert system. The financial performance of all suppliers is analysed, which makes it possible to identify any suppliers at risk of insolvency. Their situation is presented on a monthly basis to the Purchasing Management Committee, which approves action plans and can propose the initiation of secured arrangements. This Committee also continues to monitor the commitments made by the Group to confront the crisis affecting the French automotive industry (faster payments to suppliers and compliance with the High Performance and Best Practices Code), is actively involved in the work of the PFA – a platform set up in France in 2009 to foster on-going discussion and exchange between auto industry stakeholders – and has also maintained its participation in the FAA (formerly FMEA, French government's Automotive Parts Suppliers' Modernisation Fund) fund established to support automotive equipment suppliers by promoting friendly mergers between small- and medium-sized businesses, international expansion and innovation.

At the end of 2014, the preventive and curative monitoring of suppliers with a high risk of failure based on social and economic criteria covered 45 companies representing approximately 4% of the purchasing costs.

## 1.5.1.6. INDUSTRIAL RISKS

### RISK FACTORS

A major incident (such as a fire or explosion) at a manufacturing site 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. 32 of the Group's manufacturing plants (representing 80% 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 new technical centres or manufacturing sites.

In the specific area of manufacturing processes, the Industrial Division's risk management system is built on three pillars: the PSA Excellence System, combined with 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".

## 1.5.1.7. ENVIRONMENTAL RISKS

### RISK FACTORS

The 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, CLP 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 of this Registration Document (page 51).

## 1.5.1.8. WORKPLACE HEALTH AND SAFETY RISKS

### RISK FACTORS

The 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 repetitive tasks and physical demands, is the main cause of occupational illnesses.

Moreover, the risks related to workplace and commuting accidents inside and outside of the Group's facilities may cause fatal injuries.

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.

The system requirements specifically 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);
- 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.

## 1.5.1.9. RISKS ASSOCIATED WITH THE COOPERATION AGREEMENTS

### RISK FACTORS

To speed up its development and bring down engineering and production costs, the Group has implemented a policy of entering into cooperation agreements with other carmakers 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 1.4.1.1.5 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 PSA Peugeot Citroën. 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 Peugeot Citroën to undertake remedial action products.

Regarding the reinforcement of the partnership with Dongfeng, please refer to Section 1.5.1.10 below for more information.

### RISK MANAGEMENT AND CONTROL PROCESSES

To reduce its risk in negotiating contracts, the Group has strengthened the control procedures applied to strategic projects *via* stricter rules in terms of contract management. Now fully operational, 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, Corporate Finance and the Programmes 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 8.3 to the 2014 consolidated financial statements, Section 5.6 below, page 205.

## 1.5.1.10. RISKS RELATED TO THE STRATEGIC PARTNERSHIP WITH DONGFENG

### RISK FACTORS

The Group believes that the reinforcement of the partnership with Dongfeng Motor Group Company Limited should generate synergies of approximately €400 million per year for the Company by 2020. However, the amount and timing of the synergies announced are based on a certain number of assumptions, which may not be realised. Thus, these synergies are based on the successful implementation of the subsequent steps of the industrial and commercial plan defined by the Group and Dongfeng Motor Group Company Limited as part of the partnership, and on the attainment of the common goal of both companies to bring the annual vehicle production and sales volume to 1.5 million by 2020 with the three brands: Peugeot, Citroën and the brand manufactured by the joint venture (Fengshen).

The non-achievement of the announced amount of synergies, or the achievement thereof only at a later date than initially estimated may have a major negative impact on the Group's activity, results, financial position, outlook or image.

### RISK MANAGEMENT AND CONTROL PROCESSES

In July 2014, the Group set up an Office of Strategic Partnership which consists of a joint PSA/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.

For more details, please refer to Section 4.4 below.

## 1.5.1.11. INFORMATION SYSTEM RISKS

### RISKS FACTORS

Risks related to the 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;
- 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.

# 1.5.2. FINANCIAL MARKET RISKS

The 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 12.7 to the 2014 consolidated financial statements, on page 221, provides information on risk management, which is primarily carried out by Corporate Finance, as well as identified risks and the Group policies designed to manage them.

## 1.5.2.1. EXPOSURE TO CHANGES IN EXCHANGE RATES

Please refer to Note 8.3 ("Impairment test on CGUs and provisions for onerous contracts of the Automotive Division") and Note 12.7A(4) ("Currency Risk") to the 2014 consolidated financial statements, Section 5.6 below, pages 205 and 221, respectively.

### 1.5.2.2. EXPOSURE TO CHANGES IN INTEREST RATES

Please refer to Note 12.7A (2) ("Interest Rate Risk") to the 2014 consolidated financial statements, Section 5.6 below, page 221.

### 1.5.2.3. COUNTERPARTY AND CREDIT RISKS

Please refer to Note 12.7A (3) to the 2014 consolidated financial statements, Section 5.6 below, page 224.

### 1.5.2.4. LIQUIDITY RISK

Please refer to Notes 8.3 and 12.7A (1) to the 2014 consolidated financial statements, Section 5.6 below, pages 205 and 222.

### 1.5.2.5. CREDIT RATING

| | Rating | Revision date | Previous rating |
|---|---|---|---|
| **Peugeot S.A.** | | | |
| S&P | B+/Positive/B | 30/07/2014 | B+/Stable/B |
| Moody's | Ba3/Stable/NR | 19/02/2015 | B1/Positive/NR |
| Fitch | B+/Positive/BB- | 10/10/2014 | B+/Stable/BB- |
| **Banque PSA Finance** | | | |
| S&P | BB/Positive/B | 01/08/2014 | BB/Stable/B |
| Moody's | Baa3 Under review | 17/03/2015 | Baa3/Negative/p-3 |

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.

Banque PSA Finance's credit rating is linked to that of Peugeot S.A. and its activity levels.

In 2014 Standard & Poor's first downgraded Peugeot S.A.'s long-term rating to B+/stable (short-term rating unchanged at B) and, as a result, that of Banque PSA Finance to BB/stable on 21 February 2014 (short-term rating unchanged at B). Subsequently, the agency reassessed the outlook from stable to positive for both companies on 30 July 2014. The agency confirmed this rating for Banque PSA Finance on 9 March 2015.

In 2014, the Moody's Investors Service maintained its ratings (B1 for Peugeot S.A. and Ba1 for Banque PSA Finance), but revised the outlook from negative to stable for both companies on 25 February 2014 and from stable to positive for Peugeot S.A. on 1 August 2014.

In February 2015, the agency gave Peugeot S.A. a rating of Ba3/stable. The agency is currently reviewing its method in rating banks. Banque PSA Finance's credit rating was already re-evaluated at Baa3 in March 2015; however, it remains under review for upgrade until all its ratings are updated by Moody's.

Fitch raised Peugeot S.A.'s outlook from stable to positive on 20 November 2014.

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

## 1.5.3. RISKS RELATED TO BANQUE PSA FINANCE (BPF)

BPF's risk management process essentially relies on delegations of powers governing commitment levels and the management of refinancing decisions at corporate level. The process is steered by the Risk Management function, which reports to the Audit Committee and the Asset-Liability Management Committee (ALCO – the Refinancing Committee). The Risk Management function runs BPF's Risk Management Committee.

Banque PSA Finance underwent the Asset Quality Review (AQR) carried out by the European Central Bank as part of the roll out of the Supervisory Mechanism (SSM).

Banque PSA Finance scored very well on the AQR, reflecting the relevance and the stability of its business model: more than 50% of Banque PSA Finance's assets, mainly in France and southern Europe, were assessed. The AQR's potential impact is immaterial: -7bps impact on the Common Equity Tier 1 ratio or 0.1% on the outstanding loans.

BPF has identified 14 risks *(see its Annual Report)*, including six major ones which are presented below.

## 1.5.3.1. 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 Peugeot Citroën brands;
- BPF's competitive positioning;
- country risk, with management seeking to secure financing locally as far as possible.

## 1.5.3.2. 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 developed and controlled by BPF experts are used to evaluate risk: grading models *(Corporate)* or credit scoring systems *(Retail)*, both of which are centrally managed and controlled (with the exception of partner subsidiaries). Corporate and local analysts review the relevance of the risk measurement tools.

In the Retail sector, loan approvals are either granted automatically or require further analysis. The models use external data or internal information such as the customer's payment history (in the event of a renewal). For the Retail portfolio, Basel (IRBA-Internal Rating Based Advanced) credit risk models are used for eight countries that received the ACPR's approval for such method at the end of 2014.

For the Corporate business, two rating models exist: one for France and one for countries outside France. The IRBF approach has been approved for Corporate Dealers activities in eight countries and Corporate Excluding Dealers activities in one country. These models are used for granting loans and monitoring the portfolio.

Retail loans outstanding are deemed impaired for accounting purposes at rates based on a model that estimates future amounts recovered. Doubtful Corporate loans outstanding are impaired on a case-by-case basis. (See Note 34 of the BPF's annual report).

In keeping with best practices, the AQR asked Banque PSA Finance to develop a model for the impairment of sound corporate loans outstanding, showing the risk factors. This model is now being developed. Banque PSA Finance has nonetheless recognised a collective impairment loss of €14.6 million on the statements for the period ending 31 December 2014, based on an early estimation of the results of this model.

Risk management is based on products validated by the Head Office and includes the verification of the amount financed, a rigorous approval process, and verification of supporting documents (including guarantees) prior to the approval of the loan. There is also an enhanced system in place for Corporate portfolios which includes: pre-determined lines of credit, requirement for guarantees, daily monitoring of payment issues, a graduated alert system, inventory audits.

Retail risks are monitored on the basis of changes in the quality of loan applications and loan provision, payment history indicators, Basel risk measurement indicators for current loan agreements.

## 1.5.3.3. 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

The measurement is based on the *intraday* liquidity risk and the loan maturity gap, as internal rules require full matching (of assets and liabilities over the relevant maturities). These risk measurements are stress tested.

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 partnerships with Santander Consumer Finance, financing will no longer be Banque PSA Finance's sole responsibility.

Please refer to Note 13.5 (1) to the 2014 consolidated financial statements, Section 5.6 below, page 239.

## 1.5.3.4. 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.

## 1.5.3.5. CONCENTRATION RISK

### RISK FACTORS

Concentration risk is related to a high concentration of assets and liabilities in certain categories or certain industries. Banque BPF Finance 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 Peugeot Citroën's rating when determining the level of its commitments to the latter.

As at 31 December 2014, BPF's ten largest credit commitments, excluding those to PSA Peugeot Citroën, represented €1,954 million or 80.2% of regulatory capital and break down as follows:

- banks: €1,130 million, or 46.4% of regulatory capital;
- Corporate Dealers (excluding PSA Peugeot Citroën ): €518 million, or 21.3% of regulatory capital;
- Corporate Excluding Dealers and Equivalent (excluding PSA Peugeot Citroën ): €306 million, or 12.6% of regulatory capital.

## 1.5.3.6. OPERATIONAL RISK

### DEFINITION 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 exposed to any one of the incidents listed in the Basel operational risk categories: internal and external fraud, employment and workplace safety practices, customers, commercial products and practices, losses on tangible assets, malfunctions of operations and systems, and the execution, delivery and management of processes. BPF is exposed to any one of the incidents listed in the Basel operational risk categories. 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. The risk map covering BPF's activities identifies operational risks and assigns a priority rating of one to four to each risk.

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).

# 1.5.4. LEGAL AND CONTRACTUAL RISKS

The PSA Peugeot Citroën 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.

## 1.5.4.1. LEGAL AND ARBITRATION PROCEEDINGS

As at 31 December 2014, no Group company was involved in any claims or litigation that had a material impact on the consolidated financial statements.

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

Concerning provisions for claims and litigation, please refer to Note 10.3 to the 2014 consolidated financial statements, Section 5.6 below, page 209.

## 1.5.4.2. LEGAL RISKS ASSOCIATED WITH ANTI-COMPETITION LITIGATION

### RISK FACTORS

Like all economic operators, the 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 an investigation 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. This programme continued in 2014 and was extended within the Group.

### 1.5.4.3. 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 sector products so as to prevent risks related to regulatory changes.

### 1.5.4.4. 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 2014, these covenants were complied with.

None of the other manufacturing and sales companies' borrowings are subject to any ratings triggers. However, in certain cases the loan agreements contain guarantee clauses that are standard in the automotive industry. They include the following clauses:

- *"negative pledge"* whereby the borrower undertakes not to grant any collateral to any third parties. These clauses nevertheless carry certain exceptions;
- *"material adverse change"*, which applies in the event of a major negative change in economic conditions;
- *pari passu*, requiring the lender to be treated at least as favourably as the borrower's other creditors;
- cross-default, whereby if one loan goes into default, other loans from the same lender automatically become repayable immediately;
- where the borrower undertakes to provide regular information to the lenders;
- where the borrower undertakes to comply with the applicable legislation;
- where no change in control of the Company is authorised.

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.

The OCEANE convertible bonds presented in Note 12.6 to the 2014 consolidated financial statements, Section 5.6 below, are subject to standard clauses, such as the requirement to maintain a listing for Peugeot S.A. or Faurecia shares.

The €1,200 million syndicated line of credit arranged on 15 December 2014 by Faurecia contains only one covenant related to a consolidated financial ratio of the Faurecia Group. As at 31 December 2014, this ratio set out in Note 12.4 to the 2014 consolidated financial statements (Section 5.6 below) was complied with.

Many of BPF's agreements in effect as at 31 December 2014 contain acceleration clauses, requiring it to:

(i) maintain bank status and as such to comply with the statutory ratios for all French banks;

(ii) report a Common Equity Tier 1 ratio of at least 11%; and

(iii) retain the option of a government guarantee for bond issues. To be reviewed right before signing off on the DDR. Subject to change.

As at 31 December 2014, all these clauses were complied with.

### 1.5.4.5. 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 length-of-service awards paid 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 income statement.

In addition, the value of the Group's defined-benefit pension obligation can be affected by changes in the underlying assumptions used for the calculations, such as 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.).

In order to effectively control the Group's overall pension liabilities, independent actuaries perform valuations every year in each country concerned, and the assumptions used are regularly reviewed so as to best reflect reality. The Group's pension funds (allocation of financial assets, underlying strength of the models used, returns, etc.) are monitored by Corporate Finance. Lastly, the Group anticipates changes in the applicable accounting standards so that it can identify and effectively deal with their impacts.

For more details, please refer to Note 7 to the 2014 consolidated financial statements, Section 5.6 below, page 196.

### 1.5.4.6. 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 2014 PSA Peugeot Citroën, for the seventh year in a row, finished first in French patent filings, with 1,378 patents published in 2013 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 4.5.2.2.1 below of this Registration Document, page 161.

### 1.5.4.7. OFF-BALANCE SHEET COMMITMENTS

The main off-balance sheet commitments concern guarantees, bonds and endorsements issued by the Group in the normal course of business, as well as commitments undertaken as part of cooperation agreements.

For more details, please refer to Note 17 to the 2014 consolidated financial statements, Section 5.6 below, page 253.

## 1.5.5. 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 €0.5 million per claim;
- the vehicle transportation and storage insurance programme, under an insurance policy of €36 million, with a maximum excess of €0.3 million per claim;
- the fraud programme, under three policies providing cover of €63 million, with a maximum excess of €0.5 million 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 (€0.75 million 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 euros per claim and €3 million per year).

Allied to its pro-active approach to risk prevention the Group's insurance policy can be summed up as transferring certain high-level risks to the insurance market and retaining low- and average-level risks through deductibles and the captive reinsurance company.

# 2

# CORPORATE RESPONSIBILITY: SUSTAINABLE DEVELOPMENT INITIATIVES

The environmental, corporate and social information contained in this section is presented in accordance with the statutory requirement for extra-financial reporting that exists in France under the "Grenelle 2" law. It is also consistent with the recommendations of the Global Reporting Initiative (GRI).

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

The detailed reporting scope and cross-reference table with the 42 themes of the "Grenelle 2" law are presented in section 2.7.

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

Faced with the challenges of sustainable development, companies today are rethinking their business models in terms not only of products and services, but also purchasing policy, human resources and societal commitment.

Despite the tough economic climate in many economic sectors across Europe, not least of all the automotive sector, companies engaged in CSR are endeavouring to keep the environmental and social transition on track.

PSA Peugeot Citroën, although engaged in a turnaround plan, confirms that sustainable development remains one of the cornerstones of its 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.

## 2.1.1. THE GROUP'S CSR POLICY G.20

Having joined the UN Global Compact in 2003, the Group's CSR policy addresses its strategic challenges and is based on three pillars, broader in scope than simply the design, manufacturing and marketing of vehicles.

The Group is positioned as:

- a sustainable mobility advisor committed to reducing its environmental impact;
- a full-fledged partner to its host communities;
- the initiator of an innovative, responsible human resources policy.

### PSA PEUGEOT CITROËN, SETTING THE STANDARD IN SUSTAINABLE MOBILITY

A leader in many technologies and the first mainstream carmaker to widen access to them, the Group gears its innovation strategy towards reducing its environmental impacts and tackling the challenges of urban mobility.

### CLEAN TECHNOLOGY AS A LEVER FOR REDUCING EMISSIONS, IMPROVING AIR QUALITY AND RECYCLING MATERIALS

Most of the Group's environmental impacts come from the use of its products. Therefore, the Group makes significant investments each year to reduce the $CO_2$ emissions of the vehicles it sells. The deployment in 2014 of EP Turbo-AT6 III engines and EB Turbo Puretech engines, which are Euro 6.1 compliant, have delivered a 13% and 18% reduction in $CO_2$ emissions respectively. Improvements in engine efficiency, combined with programmes to make vehicles lighter and more aerodynamic, enabled the Group to shrink average emissions per vehicle to 110.3 g/km of $CO_2$ in Europe in 2014. In view of these achievements, the Group is ranked foremost among European car manufacturers based on this measure.

The Group is also continuing its efforts to reduce fuel consumption: in 2013 it unveiled Hybrid Air technology, a front-wheel drive prototype with petrol and compressed air engine, a step towards achieving the goal of a 2 L/100 km (141 mpg) car. In 2014, PSA Peugeot Citroën announced the development of a powertrain combining plug-in hybrid technology (PHEV – plug-in hybrid electrical vehicle) with a petrol engine. The Group has distilled its expertise to create new plug-in hybrid petrol technology, which in future will be available worldwide across its fleet. Specifically, it will offer a zero-emission vehicle (ZEV) range of 50 km in urban areas, $CO^2$ emissions of less than 50 g/km and fuel economy of 2 L/100 km (141 mpg). Alongside the Puretech and Blue HDi technologies in Europe, this innovation will allow the Group to maintain its leadership in reducing emissions by 2020.

PSA Peugeot Citroën is continuing to break new ground in terms of improving air quality, an issue it is particularly focused on. Inventor of the particulate filter, which it has fitted as standard to its diesel vehicles since 2000, ten years before this became a legal requirement, since 2013 it has sold diesel vehicles equipped with the Blue HDi exhaust line (selective catalytic reduction, or SCR), eliminating up to 90% of nitrous oxide emissions.

As towns and cities gradually acquire the necessary infrastructure, the electric vehicle will represent an increasingly viable alternative, particularly in urban areas. It will be instrumental in facilitating carsharing and solving the last-mile logistics challenge.

The Group knows it must also optimise its use of natural resources and minimise the environmental impact of its products, from design through to end-of-life. Life cycle analysis is used to evaluate and validate the choice of technologies and materials used for each new vehicle project, in line with the Group's eco-design policy. R&D teams are increasingly incorporating green materials such as recycled plastics, steel and aluminium, natural materials (wood, plant fibres, etc.) and bio-sourced materials (polymers from renewable resources rather than from the petrochemical industry) into vehicle design.

### THE "EXCELLENT PLANT" CONCEPT: REDUCING THE ENVIRONMENTAL IMPACTS OF INDUSTRIAL PROCESSES

With its "Excellent Plant" vision, the Group has pooled its industrial expertise in a bid to reduce its environmental impacts by adopting best practice for all industrial operations (e.g. surface compaction and cutting back on its water consumption).

### THE CONNECTED CAR: THE EXTENSION OF SMART DEVICES TODAY TOWARDS MORE COMFORT, SIMPLICITY AND SECURITY TOMORROW

With 5 billion mobile phone subscribers, 2.5 billion internet users and 1 billion smartphones sold worldwide in 2013, it was about time the Car had its own digital revolution.

PSA Peugeot Citroën was quick to position itself in the service economy, anticipating the future expectations of its customers and changes in society: Mu by Peugeot (on-demand vehicle rental) and Share your Fleet (a fleet carsharing solution) are just two of the services already available in several European countries.

A pioneer in emergency and assistance calls, available in more than 1.5 million vehicles since 2003, PSA Peugeot Citroën is developing its connected services. Launched in 2012, the Peugeot Connect Apps and Citroën Multicity Connect platforms offer the driver a fresh new in-car experience: assistance combined with information and communications. These applications pave the way for a new generation of connected services dedicated to optimising customer mobility by offering improved comfort, safety and services in a joined-up approach.

The aim of PSA Peugeot Citroën is to develop innovative services that meet the new expectations of its customers in terms of mobility. The Group's ambition is to offer a new driving experience by connecting users with each other, rather than just the vehicles.

## PSA PEUGEOT CITROËN, A FULLY-FLEDGED PARTNER TO ITS HOST COMMUNITIES

### INTERACTING WITH CIVIL SOCIETY

In recent years, the Group has focused its community commitment on mobility as a means of fostering social ties and helping to get people back into mainstream society. Created in 2011, the PSA Foundation, "A World on the Move", supports initiatives that integrate people through mobility and access to education. The Foundation has already given material, financial and human support to over 330 projects, 20% of them abroad.

### SUPPLIER RELATIONS: A RESPONSIBLE PARTNERSHIP

The Group is also pursuing its local integration strategy, choosing suppliers that operate as close as possible to its production facilities. By increasing the percentage of local purchases, the Group is demonstrating that its operations support the economic development of its host regions and countries. The Group leverages its relations with suppliers with the goal of becoming more competitive in terms of cost-effectiveness, quality, innovation and the creation of shared value.

The Group seeks to build a special relationship with each of its major suppliers, in an effort to pool expertise and foster a long-term partnership. The Group also invests in the French automotive industry.

For PSA Peugeot Citroën, a prerequisite for strong and sustainable supplier relations is compliance with its "Corporate social responsibility criteria extended to suppliers", which are contractually linked to the Group's sustainable development commitments.

## PSA PEUGEOT CITROËN: DEPLOYING A RESPONSIBLE HUMAN RESOURCES POLICY

### DEVELOPMENT THROUGH INTERNATIONAL DIALOGUE

By joining the Global Compact, the Group pledged to respect and promote its principles, inspired by the Universal Declaration of Human Rights. This public commitment forms the basis for the Group's Global Framework Agreement on Social Responsibility. The agreement was signed in 2006 by more than 90 labour unions around the world and has been applied by all Group subsidiaries in every host country. It was renewed in 2010 to include a new objective related to environmental protection.

### PERSONALISED CAREER DEVELOPMENT SUPPORT

Galvanised by its commitment to sustainable development and to follow through on the changes it must make, the Group supports each of its employees with any career concerns they might have. Its skills forum anticipates future skills requirements and offers employee mobility opportunities for those wishing to broaden their horizons and work in "sensitive" business areas, through intensive training or retraining.

Dialogue between staff and management is particularly effective in what can be a difficult situation. On 24 October 2013, the Group signed a "New Social Contract" with employee representatives. The aim is to work together to rebuild the Company by 2016, keeping the Group's industrial and technological bases in France and protecting the essential interests of employees.

To support its talented employees and help them develop their skills, the Group relies on PSA Peugeot Citroën University, opened in April 2010 to play an ever-greater role in driving the Group's transformation. The university's mission is to broadcast around the world knowledge and management practices that comply with the Group's values and strategic objectives.

The Group also celebrates the diversity of its people and their cultures and makes equality and respect for differences one of the founding principles of its HR policy. The deployment of the Worldwide Diversity Commitment has provided the Group with a reference framework. It contains seven founding principles designed to enable teams to take into consideration gender balance, equality and diversity issues and the challenges they represent.

## A COMMITMENT TO HEALTH AND SAFETY

The Group believes that the only acceptable goal is an accident-free workplace, and that it cannot develop its business without first ensuring employee safety. The Group focuses its efforts in this area on five key priorities: the prevention of musculoskeletal disorders, the elimination of chemical-related, psychosocial and road safety risks, and the detection of situations that put employees at risk.

Today, the results of this workplace health and safety policy validate the sustainability of this strong and long-lasting commitment.

## BEHAVIOUR GOVERNED BY THE GROUP'S ETHICAL STANDARDS

In line with its history and corporate culture, built on respect and responsibility, the Group requires all its employees to apply its Code of Ethics in their work. The Code of Ethics defines the conduct necessary to prevent or tackle corruption, fraud and other offences. It applies in all countries where the Group operates.

The Group embraces its responsibilities by acting fairly and as a responsible citizen, wherever it may be.

# 2.1.2. RELATIONS WITH STAKEHOLDERS G.36

PSA Peugeot Citroën – a major player in the local economies where it operates – has maintained solid relations with all of its stakeholders for many years. The experience gained through these relations allows us to better identify company, environmental or economic challenges and risks. Continuously monitoring the changing expectations, needs and limitations of society allows for better mutual understanding. The advantages of this system are that it makes it easier to prevent risks and conflicts and to adapt the Group's strategic objectives to global sociological, technological and institutional changes.

RELATIONS WITH STAKEHOLDERS CAN HAVE THREE LEVELS: INFORMATION, DIALOGUE AND PARTNERSHIP

| Stakeholder | Key themes | Information – communication | Dialogue – consultation and frequency of dialogue | Agreements – partnerships |
|---|---|---|---|---|
| Employees | Strategy, results, corporate news | Daily internal communication through newsletters, websites, events, etc.<br>Annual awareness campaigns on sustainable development (sustainable development week), diversity, disability, eco-driving, driver safety, etc. | › Daily dialogue with management, platforms and discussion among employees within Basic Work Units<br>› Suggestion boxes<br>› Periodic satisfaction surveys | Training |
| Employee representatives | Strategy, results, corporate news<br>Workforce and skills planning<br>Workplace health and safety | Information linked with the social agenda | Dialogue through employee representatives according to the social agenda and within the various forums, including:<br>› the European Works Council expanded to a Global Council (at least once a year);<br>› the Joint Union-Management Strategy Committee (at least once a year);<br>› specific ad-hoc sessions on site. | › Global Framework Agreement on Social Responsibility – Collective bargaining agreements and employee relations agreements with labour unions<br>› New Social Contract in 2013<br>› Agreement on the jobs and skills matching system signed in 2014 |
| Customers and consumer associations, road users | Quality of products and services, environmental performance of vehicles, road safety, sustainable mobility | › Brand websites<br>› Responsible communication charter<br>› Information on road safety features when a vehicle is delivered | › Dealership network and customer services during the year<br>› Consultation with consumer panels during the year<br>› Daily consumer relations teams<br>› Blog and Group accounts on social networks<br>› Citroën Dealer review website (Citroën Advisor) | Sale or repair agreements |
| Dealership networks | › Economic performance and strategy<br>› Quality of the products and services and customer satisfaction<br>› Environmental performance of vehicles and facilities<br>› Sustainable mobility | › Information accessible to all<br>› Sales force training | › Analysis of periodic customer satisfaction surveys<br>› Monitoring economic performance and outlook | › Analysis of all types of risk (including ethical) before a dealership contract is signed<br>› Inclusion of sustainable development clauses in dealership and/or repair contracts |
| Shareholders and other investors | Economic performance and CSR, impact on results and prospects | › Letter to shareholders<br>› CSR report and Registration Document, published annually<br>› Corporate website<br>› Annual and interim financial results | › Consultation Committee<br>› Annual Shareholders' Meeting<br>› Investor meetings<br>› Group roadshows | |

| Stakeholder | Key themes | Information – communication | Dialogue – consultation and frequency of dialogue | Agreements – partnerships |
|---|---|---|---|---|
| Financial and SRI rating agencies Corporate Social Responsibility experts and dedicated entities | Economic performance and CSR, impact on results and prospects | Annual CSR report | › Responses to recurring questionnaires and periodic requests<br>› Discussion sessions | |
| Suppliers | CSR performance of the supply chain, innovation, economic performance and support of Group strategy | › Monthly information meetings<br>› Innovation days<br>› Annual supplier awards | › Suppliers' Convention (CEO + 300 largest suppliers) and products/projects meeting<br>› Presence of regional PSA Peugeot Citroën delegates in France with the automotive sector<br>› Supplier relations teams<br>› Evaluation questionnaires | › "Corporate social responsibility criteria for suppliers"<br>› Sustainable development clauses in contracts and general terms and conditions of sale<br>› Involvement in France's PFA – a platform set up to foster ongoing discussion and exchange among auto industry stakeholders – and in regional industry associations |
| Partners in cooperation projects and joint ventures | Group products and industrial projects | | | Joint development and production of vehicle components and bases, notably for electric vehicles, hybrid components and Euro 6-compliant engines |
| Government and industry bodies | Current or future regulations affecting the Group | | › Regular contact with European and international institutions, as well as with French authorities<br>› Local contact with consulates<br>› Member of French, European and global trade associations for vehicle manufacturers (such as the CCFA for France and ACEA or EUCAR for Europe)<br>› Member of national trade associations in all host counties | |
| NGOs and associations | CSR issues including sustainable mobility, circular economy, road safety, etc. | › Annual publication of the CSR report<br>› Blog and Group accounts on social networks | › Responses to requests<br>› Meetings with NGOs, regular formal dialogue either directly or through institutions to which the Group belongs (EPE, C3D, etc.)<br>› Joint publications | Participation in the local community (infrastructure, support of local associations, etc.)<br>Support from the Foundation for projects and charities |
| Host communities and site neighbours | Economic and social development in the host countries, site environmental issues | Events on road safety, environmental issues, sustainable mobility and other topics | › Discussions with local officials<br>› Open days and site visits | Group commitment to a local integration rate and development of clusters around sites |
| Media on line and off line | Group news | › Press releases<br>› Website and media centre (corporate and brands)<br>› Blog and Group accounts on social networks | › Dedicated press relations teams<br>› Year-round innovation days<br>› Vehicle test drives for the press | |
| Teaching and research, certification agencies | CSR issues such as sustainable mobility, circular economy, road safety, etc. and product innovation | › Forum for France's leading business and engineering schools – Awareness campaigns with local schools and events for France's Industry Week | › Intern and apprenticeship programmes, and laboratory space for doctoral candidates under contract<br>› Work on urban mobility and inclusive mobility within the City on the Move Institute or under CIFRE industrial research agreements | › Agreements to create Open Labs and endowed chairs at universities, engineering schools and business schools, in France and abroad<br>› Partnerships with national education systems in each host country<br>› Site visits, vehicle donations, staff teaching |

The Group also engages in dialogue with other stakeholders as part of the banking activities of Banque PSA Finance, particularly with France's Prudential Supervisory and Resolution Authority and consumer associations.

## STAKEHOLDERS' DIALOGUE FOR 2014

Aware of the issues surrounding its business operations, PSA Peugeot Citroën has for many years maintained a constructive dialogue with all of its stakeholders. The experience it has gained from this active, transparent, ongoing dialogue enables it above all to identify the issues, opportunities and risks for the Group, whether related to employment, the environment or the economy. These regular discussions with PSA Peugeot Citroën stakeholders provide a framework for the Group's CSR ambitions for this dialogue influences the Group's sociological and technological adaptation to the transformation of society.

In 2014, the PSA Peugeot Citroën Stakeholders Dialogue was based on three major themes:

### SOCIAL (EMPLOYMENT) POLICY

Given the crisis that has beset the European automotive industry for the past few years, forcing it to adjust manufacturing capacity, and in order to manage the changes as sustainably as possible, the Group has focused on an ongoing dialogue with its most affected stakeholders (employee organisations, trade unions, local communities, government and automotive industry).

The first objective was to co-sign the assistance programme for employees affected by the Group's restructuring plans. This involved the introduction of professional mobility support measures in 2012 (inside and outside the Company, training/retraining plan, etc.), as well as the continuation and expansion of revitalisation measures at the Rennes and Aulnay sites, in consultation with local government and business partners.

### RESPONSIBLE PURCHASING

In 2014, PSA Peugeot Citroën continued to take part in discussions led by CSR organisations in France (MEDEF, AFEP, EPE, C3D, UDA, CCFA, etc.), and within the automotive industry (PFA in France and ACEA in Europe), particularly with regard to responsible purchasing and supplier assistance.

### SUSTAINABLE MOBILITY

PSA Peugeot Citroën has embarked on several joint initiatives for sustainable mobility, the third pillar of its stakeholder dialogue.

For one, the Group continues to partner leading organisations such as France Nature Environnement (FNE). For another, representatives of several PSA Peugeot Citroën management teams took part in the working group on sustainable mobility organised by the Tuck Foundation. The main purpose of this foundation, a registered charity founded in 1992, is to foster international cooperation in education and research on hydrocarbons, petrochemicals, engine technology and related activities, along with their impact on the environment.

A panel of representatives from civil society was also set up and met several times in 2014 to discuss sustainable mobility issues. Several experts have shared their points of view with a group of PSA Peugeot Citroën employees whose role requires them to develop and market sustainable mobility products and services.

Finally, the Group has involved the Carbon 4 association in its thinking on the prospects for long-term mobility.

These various discussions have enabled PSA Peugeot Citroën to incorporate sustainable mobility issues more fully into its business model.

In parallel, the work carried out in spring 2014 to map the Group's major CSR challenges ("materiality matrix"), coordinated by an expert from the CSR Platform, took into account all contributions from stakeholders consulted over the past three years. An employee representative and member of the Supervisory Board was involved in documenting the challenges during working group meetings.

### FAURECIA

Faurecia has set up and maintains an ongoing dialogue with various stakeholders and interested parties. These include:

- research partners: Faurecia finances several university chairs, establishing one in 2013 with the University of Freiburg (FMF, Germany) and SKZ Würzburg (Germany) for the chemistry of plastics and biomaterials. Faurecia also works closely with the Jules Verne and M2P technological research institutes in France to develop innovative production processes in the field of composites and metals, and to search for start-ups through incubators in France and abroad. In 2013, Faurecia also signed a strategic partnership with Mitsubishi Chemicals for the development of bio-sourced resins;
- suppliers: Faurecia is committed to basing its growth on socially responsible actions and behaviours in all its business lines and in all countries where the Group has facilities. With that in mind, Faurecia strives to establish close, long-term relationships with its suppliers, based on growth and mutual advantage. Faurecia believes that the principles of social, environmental and economic responsibility are essential criteria in awarding contracts to suppliers. Faurecia ensures supplier reliability, not only in terms of product quality, but also in terms of meeting CSR (Corporate Social Responsibility) criteria;
- customers: Faurecia is involved in all stages of developing the equipment required by its customer carmakers, from defining the product specifications to the initial marketing;
- industrial or business partners: in 2014, an equal joint venture was set up with Interval, a leading agricultural cooperative, concerning the Interior Systems business. This led to the creation of Automotive Performance Materials (APM), which develops and produces bio-sourced raw materials to further Faurecia's efforts to find sustainable ways of reducing vehicle weight. The joint venture is a showcase for French industry and agriculture, developing industrial applications using natural fibres such as hemp to create innovative, high-performance products. The aim of APM is to supply the automotive industry through Faurecia and any other player in the plastics industry;
- the financial community: a wide variety of public documents, including regulated information, which can be found on the Group's website www.faurecia.fr, covers the company's business activity, strategy and financial information. In 2014, Faurecia organised over 400 meetings and one-to-one appointments in 15 countries, enabling it to interact directly with almost 1,000 institutional investors and financial analysts. Themed presentations were organised for analysts, investors and portfolio managers.

# 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.

Mindful of its commitment to sustainable development, 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 ORGANIZATION IN THE PRODUCT AND SERVICE DESIGN PHASE G.20

#### AUTOMOTIVE DIVISION (INCLUDING PCA)

Within the Automotive Division, the Research and Development (R&D) Division has a seat on the Executive Committee. It leads the Group's work on technological innovation, with 11,700 employees in Europe, plus R&D teams in China and Latin America, which have almost 2,600 and 850 employees respectively, giving a total of almost 15,000 employees worldwide. The R&D Division is active in three key areas:

- low-carbon vehicles, to meet the challenges of the environment, the depletion of fossil fuels and changing lifestyles;
- design, concept and styling for flawless perceived quality;
- services, working with Peugeot, Citroën and DS Marketing Divisions, 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 R&D Division coordinates and implements the eco-design process, particularly through life cycle analysis and monitoring the use of green or recycled materials: data are collected from engineering divisions 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.

#### BANQUE PSA FINANCE

Within the subsidiary Banque PSA Finance (BPF), two separate teams are responsible for product design: the "Finance Products" marketing team and the "Insurance Products" marketing team. Their respective ranges are designed in close consultation with the marketing teams for the three brands. The result is a single BPF product plan, which integrates the brands' input to support the marketing of low-emission Peugeot, Citroën and DS vehicles through appropriate and innovative financing products and services. Operational marketing teams in the BPF subsidiaries adapt the offerings to local markets with regard to laws, practices, language, etc. and are responsible for overseeing the offerings.

#### FAURECIA

Faurecia entrusts the strategic challenge of innovative and efficient product development to two of its main divisions:

- the Research and Innovation Unit, which covers upstream activities prior to programme acquisitions. This Unit is critical to enabling the Group to provide an appealing and competitive offering to its customers, which it achieves by designing new products and technologies and developing generic products and processes;
- the Programme Engineering Unit, which covers vehicle applications. It is a downstream unit responsible for ensuring that programmes are completed within the set timeframes and in compliance with the required cost and quality levels.

### 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.

#### FAURECIA

R&D accounted for €962 million of total expenditure in 2014 (see Note 5.4 of the notes to the consolidated financial statements), which corresponds to 5.1% of total revenue. Of this, €100 million was spent on innovation over the same period.

The R&D community consists of 6,000 engineers and technicians based at over 30 centres across the globe. A total of 505 patents were filed in 2014.

Technological development and innovation are priorities for Faurecia. Year after year, Faurecia maintains its open policy towards academia, research laboratories and start-ups.

Faurecia has also deployed an ambitious in-house skills management policy. Over three hundred experts are now skilled in the Group's 67 different areas of expertise. Skills sharing, wherever relevant, ensures optimal use of such expertise.

Executive Management's involvement in monitoring innovation plans *via* "Technology Leadership Seminars", "Technology Sessions" and participation in the Experts' Forum, shows that the Company is committed to technology and innovation, believing these to be key drivers of its success.

## 2.2.1.1. COMBATING GLOBAL WARMING AND ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE G.22 G.32

By 2020, the automotive industry will have demonstrated its ability to be more energy efficient and environmentally friendly.

In Europe and Brazil, emissions regulations focus mainly on environmental protection. China's policy is also geared towards the country's energy independence.

At the same time, tax incentives, the trend toward urbanisation in all markets and the spread of policies restricting vehicle access to city centres and introducing low-emission zones are speeding the development of more environmentally responsible technologies.

### 2.2.1.1.1. TECHNOLOGICAL INNOVATION TO COMBAT CLIMATE RISK G.22 G.29 G.32

As an environmental pioneer and European leader in $CO_2$ emissions from passenger cars in 2014, the Group is continuing to develop a range of increasingly fuel-efficient, low-carbon cars that continue to meet the growing mobility needs of the individual (access to employment, education, healthcare, etc.) while meeting regulatory standards. This requires a wide array of technological solutions structured around the following main objectives:

- optimising powertrains for petrol and diesel engines, including more widespread use of Stop & Start systems;
- improving the overall fuel efficiency of its vehicles, in particular by optimising vehicle architecture (aerodynamics and mass) and equipment (tyres, etc.);
- deploying hybrid technologies with different-size engines and battery capacity to meet a wide range of types of use and budgets. Bi-modal and hybrid plug-in technologies will account for a significant portion of the market during the decade between 2020 and 2030, both for passenger cars and light utility vehicles;
- developing electric vehicles for both fleets and individual customers, as towns and cities acquire the necessary infrastructure and battery costs decline.

## AUTOMOTIVE DIVISION

### PETROL AND DIESEL ENGINES

The Group is rolling out advanced, high-tech solutions for engine architecture and fuel intake, injection and emissions-control systems. The main levers for optimising efficiency include:

- downsizing (reducing engine size and the number of cylinders combined with turbocharging), thereby reducing fuel consumption while maintaining performance levels;
- 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.

High-performance technical solutions for internal combustion engines are available on Group vehicles, particularly since the deployment of new-generation petrol engines. The medium and long-term strategy is to reinforce this competitive edge with new engines and gearboxes, in particular for the 2015-2020 period.

#### Reducing diesel engine fuel consumption and exhaust emissions

In a global market where internal combustion engines will still be predominant in 2020, PSA Peugeot Citroën is continuing to develop its HDi technology. At the same time, it is rolling out its e-HDi (Stop & Start) technology. In late 2013, the Group unveiled Blue HDi, a new exhaust stream that drastically reduces nitrogen oxide ($NO_x$) emissions and further improves the level of $CO_2$ emissions (by as much as 4% compared with the previous generation of diesel engines). To bring diesel engine $NO_x$ emissions down to the same level as petrol engines, the Group has pioneered unique technology that meets Euro 6 standards while maintaining the inherent advantages of diesel engines in terms of $CO_2$ emissions and fuel economy.

#### Reducing petrol engine fuel consumption and exhaust emissions

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

In late October 2013, the Group launched the EB Turbo PureTech, a three-cylinder 1.2-litre petrol engine that combines reduced size and weight with unprecedented performance for this level of displacement. The new engine emits 18% less $CO_2$ than the previous generation of four-cylinder, naturally aspirated engines.

This new breed of engine, which ranges in power from 50 to 100 kW, will mean petrol-engine vehicles that emit less than 100 g/km of $CO_2$ in the naturally aspirated version and less than 110 g/km with the turbo engine.

Since 2006, PSA Peugeot Citroën has marketed the EP 1.4 litre and 1.6 litre range of four-cylinder petrol engines, developed jointly with BMW. This has reduced $CO_2$ emissions by 10-15% compared with the previous generation of engines. In January 2014, the two millionth engine left the production line of Française de Mécanique, a Group subsidiary. The engines have been named engine of the year eight times in their category by Engine Technology International.

PSA Peugeot Citroën wants these clean, fuel-efficient, high-performance and high-tech engines to be available as soon as possible in its growth markets outside Europe, where petrol is still the predominant engine type.

These new developments take into account the specific expectations of the major markets:

- flex-fuel versions are available on the Brazilian market;
- the release of these new engines in China will achieve the goal of reducing $CO_2$ emissions for the Group's vehicles on this market.

Lastly, hybrid engines are also being introduced with a Stop & Start petrol offering launched in 2013, in the process of being extended to all petrol engines and followed by a hybrid offering.

### GEAR BOXES

Petrol and diesel powertrains are continuously improved by focusing on two main areas:

- the performance of manual and automatic gearboxes;
- adaptation of powertrains.

The six-speed electronic manual gearbox, widely deployed by the Group, combines these two areas for an extended very low fuel consumption offering at an affordable price.

For automatic transmission, the adaptation of a new generation of AT6 III and AM6 III gearboxes has reduced total powertrain consumption by 15%. Introduction of the new feature began in late 2013.

### ALTERNATIVE FUELS

The Group has reaffirmed its commitment to the responsible use of biofuels, while emphasising the need to take sustainability criteria into account in developing products and the related industry segments, including changes in how farmland is to be used.

- **Compressed Natural Gas (CNG):** CNG, mainly composed of methane (CH4), is used to power PSA Peugeot Citroën vehicles in markets where local conditions are conducive to its development, such as Argentina, China and the Middle East. Using CNG also cuts carbon emissions by 20% compared with conventional petrol engines, by reducing the distance between the tank and wheels.
- **Ethanol and flex-fuel vehicles:** PSA Peugeot Citroën has developed flex-fuel engines that can run on ethanol/petrol blends of up to 85% ethanol in Europe (E85), and from 20 to 100% ethanol in Brazil, the world's largest market for ethanol and flex-fuel vehicles. In early 2015, new flex-fuel versions of all the latest generations of petrol-engine families launched in Europe will be available on the Brazilian market. New vehicles fitted with these engines will see a twofold reduction in fuel consumption (and therefore $CO_2$ emissions), partly due to their technological design, and partly due to the use of renewable bioethanol.
- **Biodiesel:** All of the Group's diesel vehicles are already compatible with B10 (biodiesel blend of up to 10%) and B30, assuming that fuel quality is adequate and that suitable vehicle maintenance is carried out. The Group is involved in various studies on the development of biofuels. It is also a member of the steering committee of the European Biofuels Technology Platform.
- **Advanced biofuels:** these must be developed if biofuels are to become more widely used and if they are to have a positive social and environmental impact. They can be derived from the conversion of biomass (whole plant, non-food crop, organic waste), or the use of micro-algae. PSA Peugeot Citroën is contributing to this process by participating in research projects and real-world trials. For example, PSA Peugeot Citroën 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.

  A biofuel chair was created at the end of 2012 by IFP School (Institut français du pétrole), the Tuck Foundation and PSA Peugeot Citroën. For a period of three years, this chair will be structured around teaching and research activities aimed at expanding knowledge on the impact of the use of biofuels in cars.

### ELECTRIC POWERCHAINS

More than ever, the environmental challenges associated with automobile use are being met by technological solutions designed to drive powerful breakthroughs in fuel efficiency and $CO_2$ emissions. The Group will introduce Stop & Start solutions, hybrids and zero-emission vehicles (ZEVs), consolidating its position in the European low-carbon vehicle segment and extending its expertise to other markets.

#### 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 – at a red light, for example – 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. When combined with the system's cost-effectiveness, its features help to provide an efficient solution to a number of traffic-related issues in cities, where 75% of Europeans live.

Introduced by the Group in 2004, this technology is now deployed across almost the entire fleet of Peugeot, Citroën and DS vehicles in Europe.

#### Hybrids

The Group's HYbrid4 diesel hybrid technology represents a major breakthrough in terms of fuel efficiency and $CO_2$ emissions in the European market, offering gains of up to 30% compared with the equivalent HDi diesel model and emitting less than 100 g/km of $CO_2$. The powertrain combines the high fuel efficiency of HDi diesels in extra-urban conditions with all the benefits of electric propulsion in urban areas. It also offers all-wheel drive capability, thanks to the electric motor mounted on the rear axle assembly, as well as e-HDi technology and a particulate filter.

In 2013, the Group unveiled a new technology, Hybrid Air. This new type of powertrain combines a petrol engine, a compressed-air energy-storing device, a combined engine/hydraulic pump, and automatic transmission with a planetary gear box. Its intelligent management system is designed for maximum energy efficiency. It can set the powertrain to operate at 60-80% zero emissions (ZEV) in urban conditions, when efficiency may increase as much as 45% compared with a conventional engine (depending on traffic density).

This innovative, full hybrid petrol solution has been installed on two 141 mpg technology demonstrators, unveiled at the Paris Motor Show in October 2014: the 2.0 litre Peugeot 208 HY Air and the 2.0 litre Citroën C4 Cactus Airflow.

Meanwhile, the Group is studying possible applications of technologies that can significantly reduce $CO_2$ emissions, such as the development of very affordable hybrid solutions to make low-emission cars available to the vast majority of customers.

#### Plug-in hybrids

The Group has decided to develop a plug-in hybrid powertrain coupled with a petrol engine to support its global growth. This new technology will feature on vehicles from 2018 and will be compliant with future global emissions regulations.

It will emit less than 50 g/km of $CO_2$ (or 2 L/100 km) combined, with a range of 50 km urban in full electric mode.

#### Electric vehicles

Since 2010, the PSA Peugeot Citroën Group has collectively sold 15,300 electric vehicles worldwide, with a range that covers both the PC and LCV segments: Peugeot iOn and Partner, Citroën C-Zéro and Berlingo.

### OPTIMISING VEHICLE ARCHITECTURE AND EQUIPMENT

In addition to its engine, fuel and hybrid technologies, PSA Peugeot Citroën is optimising vehicle features in order to position itself as a leader in reducing fuel consumption and $CO_2$ emissions. The Group is taking advantage of every technical lever to reduce $CO_2$ emissions, i.e. vehicle mass, aerodynamics and architecture, materials, tyre rolling resistance and electrical power management, as well as comfort, safety and driver assistance systems.

#### Platforms

EMP2 (Efficient Modular Platform 2) is a new-generation platform offering high-performance solutions in terms of modularity, equipment and reduction of $CO_2$ emissions.

In March 2014, a 1.2-litre Peugeot 308 e-THP with PureTech 130 bhp turbo petrol engine set a new record for fuel economy and range on a production model: 2.85 litres of fuel/100 km and 1,810 km on a full tank. Supervised by a French certification agency (UTAC), it was driven for more than 32 hours and consumed only 51.4 litres.

#### Equipment

Overall vehicle energy efficiency also means optimising constituent components and sub-assemblies: tyre rolling resistance, losses through mechanical friction (brakes, bearings, bushings, etc.), power consumption (sensors, actuators, motors), air-conditioning system.

#### Driver assistance

In 2014, the Group launched a new service for the Peugeot 208, 2008 and 308 and the Citroën C4 Cactus and C4 Picasso models, offering customers access to fuel consumption and carbon emissions statistics *via* a simple and intuitive interface. Link MyPeugeot and Link MyCitroën use a Bluetooth connection and the vehicle's touchscreen to relay vehicle information when the ignition is switched off. This enables customers to improve fuel consumption by comparing data for each trip.

Peugeot has also joined forces with Mobigreen, the eco-driving training institute, to offer businesses its Peugeot Green Connect training programme.

Lastly, PSA Peugeot Citroën has unveiled the $CO_2$ Cruise Assist System, one of its latest innovations for the connected vehicle. This intelligent system is able to anticipate deceleration, telling the driver when to ease off the accelerator. By 2018, this will reduce braking and thus lower fuel consumption.

#### Mass

Already a market leader in terms of average vehicle weight, the PSA Peugeot Citroën Group is being proactive in developing more lightweight vehicles, making this a major lever in reducing their environmental footprint.

Whenever technically feasible and cost effective, mass is being reduced by choosing lower density materials, such as the aluminium, composite materials and thermoplastics used instead of steel. Innovative assembly techniques provide further gains. For example, hot stamping and laser welding help lighten the car body, while improving shock resistance.

Owing to such technical levers and design philosophy, the new C4 Cactus is 200 kg lighter than the C4. Boasting high-performance materials (UHS steel, aluminium for the bonnet and front and rear cross-beams) and more lightweight build options (rear quarter glass, folding rear bench), the C4 Cactus is designed based on the compact BVH1 platform for segment B vehicles. The end result is a segment C petrol-engine sedan emitting less than 100 g/km of $CO_2$ and a diesel version with only 82 g/km.

### FAURECIA

**Faurecia** is developing eco-friendly technologies by focusing on three areas:

- Lower weight: Faurecia is offering new product architectures and developing alternative materials and new manufacturing processes that result in body weight reductions of 20 to 30% in current developments. This corresponds to reductions of about 60 kg out of the 200 kg weight of products in the Faurecia line.
  - Faurecia's patented Lignolight technology, which uses 50-90% compressed fibres and resin on door panels, improves density by 40% compared with traditional components.
  - In France, Faurecia is behind the launch of an economic carbon-fibre project that will ultimately offer carbon composite parts for production vehicles.
- Size reduction: reducing product size maximises passenger room and/or reduces vehicle size, which translates either directly or indirectly into lower mass.
- Energy recovery: Faurecia is developing technologies for recycling the thermal energy available in exhaust systems, either directly to heat the vehicle's interior or to heat the engine more quickly, or indirectly by transforming the thermal energy into electricity to power accessories. The products developed and applied to traditional or hybrid vehicles can achieve emissions reductions of between 2 to 8 g/km of $CO_2$ based on the European driving cycle for direct use.

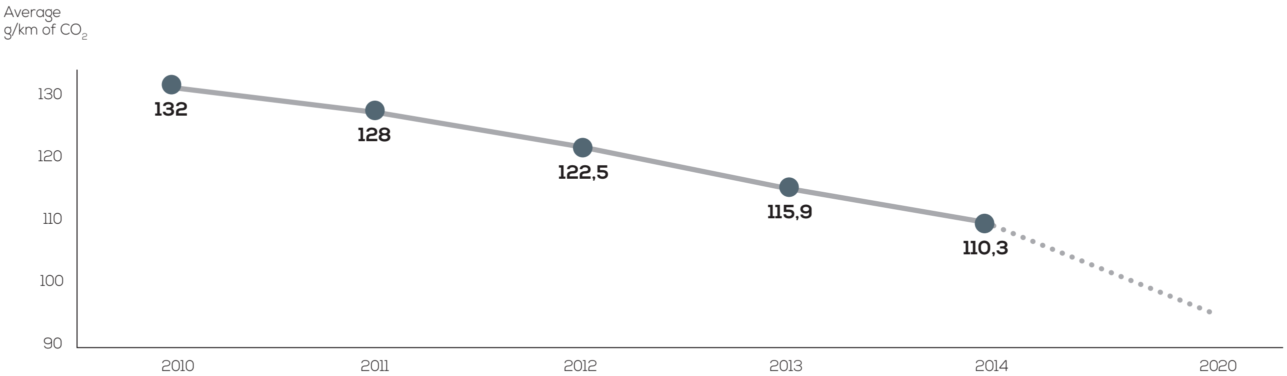
## 2.2.1.1.2. $CO_2$ PERFORMANCE OF VEHICLES SOLD BY THE GROUP G.31

In Europe, after selling over 29% of vehicles with emissions of less than 100 g/km of $CO_2$ in 2014, the Group is continuing its efforts to reach the target set for 2020 of less than 100 g/km from over 60% of the vehicles it sells (PC and LCV).

To consolidate its environmental leadership over the medium term and looking ahead to 2020, the strategy of PSA Peugeot Citroën is systematically to offer:

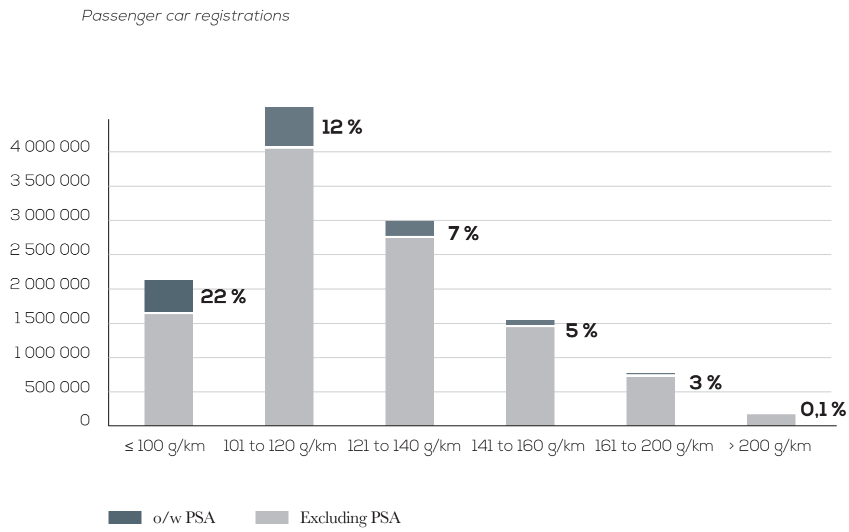
- for the highest-selling models in the main segments, one of the top three cars for $CO_2$ emissions;
- vehicles with very low fuel consumption, but which still deliver superior features and equipment.

## $CO_2$ TREND OF THE PSA PEUGEOT CITROËN GROUP (PC IN 22-COUNTRY EUROPE)




## EUROPEAN AUTOMOBILE MARKET BY $CO_2$ EMISSIONS LEVEL

(2014 passenger car registrations in 22-country Europe, corresponding to the EU excluding Greece, Cyprus, Malta, Bulgaria, Croatia and Romania.)




A comparison of registrations of PSA Peugeot Citroën and of the total European market by $CO_2$ emissions band in 2014 highlights the Group's contribution to reducing new vehicle emissions in Europe.

The Group is the market leader in the segment of vehicles emitting less than 100 g/km of $CO_2$, with a 22% market share (464,000 PSA Peugeot Citroën passenger cars registered).

Throughout 2014, the PSA Peugeot Citroën Group continued to launch, in each segment, vehicles with very low fuel consumption for markets in Europe where $CO_2$ emissions are a priority.

HIGHLY FUEL-EFFICIENT VEHICLES LAUNCHED IN 2014

| | | | g/km $CO_2$ |
|---|---|---|---|
| Peugeot | 308 | 1.6 L BlueHDi 120 BVM6 | 82 |
| Peugeot | 308 SW | 1.6 L BlueHDi 120 BVM6 | 85 |
| Peugeot | 3008 | HYbrid4 | 85 |
| Peugeot | 508 | HYbrid4 | 85 |
| Citroën | C3 | BlueHDi 100 BVM | 79 |
| Citroën | C4 Cactus | BlueHDi 100 BVM | 82 |
| Citroën | C4 | BlueHDi 100 BVM | 86 |
| DS | DS 3 | BlueHDi 100 BVM | 79 |
| DS | DS 5 | HYbrid4 | 85 |

## 2.2.1.2. PRESERVING AIR QUALITY G.22 G.24 G.41

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 g/km from the new HDi engines, compared to 250 mg/km in earlier versions). The Group subsequently equiped this new engine with a high-performance filtration technology, called "Diesel Particulate Filter" (DPF), more than nine years before Euro 5 standards which made it compulsory from September 2009.

### REDUCING VEHICLE EXHAUST EMISSIONS DURING THE VARIOUS REGULATORY STAGES OF EURO X SINCE 1991: FOCUS ON THE LAST THREE STAGES (EURO 4, EURO 5 AND EURO 6)

These standards set the maximum admissible levels of regulated pollutants: CO, HC, $NO_X$ and particulate matter (particulate mass (PM) and particle number (PN) since Euro 5).

Euro 5 and Euro 6 (Regulation (EC) No. 715/2007 and Regulation (EC) No. 692/2008, amended by Regulation (EU) No. 136/2014) reduce to very low levels the permitted limits of particulate matter and nitrogen oxides ($NO_X$) emitted by Diesel and petrol vehicles (especially direct-injection petrol technology, with regard to particulate emissions). Under Euro 5 and Euro 6, Diesel particulate mass emissions are cut by more than 80% compared with Euro 4. To meet the standard for the number of particles, a high level of filtering efficiency is required (more than 99%). As for Diesel $NO_X$ emissions, Euro 5 represents a 30% reduction and Euro 6 a 70% reduction compared to Euro 4.

### 2.2.1.2.1. USING TECHNOLOGICAL PRODUCT INNOVATIONS TO REDUCE RISKS OF AIR POLLUTION OR EMISSIONS TO AIR

This approach is in synergy with the prevention of climate risks described in section 2.2.1.1.1.

#### ELIMINATING PARTICULATE EMISSIONS WITH THE PARTICULATE FILTER

To solve the problem, the Group invented the particulate filter (DPF), available in some vehicle models since 2000 and deployed significantly since 2007 to comply with Euro 5.

The particulate filter screens out all fine and ultrafine particles very effectively (more than 99.9% by particle number, more than 99% by mass).

The Group adopted a particulate filter with additive solution, the best option for efficiency and regeneration. This solution includes an additive reservoir, a ceramic filter and sensors. The additive is introduced automatically into the fuel (without the driver needing to do anything). It is based on iron, which is wholly captured by the filter and brings down the combustion temperature for soot by a hundred degrees, allowing faster regeneration under all conditions of vehicle use (urban or motorway driving conditions, etc.), unlike catalytic filters.

The technology for the particulate filter with additive developed by the Group reduces the fraction of $NO_2$ in the $NO_X$, unlike the catalytic filters used by the competition.

The Group is working on refining this system, not only to bring costs down without compromising on performance, but to give it new features – such as the SCR catalyst-impregnated filter – thereby eliminating $NO_x$ and particulate matter in a single emissions control system. This consists of integrating the SCR with the particulate filter (SCRF system, or "Selective Catalyst Reduction on Filter").

A Diesel engine fitted with a particulate filter emits less particulate matter than a latest generation 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).

#### REDUCING $NO_X$ EMISSIONS WITH SELECTIVE CATALYTIC REDUCTION (SCR)

This new after-treatment technology, which substantially reduces nitrogen oxide ($NO_X$) emissions, is based on abating $NO_X$ production by injecting urea into the exhaust stream before it enters a special catalyst chamber.

Integrated into a new emission control architecture including a particulate filter, SCR helps to optimise fuel efficiency and limits $CO_2$ emissions.

#### FAURECIA

Faurecia has developed a range of emissions control technologies that cut emissions of nitrous oxides and particles for all types of Diesel engines (passenger and commercial vehicles). This is based on two principles:

- low-pressure exhaust gas recirculation. Waste gases are reinjected *via* cylinders to lower the combustion temperature. This is known as Low-Pressure Exhaust Gas Recirculation (LP-EGR) and requires the exhaust line to be fitted with an electric valve. Faurecia has developed its own valve in order to meet increasing market demand;
- direct treatment of the gases by selective catalytic reduction (SCR). Based on this process, Faurecia has developed a system that treats exhaust gases directly using an external tank containing a liquid or gas catalyser known as AdBlue®. Faurecia is also continuing to develop its own system for cutting emissions of nitrous oxides. The ASDS (Ammonia Storage and Delivery System) process stores ammonia in a compact gaseous form, allowing for improved performance over a traditional liquid-form storage system.

Faurecia is also developing a system that incorporates an oxidation catalyst, a gas mixer with a liquid or gas catalyst (BlueBox), and particulate filters. It moves all of these components closer to the engine leading to more efficient treatment of exhaust gases and superior size and weight ratios.

EGR and SCR technologies are increasingly being used for private and utility vehicles (less than five tonnes) in Europe and North America. The most stringent regulations make particulate filters and SCR or EGR systems mandatory for commercial vehicles. In addition, some applications require innovations such as the Thermal Regenerator™. These $NO_x$ treatment technologies have already been incorporated into Faurecia's product offering, and are already included in several models that are looking ahead to the Euro 6 standard or equivalent standards.

Moreover, in 2014, Faurecia was the first company in the world to supply particulate filters for direct-injection petrol engines. It is intended for this technology to become more widely available in the coming years.

#### 2.2.1.2.2. DEPLOYMENT OF THE PARTICULATE FILTER AND SCR ON THE GROUP'S VEHICLES

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

This second stage of Euro 6 will impose a tougher limit in terms of particle number emission 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).

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

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).

A pioneer in this field, the Group had sold a total of 8.83 million DPF-equipped Diesel vehicles by the end of 2014. With Euro 5, the Group fitted the additive particulate filter as standard in its Peugeot, Citroën and DS Diesel vehicle models.

In 2014, vehicles equipped with particulate filters accounted for over 85% of the Group's total Diesel vehicle sales worldwide, compared to 83% in 2013 and 37% in 2009.

To comply with Euro 6c regulation, the Group is looking at technical solutions to reduce particulate emissions from direct-injection petrol engines: various solutions are currently being trialled, ranging from the optimisation of injection systems to the introduction of a particulate filter.

In anticipation of Euro 6c, the Group decided with Euro 6b to introduce SCR technology as standard across its entire Diesel production, identified by the "Blue HDi" suffix, to further reduce $NO_x$ emissions.

Blue HDi consists of:

- an additive particulate filter eliminating 99.9% of all particulate matter and particle number, regardless of the driving conditions;
- the selective catalytic reduction (SCR) after-treatment system, positioned upstream of the additive filter, eliminating up to 90% of nitrogen oxides ($NO_x$) emitted by the engine.

This stems from the decision to pre-empt the compulsory introduction of real driving emissions (RDE) by Euro 6c, and signals the Group's willingness to reduce vehicle pollutant emissions while maintaining optimum fuel economy and $CO_2$ emissions in real-world driving conditions. However, this requires an extensive distribution network in France and Europe for urea (AdBlue®), the reducing agent used to convert $NO_x$ into nitrogen.

Launched in November 2013 on the Peugeot 508 and Citroën C4 Picasso (DW 2.0-litre engine), Blue HDi was extended to the DV 1.6-litre engine in 2014, before being rolled out across the Peugeot, Citroën and DS fleet. It represents 8% of Diesel vehicles sold worldwide, equivalent to 95,500 vehicles.

### 2.2.1.3. LIMITING THE ENVIRONMENTAL IMPACT OF MATERIALS AND MANAGING END-OF-LIFE VEHICLES

The Group relies on a life cycle analysis approach to optimise its use of natural resources and to limit the impact of its products on the environment throughout their lifetime.

#### 2.2.1.3.1. MEASURES TAKEN BY THE GROUP TO IMPROVE THE EFFICIENT USE OF MATERIALS

##### PROACTIVE USE OF GREEN MATERIALS G.28

Since 2008, the Group has led major 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 plastics, materials of natural origin (wood, plant fibres, etc.), and bio-sourced materials (polymers not made from petrochemicals but from renewable resources). There are several advantages to using them, such as reducing the use of fossil plastics and fostering the development of plastics recycling processes by boosting demand.

Since 2008, the Group has implemented an ambitious plan which has increased the average proportion of green materials to over 20% of the total mass of polymers for new vehicles released in 2013/2014, from an average of 6% in 2007.

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.

To spur the development of the biomaterials industry and expand the use of these materials in vehicles, PSA Peugeot Citroën is involved in a large number of scientific partnerships:

- the Group is helping to finance the Bioplastics university chair at the Mines ParisTech engineering school, notably by funding five doctoral dissertations on natural fibres, bio-sourced polymers and a variety of other subjects;
- PSA Peugeot Citroën is involved in the FINATHER project, aimed at developing innovative thermosetting composite materials with low environmental impact for the automotive and rail transport sectors. The innovation consists of largely replacing the petrochemical or organic compounds with bio-sourced renewable compounds. This also reduces vehicle weight. For these materials, conventional petrochemical resins are replaced by resins obtained from linseed oil, and fibre glass by flax and hemp fibre;
- through the Île-de-France Regional Automotive Industry Association, PSA Peugeot Citroën is sponsoring the Biomass for the Future/Miscanthus project alongside the INRA (National Institute for Agronomic Research).

The use of green materials is now standard in engineering design.

PSA Peugeot Citroën is currently working on the integration of recycled materials 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. Ultimately the Group wants its vehicles to be, on average, 30% made from natural and recycled materials.

### USE OF NATURAL AND RECYCLED MATERIALS IN VEHICLES

- The Peugeot 208 contains 32% natural and recycled materials on average throughout the vehicle.

  In a **world first**, the rear bumper is made entirely of recycled material. According to a life cycle analysis conducted within the Group, the use of 100% recycled polypropylene bumpers reduces by 36% the impact on the depletion of natural resources compared with a new polypropylene bumper. Similarly, the use of recycled polyamide in the cooling fan system reduces $CO_2$ emissions by approximately 30%, compared with the same components made with new polyamide.

  Green materials are also used for many other parts and sub-assemblies, including wheel well inner liners, rear bumpers, boot carpeting, steering wheels, seats, engine covers and air filters.
- The new Citroën C4 Picasso contains 31% natural and recycled materials on average throughout the vehicle. Nearly 80 different polymer parts are made from natural materials (30%) and recycled materials (70%).
- The Citroën C4 Cactus contains 30% natural and recycled materials on average throughout the vehicle. About 40 polymer parts incorporate recycled materials and materials of natural origin.
- The new Peugeot 308 contains 30% natural and recycled materials on average throughout the vehicle. About 70 polymer parts incorporate recycled materials and materials of natural origin.

  Some of the noteworthy features of the 308 include a polypropylene door panel trim made from natural fibres. A life cycle analysis (LCA) on this trim, carried out in partnership between PSA Peugeot Citroën and Faurecia, revealed that the use of polypropylene made from natural fibres can reduce the environmental impact by around 20%, compared with the same polypropylene part made from talcum, and this for all environmental indicators covered in the LCA.

### REDUCTION IN HAZARDOUS SUBSTANCES G.24 G.41

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)** that are regulated by Directive No. 2000/53/EC on end-of-life vehicles. In 2002, the Group asked suppliers to provide a compliance certificate for each part delivered. Since 2004, this information has been collected from suppliers using the material composition system information reporting form. For example: the hexavalent chromium (chromium VI) used in many anti-corrosion coatings has been replaced, while the lead weights used for wheel balancing have been replaced by zamak weights;
- **compliance with the REACH regulation**. As the final link in the production chain, 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. To ensure compliance, the Group uses the automotive industry guidelines on REACH (http://www.acea.be/news/news_detail/reach_guideline/), which it helped to draft as a member of the European Automobile Manufacturers' Association (ACEA). 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 as far upstream as it can during the new material 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.

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. In addition, chemical compounds known for their allergenic properties are closely monitored.

Suppliers are also asked to declare using the MACSI tool the use of nanomaterials in the parts and materials used in the vehicles. This requirement is implemented as far upstream as possible because it is part of the environmental evaluation process for innovations. As a result, for all innovations, suppliers are asked to declare the use of nanomaterials and submit a risk analysis conducted jointly with PSA Peugeot Citroën.

## 2.2.1.3.2. ECO-DESIGN AND LIFE CYCLE ANALYSIS G.22 G.24 G.25 G.26 G.32

### ALLOWING THE GROUP TO TAKE THE LEAD IN SUSTAINABLE MOBILITY AND NEW MATERIALS

In addition to ensuring that its vehicles comply with local environmental legislation, eco-design also guarantees that the Group will stay ahead of the competition in terms of sustainable mobility and new materials.

| Life cycle stage | Major challenges |
|---|---|
| Product definition | › Define new automobile products and services taking into account the mobility needs of consumers around the world, local legislation and people's expectations with regard to the environment, safety, etc. |
| Design and engineering | › Design vehicles at an acceptable cost and attenuate their impact:<br>› on the environment, by reducing their $CO_2$, and other local emissions, using resources responsibly and improving their recyclability;<br>› on society, by improving their safety performance, reducing noise pollution, easing traffic congestion, etc. |
| Production | › Reduce the environmental impact of automobile manufacturing<br>› Ensure workplace safety<br>› Participate in the economic and social life of local communities |
| Transport and sale | › Integrate environmental concerns into supply chain and dealership network management<br>› Responsibly inform customers in its advertising and labelling, and ensure a satisfying ownership experience with effective sales and customer service processes |
| Use | › Help to attenuate the impact of vehicle use by promoting safer, more environmentally responsible driving practices, improving fuel efficiency and developing ever-more effective exhaust emissions control systems |
| End of life | › Facilitate the collection and processing of end-of-life vehicles and components by specialised providers and optimise their recyclability (decontamination, recycling and resource recovery services) |

Based on this principle, 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 (changes in raw materials, integration of natural/recycled materials, strategic or functional innovation, etc.). As a result, in 2014, life cycle analyses covered 28% of the total fleet sold. The LCA methodology used was certified during a critical review by Bio Deloitte, a firm specialising in life cycle analysis.

The consideration of environmental impacts in the innovation process has been in effect since 2013 and a compete evaluation 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 new Citroën C4 Picasso, compared with the previous version;
- the new Peugeot 208, with or without the Stop & Start system, in comparison with the Peugeot 207;
- the Peugeot 508 in comparison with the Peugeot 407;
- the new Peugeot 308 petrol fitted with the new Stop & Start system compared with the previous version of the Peugeot 308.

In 2015, the group plans to conduct a life cycle analysis on the Citroën C4 Cactus and to continue analyses on composite parts used for vehicle weight reduction.

## MONITORING THE CARBON FOOTPRINT OF A VEHICLE

PSA Peugeot Citroën has begun a process to determine the total $CO_2$ equivalent of its operations in Europe. These calculations take into consideration all PSA Peugeot Citroën activities that emit greenhouse gases (primarily $CO_2$), over the entire life cycle of an automotive product.

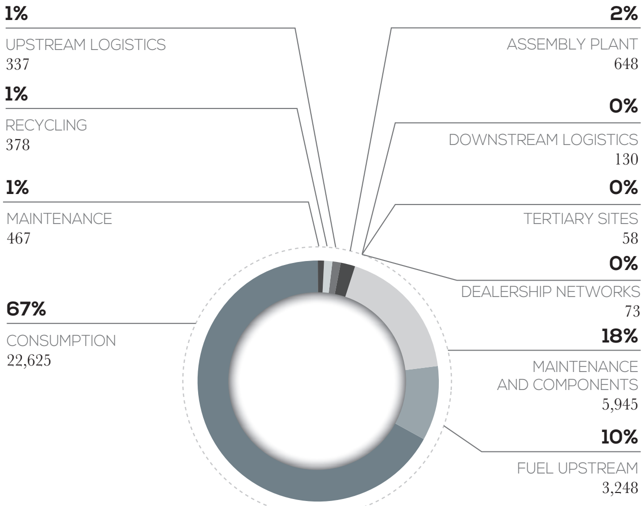
Accordingly, this assessment takes into account, over one year of activity, emissions from:

- production of materials and components for the vehicles manufactured: all component materials of vehicles manufactured in 2013 have been taken into account, from extraction to moulding and assembly on the vehicle, using life cycle analysis databases;
- Group production plants, whether assembly plants or mechanical component plants;
- service activities (including development sites); this information is derived from GHG (greenhouse gas) assessments carried out at all plants and tertiary sites of the PSA Peugeot Citroën Group (reference 2012 GHG report);
- fuel extraction and production necessary to use the vehicles manufactured;
- usage phase of the vehicles manufactured; this takes into account the use of vehicles manufactured in 2013, depending on the functional unit [use over a period of ten years and covering a distance of 150,000 km]. This assumption allows us to estimate the amount of fuel consumption. The impact of fuel production is taken into account, based on data taken from life cycle analysis databases. The $CO_2$ emission data for each vehicle manufactured was also taken into account;
- vehicle end-of-life, modelled based on current treatment, enabling $CO_2$ emissions to be assessed for the vehicles treated.

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

*In thousands of tonnes $Co_2$ equivalent*




The total $CO_2$ equivalent emissions of vehicles produced in one year by the Group amounted to 33.9 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 Peugeot Citroën is focusing its R&D efforts on the issues of fuel consumption and vehicle weight (see Section 2.1).

## FAURECIA

### ECO-DESIGN AND LIFE CYCLE ANALYSIS

To inform its choices and strategy and those of the manufacturers, Faurecia increasingly uses life cycle analysis (LCA) at various levels: for its products, for the whole vehicle, from extraction of materials until delivery to the manufacturer, and throughout the entire vehicle life cycle (use by the consumer and recycling).

Framed by international standards ISO 14040 and ISO 14044, this methodology consists of assessing the environmental impact of products designed and manufactured by Faurecia for use in automobiles. It involves the fullest possible impact assessment, including climate change (including $CO_2$), the consumption of non-renewable resources (oil and coal) and eutrophication.

These life cycle analyses allow both Faurecia and automakers to:

- make the right design choices for current vehicles (with petrol or diesel internal combustion engines) and for future vehicles using alternative fuels and with more environmentally friendly emission control systems;
- assess and avoid impact transfer by focusing on alternative solutions (e.g. by developing a lighter, non-recyclable product).

**USE OF SUSTAINABLE MATERIALS**

Faurecia develops and incorporates bio-based materials and this is also an effective way of taking up positions that span the entire product life cycle. In addition to the Lignolight technology, natural fibres are also one of Faurecia's key focuses and help to provide diverse types of solutions. NAFILean (NAtural Fibre Injection) technology, which combines natural hemp fibres and polypropylene resin, can be 25% lighter than polypropylene made from talcum. In 2014, this technology, now in production on the door panels of the new Peugeot 308, received a "green innovation" award from CLEPA (the European Association of Automotive Suppliers). A joint venture, APM (Automotive Performance Material), was created in 2014 with the company Interval to manufacture pellets made from this material. Faurecia's portfolio also includes natural fibres combined with polypropylene fibres. This technology is in production for the instrument panel in the Smart, and it will also be applied in the door panels, thus causing a weight reduction of 20% compared to other top-quality technologies. Lignolight technology, used in complete door panels, creates moulded sections from compressed wood chips and resin, resulting in a 30% weight reduction compared with conventional technology.

The final stage is the generation of 100% natural materials for semi-structural automotive applications with a high throughput. This was the motivation behind the partnership launched in 2012 with Mitsubishi Chemicals. This joint effort is based on the modification of polybutylene succinate (PBS), which was derived from biomass and patented by Mitsubishi Chemicals so that it could be made entirely from natural materials. BioAmber supplies the biosourced succinic acid to both partners. The resin is combined with reinforcing fibres to obtain parts through an injection process.

## ECO-DESIGN FOR BETTER RECYCLING G.25

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. It requires vehicles to be overall 85% recoverable by vehicle weight, of which 80% is actually reusable or recyclable. Beginning in 2015, vehicles will have to be 95% recoverable, of which 85% reusable or recyclable.

To fulfil these obligations, the PSA Peugeot Citroën 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 manufacturers associations.

## PREVENTIVE MEASURES: COMMITMENT TOWARDS 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. As part of this commitment, the Group is involved in research and development projects with partners from the automotive and recycling sectors;
- **designing in vehicle emissions control requirements**. Decontamination, or pre-treatment, is the first mandatory step in the processing of end-of-life vehicles. It involves draining all fluids from the vehicle, neutralising pyrotechnical components and dismounting parts considered harmful to the environment. The aim of this step is to avoid transferring pollution to another part of the environment when processing ELVs. 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.

## MANAGEMENT OF END-OF-LIFE PRODUCTS: RECYCLING AND RECOVERY

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 decontamination and dismantling of the end-of-life vehicle. Shredding companies then extract from the carcass, after treatment, the main materials for resale on the various international markets (scrap aluminium, copper, etc.).

Apart from metals and plastics, PSA Peugeot Citroën aims to recover a wider range of materials. These are used to supply two economic sectors, the materials recycling sector and the energy recovery sector.

A post-shredding sorting system now creates an economically viable business in a secondary raw materials market increasingly shaped by price fluctuations.

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 (510 at year-end 2014) that collect ELVs, deregister and decontaminate them, and then dismantle them to resell certain parts for reuse.

- This strategy led to the collection and processing between 2009 and 2014 of more than 765,000 ELVs sold through the Peugeot and Citroën networks. In 2012, the Group's actual performance in France in terms of overall recovery of ELVs collected from its network was 89.9% (of which 84.7% reuse/recycling)[1]. This complies with European regulations and is above the national average (87.0%, of which 82.4% reuse/recycling).
- The main challenge now is to maintain favourable economic conditions for the ELV sector, while achieving the ambitious rate of 95% effective recycling and recovery of ELVs collected. To achieve this, the Group relies on industrial partners capable of meeting the targets set, identifying new sources of automotive materials that can incorporate recycled materials (plastics, metals, etc.) in new vehicle production.

On the European markets, in cooperation with European manufacturers, the Group has updated its market risk analysis for about 20 markets it considers a priority. It is also focused on implementing the action plans

*(1) At the end of 2014, 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 2013.*

defined. In addition, all contracts signed by subsidiaries are monitored and renewed where appropriate.

The Group assists its local partners in drafting national legislation, as in China and Slovakia in 2014.

#### BATTERY 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. Battery technology for electric and hybrid vehicles requires specific treatment processes to be used. PSA Peugeot Citroën has a contract for the entire European market with a single, efficient partner, whose recycling rates are higher than the regulatory thresholds of 50%.

### FAURECIA

#### RECYCLABILITY

European Directive 2000/53/EC of 18 September 2000 on end-of-life vehicles (ELVs) set an ELV recovery target of 85% reuse and recycling and 95% reuse and recovery as from 1 January 2015.

Galvanised by the strict regulatory environment, carmakers have increased their expectations of equipment suppliers in terms of end-of-life product recycling.

All of Faurecia's businesses are concerned by these imperatives and each have come up with projects or solutions for ensuring that recycling will be as effective as possible in the future based on the specific features of the components produced.

As regards current solutions, an innovative product must be measurable both in terms of improved technical and economic performance and its carbon footprint. Faurecia is committed to a process of forecasting and recovering future end-of-life products. Selective trials overseen by Faurecia comprise the first phase of a comprehensive approach by the automotive industry in partnership with industrial firms, academia and auto clusters, to forecasting volumes of materials available for recycling in the future.

#### RECYCLING

Faurecia offers an increasing number of recycled plastic parts.

In the Automotive Seating business, depending on the type and category of vehicle, various components are now partly made of recycled polypropylene. Taking all these components together, recycled plastics can now account for 15-20% of the materials comprising the seats manufactured by Faurecia.

The mechanical and aesthetic performances achieved, thanks to the efforts of the BOREVE project begun in 2008, now make it possible to incorporate a percentage of recycled material compatible with the requirements for bumper surfaces, which is one of the most critical parts as regards appearance.

Life cycle analysis studies show the reduced impact on the environment of these efforts to incorporate recycled material and Faurecia, as well as its manufacturing customers, has considerably expanded its panel of recycled material suppliers. Today this allows it to offer increasingly technical applications with an expanding range of material grades.

## 2.2.1.4. DEVELOPMENT OF MOBILITY AND ONBOARD INTELLIGENCE SERVICES G.32 G.41

A change in consumer behaviour is taking place, with the transition from an owner mentality to a user mentality. In Europe, analysts predict a market of 300,000 carsharing vehicles for business fleets by 2018, and 15 million users of public carsharing services by 2020. The Group is positioned in these markets, being present in all key segments of new mobility services.

### 2.2.1.4.1. MOBILITY

With its connected vehicle technology and products that range from bikes and scooters to LCVs (light commercial vehicles), the PSA Peugeot Citroën Group is positioned in the world of new mobility by being present in each of its major segments: business carsharing with **Share Your Fleet**, short-term rental with **MU/Peugeot Rent** and urban carsharing with **Citroën Multicity Berlin**.

These offerings equated to a fleet of more than 5,500 vehicles in Europe at the end of 2014.

#### SHARE YOUR FLEET, A CARSHARING SOLUTION FOR BUSINESS FLEETS http://www.share-your-fleet.com/

This service, which is primarily intended for medium-sized and large business car fleets, allows employees to reserve their vehicles online *via* a simple, user-friendly electronic platform, and access them without keys using an RFID tag system. Radio Frequency IDentification technology allows a person wearing a tag to be identified based on proximity with a reader (e.g. company site passes). Share Your Fleet includes all the services of a long-term lease (maintenance, insurance etc.), online assistance, and carsharing technology installed in the vehicles covered under their warranties.

This solution allows companies to:

- reduce mobility costs by up to 30% through optimised vehicle use, lower taxi/public transport costs and additional revenues generated by private vehicle use; in the latter case, the Company's employees can use company vehicles over the weekend, for example, by paying rental charges;
- have a service that employees want to use: 24/7 access to vehicles, flexible use (reservations up to 15 minutes before departure).

Share Your Fleet is available for a wide range of vehicles, including city cars, sedans, Sport Utility Vehicles, Light-Duty Vehicles and Electric Vehicles.

#### MU/PEUGEOT RENT, A SHORT-TERM RENTAL SOLUTION FROM THE PEUGEOT DEALER NETWORK http://www.mu.peugeot.fr/

Since 2010, Peugeot has offered a short-term rental service called Mu/Peugeot Rent. Initially launched in France before being rolled out to Germany and the United Kingdom, Mu/Peugeot Rent today has a fleet of 5,000 vehicles, catering for a range of personal and business requirements:

- traditional short-term rental of a wide range of vehicles for specific purposes: from small city cars ideal for getting around town, to commercial vehicles for moving house;

- extended vehicle test drives;
- replacement vehicle when the driver's own car is being serviced.

### CITROËN MULTICITY, URBAN CARSHARING IN BERLIN

**Citroën Multicity Berlin** has operated a fleet of 350 100% electric Citroën C-Zéro cars in the German capital since August 2012. This carsharing service makes it easy to find a car (using a smart phone app or online) and to get around Berlin without a prior reservation. In addition, there is no need to return the car to the same car park or to park in a specific place. Rental is highly flexible because it is billed by the minute at very attractive prices.

### https://www.multicity-carsharing.de/

### BANQUE PSA FINANCE (BPF) PACKAGES

Most BPF branches are now offering individual customer and corporate packages – designed in close coordination with the Peugeot and Citroën and DS marketing teams – that combine vehicle financing, maintenance and personal and vehicle insurance. These packages allow permanent use of a vehicle for a fixed monthly "subscription", no matter what happens during the contract, for example if the vehicle is off the road due to a breakdown or accident, or if the person becomes unemployed or is unable to work.

BPF also offers solutions to extend the manufacturer's warranty, extending the maintenance and maintenance in good condition beyond the normal brand warranty period so supporting its customers' mobility.

## 2.2.1.4.2. ONBOARD INTELLIGENCE

The Group's new onboard intelligence services are designed to make mobility safer, more efficient and more environmentally friendly.

Since 2002, the Group's brands have offered a range of assistance services based on the shared RTx/NaviDrive telematics platform that combines, in a single unit, a radio, CD player, GSM hands-free telephone, GPS navigation system and traffic information. Since 2010 they have also offered equipment dedicated to connected services: the Connect Box.

### PEUGEOT CONNECT

Peugeot Connect offers a range of innovative services based on information sent directly from the vehicle. These include:

- Peugeot Connect SOS, for location-aware emergency calls, is fitted to 1,045,424 Peugeot brand vehicles;
- Peugeot Connect Assistance, for location-aware repair assistance;
- Peugeot Connect Fleet Management, for easier fleet management. All essential user and maintenance information is available remotely, with safety-related updates in the form of real-time email alerts. By promoting regular maintenance, the networked service also helps reduce the fleet's environmental impact. Peugeot Connect Fleet includes also fuel consumption and $CO_2$ emissions monitoring, as well as vehicle GPS tracking.

### CITROËN CONNECT BOX

The Citroën Connect Box (formerly eTouch) is an innovative solution available to individuals and professionals. It includes:

- a location-aware emergency call system and assistance service thanks to an embedded SIM card on more than 627,071 Citroen or DS vehicles;
- a virtual log, a diagnostic that displays any technical alerts, and monitoring of fuel consumption and $CO_2$ emissions and trends, available online (on the MyCitroën website) and *via* smartphone.

Remote fleet management is also available at Citroën: Citroën Connect Fleet Management, which offers the same features as Peugeot Connect Fleet Management.

### PEUGEOT CONNECT APPS AND CITROËN MULTICITY CONNECT

Peugeot Connect Apps (on the 208, 2008, New 308 and 508) and Citroën Multicity Connect (on the New Citroën C4 Picasso/Grand C4 Picasso and C4 Cactus) offer a scalable mobility solution in partnership with major brands: applications that function *via* the vehicle's touchscreen allow access to services that make travelling easier, safer and more personalised. A range of applications is also available for the New 308, 508 and New Citroën C4 Picasso/Grand C4 Picasso and C4 Cactus. This feature was available in 17 countries in 2014. Available at no extra cost, regardless of where the customer is in the world, this is an "all-in-one" solution featuring:

- exclusive plug-and-play operation: no factory options, no special orders, and no dealer configuration;
- an all-inclusive subscription created exclusively for PSA Peugeot Citroën (transparency and customer security): all-inclusive prepayment with no additional charges to worry about;
- enhanced driver experience: easy-to-read screen, hands-free dialling and guidance at the touch of a button, driver safety by blocking access to certain features when the vehicle is moving, etc.;
- a service that uses GPS and onboard vehicle indicators (speed, mileage, fuel level, vehicle service plan).

### CHINA: BLUE-I/CITROËN CONNECT/DS CONNECT

Drawing on its experience in Europe, in 2004 the Group launched connected service packages in China with its joint venture partners DPCA and CAPSA: Blue-i (Peugeot), Citroën Connect and DS Connect are now available in new vehicles. Designed to be compatible with the driving position, these round-the-clock services are offered to customers on a two-year contract. They allow access to emergency services and assistance and provide information on traffic, local points of interest and new vehicle features, as well as news updates. These in-car services are accompanied by a mobile app on the customer's smartphone. This includes, for example, a "last-mile guidance" system, enabling the customer to complete the journey on foot with guidance to the final destination after parking the vehicle.

### PEUGEOT/CITROËN MIRROR SCREEN

Launched in 2014 on the Peugeot 108 and Citroën C1, the Mirror Screen function duplicates compatible applications and content from the driver's smartphone so that this can be accessed *via* the 7" touchscreen tablet integrated into the vehicle's dashboard. Without the need for a subscription or additional subscription charges, the customer can reproduce the smartphone's apps and multimedia content for use in the car.

These applications are described as compatible because they are road-safety certified: controlled from the 7" touchscreen tablet or by voice command in some cases, there is no need to manipulate the phone directly. Peugeot/Citroën Mirror Screen requires the use of a compatible smartphone (list available from the brand websites).

#### 2.2.1.4.3. FINANCE OFFERING THAT MITIGATE ENVIRONMENTAL RISKS

In 2012, Banque PSA Finance (BPF) developed a specified financing deal for the Citroën C-Zéro, which allows customers to use the 100% electric vehicle at a promotional hire cost. At the end of a two-year lease, customers were given the option of renewing their contract in 2014, enabling them to continue using their "green" vehicle rather than return it. In total, 80% of customers opted to keep their vehicle based on this arrangement.

With a fleet of 430,000 Long-Term Rental vehicles, Banque PSA Finance is a major player in business car rentals in Europe; it is the sixth-largest in 31-country Europe (including Turkey).

For its "business" customers, the financing solutions designed for vehicle fleets allow customers, depending on their profile, to opt either for a variable budget based on the mileage driven by their vehicles, or for a constant budget for consistent use.

When bidding for tenders, in association with Peugeot, Citroën and DS, BPF offers its major corporate accounts eco-driving training for drivers of the vehicles financed. Drivers are taught how to improve their fuel economy, reducing emissions and the risk of accidents in the process. The training scheme encourages drivers to obey traffic regulations.

Finally, during calls for tender, Banque PSA Finance encourages customers to get a business pack, which includes a GPS and Bluetooth device so that they can restructure their travel time and reduce the risk of accidents.

BPF facilitates electric vehicle use by its customers by offering them service such as battery rental and maintenance, in the form of a general offer (rental of vehicle and battery), or in the form of a separate offer (battery rental only).

Banque PSA Finance also launched a public savings scheme in France in March 2013. This was followed by Belgium in September 2014 and Germany in October 2014.

In addition to diversifying its sources of financing, Banque PSA Finance sought to give its savings business a specific purpose: all of the funds collected are used to finance car loans so that customers can purchase vehicles from the three brands and to finance the dealer network business. BPF therefore actively contributes to supporting and developing the entire automotive industry.

## 2.2.2. INDUSTRIAL ECOLOGY OF GROUP SITES

The reporting scope, methodology and terminology are explained at the end of Chapter 2.

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

In 2013, the Industrial Division restructured its approach to managing the environmental impacts of its activities, to make it more effective and consistent with the priorities of the Group's CSR policy. The environmental policy of the Industrial Division applies to all industrial entities of the Regional Divisions. It aims to achieve an optimal level of operational efficiency by 2020. This vision requires all Group plants to embrace the "Excellent Plant" concept, on a par with the world's leading manufacturers, by pooling the know-how of the various industrial business lines, including environmental activities.

The Industrial Division's environmental policy contributes to the five issues that will be addressed throughout this section:

- **Energy performance and carbon footprint:**

  Reducing the carbon footprint of industrial activities based on two key priorities: reducing energy consumption as the principal means of reducing greenhouse gas emissions from its industrial facilities, and measuring and reducing the carbon footprint of logistics operations.

  Advocating the use of renewable energy wherever feasible.
- **Industrial discharges and pollution:**

  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:**

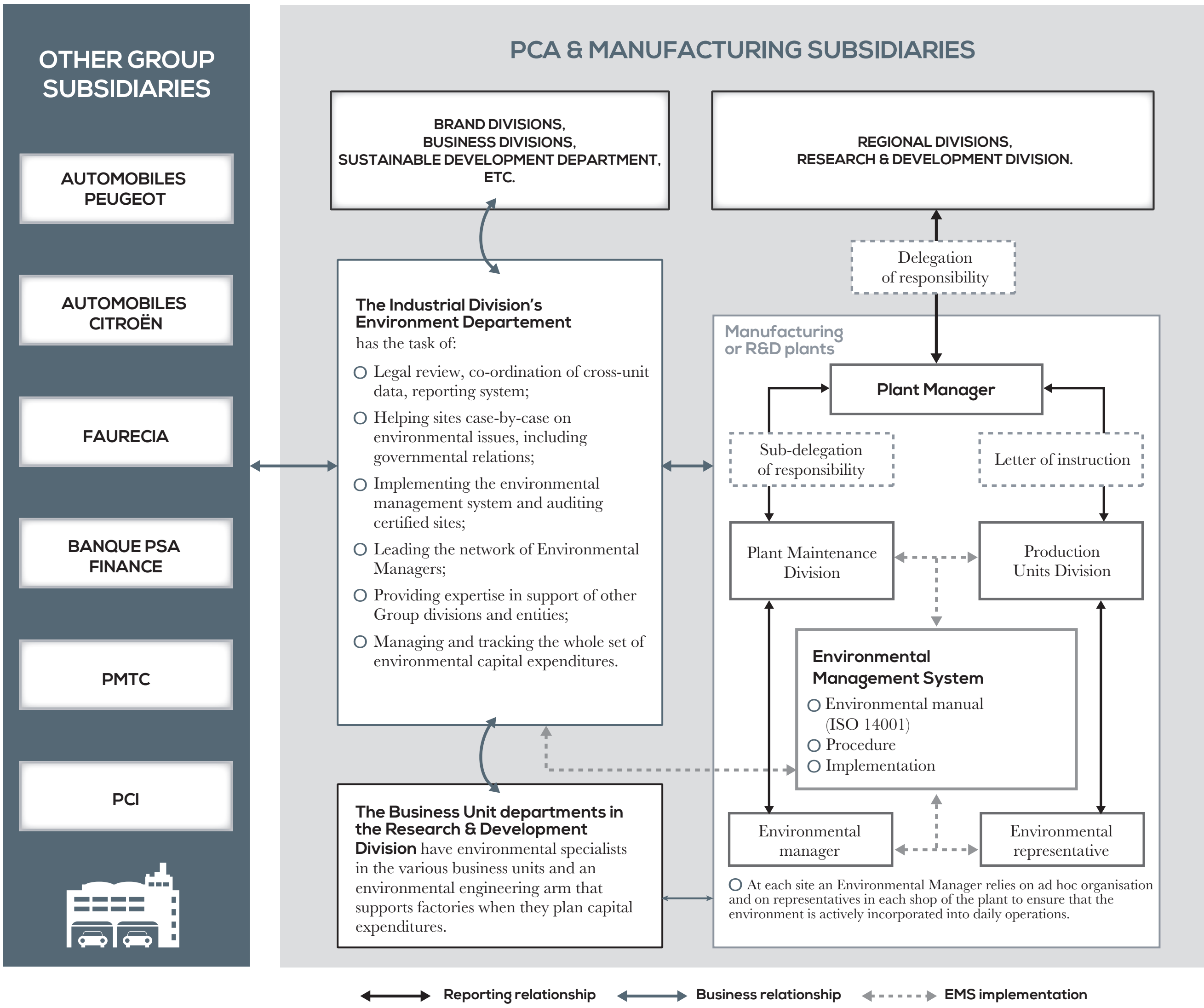
  Protecting the species identified, with a view to reducing the Group's impacts.

### A SOLID AND PROVEN ORGANISATIONAL STRUCTURE THAT GIVES THOUGHT TO ENVIRONMENTAL ISSUES IN PROCESSES G.20

For many years, the Group has been engaged in proactive environmental stewardship at its production, research and development sites and each secondary site, with a commitment to ensuring that their operations comply with local regulations, fully safeguarding the surrounding environment and the quality of life of host communities, while demanding continuous improvement.

First launched at PCA sites, this policy is being rolled out to the brand's dealerships. The Group's industrial strategy combines environmental stewardship with a commitment to continuous improvement based on a disciplined organisation, a methodology structured around the environmental management system (ISO 14001), the allocation of significant financial resources and an Environmental Management and Reporting Tool (ORGE), which has measured the environmental performance of each establishment since 1989. The Group is therefore prioritising and effectively tackling the major environmental issues associated with its activities.

In all, some 500 people are directly involved in managing the Group's industrial environment.




## BRAND DEALERSHIP NETWORKS

The vehicles of the three brands are distributed by points of sale owned by the Group and headed by Peugeot Citroën Retail (PCR), as well as by independent dealers.

Since 2008, the Group has had an information system for collecting, monitoring and consolidating environmental data from across its proprietary network. In addition, the building maintenance audit carried out in 2013 resulted in a database containing information on the various types of point-of-sale infrastructure as well as their state of repair. This database is analysed by the Group's Real Estate Division. In terms of monitoring consumption, a smart metering system has been installed at 126 points of sale.

Special attention is also given to new buildings. Indeed, the Group has drawn up a set of building rules, factoring in aspects of the building's energy performance, insulation, heating and ventilation, lighting, water and waste management.

The environmental strategies of the dealer network are overseen by environmental representatives appointed for each brand subsidiary. Finally, keen to make continuous improvements to the service it offers its customers, the Group also involves its network of independent dealers in its sustainable development efforts.

## FAURECIA

The monitoring of environmental issues within the Faurecia Group (environmental evaluation when necessary, management of discharge and pollution when regulatory constraints apply, management of waste generated by process activities, etc.) is decentralised and organised by Business Group.

Environmental policies are defined and deployed by the HSE (Health, Safety and Environment) Division of each Business Group. To accomplish their mission, these divisions have set up a network of HSE Managers at each of the divisions (which are primarily geographical), who are supported by HSE coordinators within each Faurecia site. They contribute their expertise to plant management, are responsible for the application of procedures and monitor compliance of regulations and Faurecia standards. This organisational structure also makes it possible to mainstream best practices to all sites within the same Business Group and/or between the four Business Groups. In some cases, this feedback can lead to standard group rules.

## AN ACTIVE CERTIFICATION POLICY G.20

### AUTOMOTIVE DIVISION

Within the Automobile Division, an environmental management system is in place on all Group production sites. It is based on the international standard ISO 14001, which is an acknowledged standard for management and organisation. The standard enables a company to formalise an environmental policy, identify the Significant Environmental Aspects of each facility and reduce their impact, draft the procedures and standards used to implement the policy, and guarantee regulatory compliance as part of a continuous drive for improvement, which is a foundational principle of environmental protection.

The purpose of ISO 14001 environmental certification for production and R&D facilities is the integration of sustainable development and environmentally responsible plans into Group operations. This approach involves the deployment of a system for preventing environmental impacts, incidents and damage and for effectively managing natural resource use and waste production. Moreover, certification guarantees the Group's environmental commitment to local authorities and the stakeholders.

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. Today, the process is being deployed in R&D and spare parts facilities. ISO 14001 is one of the compulsory standards for all new production plants, such as the Kaluga assembly plant in Russia, a joint operation with Mitsubishi, which obtained its ISO 14001 certification in April 2014.

The automotive industry cooperation ventures with Toyota, Dongfeng Motor Corp. and Fiat in Italy are already certified.

### FAURECIA

A total of 198 Faurecia facilities implement environmental management systems on a voluntary basis based on the international standard ISO 14001. The ISO 14001 certification allows Faurecia to meet the requests of its customers.

Compared with 2013, the number of sites certified or engaged in environmental management remains stable, at 65.5% of Faurecia sites. In 2014, five production plants also obtained certification. Of the sites not certified in 2013, 41.2% have decided to launch an action plan gradually enabling them to meet the requirements of an environmental management system.

## ACTIONS TAKEN TO TRAIN AND INFORM EMPLOYEES ON ENVIRONMENTAL PROTECTION G.21

### AUTOMOTIVE DIVISION

The key elements in successfully controlling the environmental impact at the sites are the competency and involvement of the individuals in the environmental sector.

To attain this objective within the automobile sector, the Group has identified an Environment Business in its core business developed for all its major activities. The environment business certified by PSA Peugeot Citroën University allows the training path for every major environmental contributor to be defined, thus aiding in the full completion of his or her activity. In addition, the Industrial Environment Department assists these individuals by exercising permanent monitoring (regulations and best practices).

In the plants, the identification of work areas that impact the environment is regularly updated and leads, for such areas, to the establishment of special training to ensure knowledge and mastery of the impact generated by these activities.

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 28,062 hours in 2014.

### FAURECIA

The implementation of ISO 14001 management systems by Faurecia sites is accompanied by training and raising awareness programmes with regard to the environmental domain. In 2014 the investment was increased, totalling €156,000 for sites present in 2013, or 17% more than the previous year. A total of 28,783 hours of training (+28% vs. 2013) were delivered to 33.5% of the permanent workforce (+2.7% vs. 2013) to improve their environmental management skills.

## MEASURES FOR THE PREVENTION OF ENVIRONMENTAL RISK, POLLUTION OR EFFLUENTS AT THE 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, as a performance metric for the Industrial Division, have led to ambitious targets being set for all aspects that it has the ability to influence: air emissions, control and reduction of natural resource consumption, reduction of discharges into water, waste, biodiversity management, and the implementation of appropriate methods and reliance on the involvement of all employees.

### RESOURCES IMPLEMENTED G.22

#### PRODUCTION SITES

The Industrial Division'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 2% of the amount of investment in industrial 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. So, despite a difficult economy, an annual investment plan of €3.5 million was launched in Europe in 2014. Finally, this department assures regulatory monitoring that allows capturing perspectives of structural regulatory development, and shares this information with the Management with regard to the concept of production methods in order to best anticipate future regulatory constraints.

### FAURECIA

Faurecia takes into account the reduction of the impact of its industrial activities on the natural surroundings in the immediate vicinity of its sites, especially in terms of the emission of pollutants in the air and in water, consumption of energy and generation of greenhouse gas, as well as waste production. In 2014, Faurecia spent a total of €16.49 million on environmental protection and equipment compliance at its various facilities, an increase of 20% from 2013.

## PROVISIONS FOR ENVIRONMENTAL RISK G.23

### PCA

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 classified as environmentally sensitive. By 2019, the Group will have financial guarantees of approximately €5 million.

### FAURECIA

In 2014, provisions for environmental risk totaling €5,697,000 were set aside for Faurecia.

## COMPENSATION PAID PURSUANT TO A LEGAL DECISION FOR ENVIRONMENTAL DAMAGE

### PCA

The Group did not have to pay any such compensation in 2014.

### FAURECIA

In 2014, Faurecia was not involved in any material litigation. The amount of environmental penalties totalled €100, a decrease of 93% on the previous year.

## 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 Division 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 foundry, machining, paint baking and heat treatment. Consequently, 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 32% and greenhouse gas (GHG) emissions by 50%.

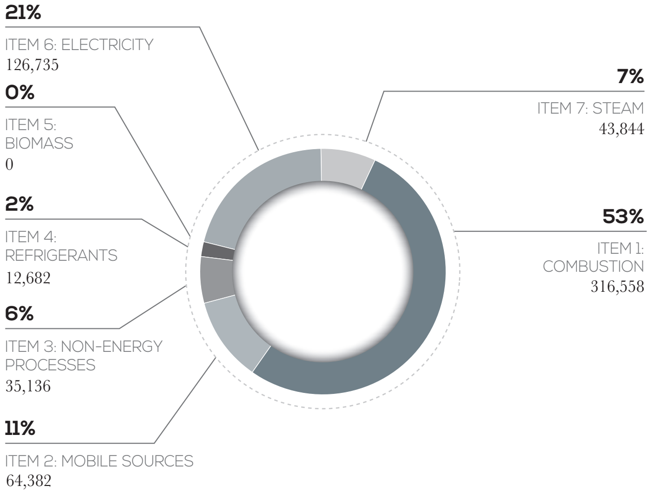
## SURVEYS OF GHG (GREENHOUSE GASES) EMISSIONS

Pursuant to Article L. 225-25 of the 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 (from a 2011 base).

Every company in question has established its check by applying the methodology established at the Group level, and has passed it on to the competent regional Prefect in December 2012.

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

*In. tonnes $CO_2$ equivalent*




An action plan for the period 2012 to 2014 formed part of the check with expected gains estimated at more than 60,000 tonnes of $CO_2$. The resulting actions adopted may be a plan for controlling energy (e.g. reduction of electricity or gas consumption in 2012), or specific actions for reducing GHG emissions (e.g. utilisation of refrigerants having a low Global Warming Potential).

In 2014, the decline in greenhouse gas emissions from energy consumption is estimated at over 100,000 tonnes of $CO_2$ equivalent at stations 1, 5, 6 and 7. This good performance resulted from (i) the aforementioned action plans, (ii) lower volumes of Group production from 2011 to 2014, and (iii) exceptionally mild weather in France in 2014.

In 2015, the Group will have go through the same exercise and produce a new greenhouse gas emissions report relative to the 2014 base year.

### 2.2.2.1.1. MANAGING ENERGY CONSUMPTION G.29

The first results of GHG emissions checks performed in 2012 have bolstered the action plans adopted by the Industrial Division to reduce the carbon footprint of plants. These initial results showed that 81% of greenhouse gas emissions emitted by the Group come from primary and secondary energy consumption. It makes sense therefore to tackle energy efficiency in order to reduce the carbon footprint of the Group's industrial activities.

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;
- reduction in logistics-related $CO_2$ emissions with an action plan extending until 2022;
- increasing the proportion of renewable energy in industrial processes.

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).

## ENERGY CONSUMPTION

DETAILED ENERGY CONSUMPTION

| | | Combustible energy | | | | | Non-combustible energy | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Non-renewable | | | | Renewable | | | |
| *(in MWh ncv)* | Year | Heavy fuels | HHO | NG + LPG | Coke | Biomass (wood) | Electricity | Steam | Total energy consumption |
| **Automotive** | **2014** | **-** | **3,818** | **1,540,952** | **76,713** | **14,376** | **2,218,139** | **143,707** | **3,997,705** |
| | 2013 | - | 4,789 | 1,926,517 | 85,797 | 16,070 | 2,239,859 | 206,428 | 4,479,460 |
| | 2012 | 4,556 | 4,987 | 1,988,909 | 87,181 | 3,185 | 2,360,695 | 239,655 | 4,689,168 |
| ***o/w PCA France*** | ***2014*** | ***-*** | ***3,606*** | ***994,651*** | ***76,713*** | ***14,376*** | ***1,615,187*** | ***142,530*** | ***2,847,063*** |
| | *2013* | *-* | *4,505* | *1,290,007* | *85,797* | *16,070* | *1,718,439* | *204,351* | *3,319,169* |
| | *2012* | *4,556* | *4,948* | *1,384,722* | *87,181* | *3,185* | *1,857,487* | *237,381* | *3,579,460* |
| **Automotive business** | **2014** | **565** | **12,128** | **120,576** | **-** | **-** | **123,274** | **3,751** | **260,293** |
| | 2013 | 524 | 14,650 | 159,489 | - | - | 137,862 | 5,756 | 318,281 |
| | 2012 | 339 | 19,012 | 170,921 | - | - | 143,250 | 4,691 | 338,213 |
| **Faurecia** | **2014** | **571** | **7,645** | **766,274** | **5,017** | **-** | **1,586,594** | **17,497** | **2,383,598** |
| | 2013 | 780 | 7,777 | 802,833 | - | - | 1,523,480 | 22,622 | 2,357,492 |
| | 2012 | 1,522 | 10,728 | 708,416 | - | - | 1,385,446 | 12,034 | 2,118,146 |
| **Other businesses** | **2014** | **-** | **-** | **13,578** | **-** | **-** | **7,278** | **-** | **20,856** |
| | 2013 | - | - | 20,207 | - | - | 8,205 | - | 28,412 |
| | 2012 | - | - | 21,703 | - | - | 11,702 | - | 33,405 |
| **TOTAL** | **2014** | **1,136** | **23,591** | **2,441,380** | **81,730** | **14,376** | **3,935,285** | **164,955** | **6,662,452** |
| | 2013 | 1,304 | 27,216 | 2,909,046 | 85,797 | 16,070 | 3,909,406 | 234,806 | 7,183,645 |
| | 2012 | 6,417 | 34,727 | 2,889,949 | 87,181 | 3,185 | 3,901,093 | 256,380 | 7,178,932 |

Heavy fuel oil= 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.

Total energy usage by plants in the Automotive Division fell 10.7% in 2014. In terms of the ratio of usage per painted vehicle, the decline was 6.4%. Good outcomes as to natural gas and steam (down 16.1% and 27% respectively) were in part achieved due to an especially mild climate in 2014 and in part through energy efficiency measures taken by management at the Group's facilities. The change in electricity usage per painted vehicle was worse off by 3.9%, but that was due to the addition of the Française de Mécanique plant in Douvrin to the scope of consolidation in 2014. At constant scope, this ratio would have decreased by 3.2%.

Data from the above-mentioned brands relate on average to 90% of the Group's sites in 2014 (97% in 2013, 98% in 2012) for direct energy consumption and 95% of their sites in 2014 (95% in 2013, 94% in 2012) for indirect energy consumption.

The decrease in energy consumption by the Peugeot Citroën Retail dealership network is the result of a consumption monitoring policy implemented by the facilities of the dealership network to save energy.

The Faurecia results indicated above relate on average to 98.39% of sites in 2014 (93% in 2013 and 97% in 2012) for direct energy consumption. Of the 251 sites in the 2014 scope, energy consumption totalled 2.4 million MWh (+0.33% from 2013). Electricity remains the most widely used energy source at Faurecia sites, of which almost 10% are from renewable sources. For example, the Essen site in Germany, the fourth-largest energy consumer in the Group, invested €1,175,000 in 2014 to complete the installation of a co-generation turbine so that it could benefit from some of the renewable power generated, measured as being equivalent to 27%. This investment has also allowed a system for intelligent management of the heating time of raw materials to be installed on five other machines at the site. The system is used to rationalise heating time, thereby reducing electricity consumption.

### 2.2.2.1.2. REDUCING INDUSTRIAL GREENHOUSE GAS EMISSIONS G.31 G.32

#### AUTOMOTIVE DIVISION

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.

Greenhouse gas emissions decreased by 50% compared to 1995 to 277 kg $CO_2$ eq. per vehicle. The greenhouse gas emissions from renewable energy sources stood at 2.5 kg $CO_2$ eq. per vehicle and come from biomass combustion, often considered neutral to the environment.

As far as direct emissions are concerned, these emissions logically follow changes in consumption of fuels on sites, and as for indirect emissions, they are dependent both on our consumption as well as the emission performance of our secondary energy suppliers. For 2014, the decline in energy consumption and the good performance of our suppliers in electrical and steam energies enabled the Group to lower its greenhouse gas emissions, thus representing a decrease of 83 kg $CO_2$ equivalent per vehicle.

The Industrial Division is aware of environmental issues related to greenhouse gas emissions, so it has set emission reduction targets to through beyond 2020 by setting an intermediate goal for 2018, when the Group plans to reach 300 kg $CO_2$ eq. per vehicle. Although this objective was amply met as of 2014, due in part to external factors, the Group maintains this objective and continues the fundamental work of improving the energy efficiency and the carbon footprint of its facilities. It should be noted that these targets were also established for a scope that does not include casting consumption so that the Group's results can be compared with those of other manufacturers that have no casting facilities.

#### BRAND DEALERSHIP NETWORKS

For the Group's own dealership networks, the environment cell of Peugeot Citroën Retail (PCR) has set up remote metre reading (values directly read every hour by metres at the points of sale and programmed to alert the site manager and the site savings manager by email or text message in case the system detects any anomalies), thus allowing energy-intensive sites to be identified, anomalies detected and their causes (by highlighting non-visible leaks or over-consumption due to improper use of facilities) found.

#### FAURECIA

For the past three years, Faurecia sites have been measuring Scope 1 (direct) and Scope 2 (indirect) emissions, as defined by ISO 14064. Over the 2014 scope, six sites were affected by the publication of the Greenhouse Gas Balance Sheet.

The most heightened use of electricity from 2013 caused a slight increase in indirect emissions of 3.4% (618,894 tonnes of $CO_2$ equivalent) by sites that existed in 2013.

#### 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.*

#### SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS (GHG)

*The calculation of direct GHG emissions expressed in tonnes of $CO_2$ eq. is carried out by applying coefficients (global warming powers) of, respectively, 298 for $N_2CO$ and 21 for $CH_4$ (source: IPCC reports, 2006 and 1995 respectively). Indirect emissions are calculated based on applying emissions factors, either obtained from suppliers or published by the (International Energy Agency 2011 data), to the purchased electricity and steam.*

| *(in tonnes)* | Year | $CO_2$ | $N_2O$ | $CH_4$ | Direct GHG emissions in $CO_2$ eq. (Scope 1) | GHG emissions from renewable sources ($CO_2$ eq.)* | Indirect GHG emissions in $CO_2$ eq. (Scope 2) | Total GHG emissions in $CO_2$ eq. (Scope 1 + Scope 2) |
|---|---|---|---|---|---|---|---|---|
| **Automotive** | **2014** | **343,212** | **13.9** | **22.1** | **347,813** | **4,859** | **181,884** | **529,696** |
| | 2013 | 425,764 | 17.4 | 27.7 | 431,526 | 5,430 | 289,319 | 720,845 |
| | 2012 | 440,265 | 18.0 | 28.6 | 446,214 | 1,078 | 235,196 | 681,409 |
| ***o/w PCA France*** | ***2014*** | ***230,778*** | ***9.0*** | ***14.3*** | ***233,755*** | ***4,859*** | ***64,307*** | ***298,061*** |
| | *2013* | *294,743* | *11.7* | *18.6* | *298,605* | *5,430* | *141,453* | *440,058* |
| | *2012* | *315,864* | *12.5* | *20.0* | *320,012* | *1,078* | *100,431* | *420,442* |
| **Automotive trade** | **2014** | **28,240** | **1.2** | **1.8** | **28,620** | **-** | **32,186** | **60,807** |
| | 2013 | 36,911 | 1.5 | 2.4 | 37,413 | - | 35,413 | 72,826 |
| | 2012 | 40,384 | 1.6 | 2.6 | 40,927 | - | 36,251 | 77,178 |
| **Faurecia** | **2014** | **161,114** | **6.9** | **10.6** | **163,406** | **-** | **637,463** | **800,869** |
| | 2013 | 170,083 | 7.3 | 11.1 | 172,499 | - | 602,461 | 774,960 |
| | 2012 | 150,940 | 6.5 | 9.7 | 153,066 | - | 539,648 | 692,714 |
| **Other businesses** | **2014** | **2,791** | **-** | **-** | **2,831** | **-** | **158** | **2,989** |
| | 2013 | 4,154 | 0.2 | 0.3 | 4,213 | - | 394 | 4,607 |
| | 2012 | 4,461 | 0.2 | 0.3 | 4,524 | - | 452 | 4,976 |
| **TOTAL** | **2014** | **535,537** | **22.1** | **34.7** | **542,670** | **4,859** | **851,691** | **1,394,361** |
| | 2013 | 636,912 | 26.4 | 41.5 | 645,651 | 5,430 | 927,587 | 1,573,238 |
| | 2012 | 636,050 | 26.2 | 41.1 | 644,731 | 1,078 | 811,547 | 1,456,278 |

* *Greenhouse gas emissions from the combustion of biomass are not included in direct emissions in accordance with the GHG Protocol guidelines.*

The 23.1% decrease in the greenhouse gas emission ratio between 2013 and 2014, is 40% attributable to this lower consumption in primary energies and the remaining 60%, to the outstanding performance of our principal supplier of electricity in France, from which the Group buys 81% of its electricity. The emission factor from electricity generation fell 51% from 2013 to 2014 owing to the exceptionally mild climate in France and the avoidance of using thermal power plants to generate the extra energy necessary to supply the French grid.

The above-mentioned data from the brands was reported from the same proportion of sites as for energy consumption (see explanations on page 55).

## FAURECIA

The above-mentioned data from Faurecia was reported from sites in the 2014 scope.

Direct Greenhouse Gas (GHG) emissions from Faurecia sites present in 2013 generated 159,863 tonnes of $CO_2$ equivalent in 2014, representing a decrease of 5.3% from 2013. This reduction in emissions was the result of equipment maintenance and renewal efforts that focused on the reduction in use of high-carbon energy in favour of electricity.

Emissions associated with leaks of refrigerant gases used in air conditioning and refrigeration systems represent 4.7% of direct emissions measured this year and less than 1% of the Group's Scope 1 and 2 emissions. In compliance with the international regulations related to the Montreal Protocol, Faurecia has maintained its efforts to reduce the use of R22 refrigerant gas (-16% gas refilled in facilities compared to 2013), which will be permanently banned in Western countries by 2020.

Indirect emissions are calculated based on the purchase of electricity in compliance with emission factors published by the IEA (International Energy Agency – 2013 version). The greater use of electricity compared to 2013 caused a slight increase of 3.4% in indirect emissions (or 618,894 tonnes of $CO_2$ equivalent) from sites present in 2013.

## 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 and Vigo in Spain)

During the first two 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 |

* *Sum of verified PSA Peugeot Citroën emissions and theoretical emissions related to purchased steam, for which we receive allowances.*

Beginning 1 January 2015, by decision of the EC, the automotive operations have been put on the list of industries exposed to carbon leakage, with, importantly, a revised set of allowances, in the process of being determined by the relevant authorities.

## 2.2.2.2. INDUSTRIAL DISCHARGE AND POLLUTION: CONTROLLING THEIR IMPACT ON THE ENVIRONMENT AND SURROUNDING COMMUNITIES

### 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 2013, 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;
- deploying water-based paints and other clean technologies in new facilities, particularly in the new Kaluga facility in Russia, which is equipped with this effective technology;
- 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 2.82 kg of VOCs emissions per vehicle produced for PCA in 2014.

#### VOC EMISSIONS FROM PAINTSHOP FACILITIES

*Note: VOCs 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** | **2014** | **5,393** | **2.82** |
| | 2013 | 5,885 | 2.94 |
| | 2012 | 6,597 | 3.28 |
| ***o/w PCA France*** | ***2014*** | ***1,707*** | ***1.93*** |
| | *2013* | *1,953* | *2.31* |
| | *2012* | *3,303* | *3.12* |
| **Faurecia** | **2014** | **nc*** | |
| | 2013 | 2,366 | |
| | 2012 | 1,970 | |
| **Other businesses** | **2014** | **6** | |
| | 2013 | 8 | |
| | 2012 | 4 | |
| **TOTAL** | **2014** | **5,399*** | |
| | 2013 | 8,259 | |
| | 2012 | 8,571 | |

* *Each of Faurecia's Business Groups agrees to do what is necessary in 2015 to see that the data as to $CO_2$ emissions are reliable, so that they can be published in its Registration Document next year.*

For the Automotive Division in 2014, a reduction of 8.3% in VOC emissions was observed, as well as a reduction of 3.9% in the ratio of VOCs emission per painted vehicle. This improvement can be attributed mainly to a plan of managing and controlling consumption of solvents that resulted in significantly reducing emissions from solvent-based paint installations and improving the results of installations that are already low-emission as a result of their process using water-soluble paints. It can also be the result of the final conversion of painting facilities at the Sochaux factory, which has switched three solvent-based paint lines to lines that use water-soluble paints.

Faurecia seeks to limit emissions of Volatile Organic Compounds (VOCs), which are regulated because of the role they play in the formation or accumulation of harmful compounds such as ozone in the environment. Faurecia Automotive Exteriors industrial sites represent the Group's largest source of VOC emissions, as its activity requires significant use of paints and solvents. The other BGs may also emit VOCs. At Faurecia Interior Systems, this is due to the use of paints and glues for some of its production lines.

### 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. Also in 2012, the Group finally stopped using fuels rich in sulphur compounds including heavy fuel oil, which caused residual $SO_2$ emissions of about five tonnes in 2014.

At the same time, nitrous 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).

Two major modernisation projects for the centralised boilers at the Sochaux and Mulhouse plants were completed in 2014. New gas boilers that incorporate the best performance and other technologies available contribute to the reduction of emissions of pollutants from fuels.

### 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** | **2014** | **4.9** | **344.7** |
| | 2013 | 6.1 | 429.5 |
| | 2012 | 14.0 | 436.5 |
| ***o/w PCA France*** | ***2014*** | ***3.7*** | ***226.6*** |
| | *2013* | *4.7* | *291.8* |
| | *2012* | *12.8* | *305.9* |
| **Automotive trade** | **2014** | **5.4** | **30.8** |
| | 2013 | 6.3 | 40.0 |
| | 2012 | 7.5 | 44.0 |
| **Faurecia** | **2014** | **10.0** | **169.1** |
| | 2013 | 14.8 | 178.9 |
| | 2012 | 18.3 | 159.2 |
| **Other businesses** | **2014** | **0.0** | **2.9** |
| | 2013 | 0.0 | 4.4 |
| | 2012 | 0.0 | 4.2 |
| **TOTAL** | **2014** | **20.4** | **547.5** |
| | 2013 | 27.3 | 652.8 |
| | 2012 | 39.9 | 643.9 |

For the Automotive Division, the Group is seeking to do away with reliance on the most polluting forms of energy. Accordingly, since 31 December 2012, the Group's industrial plants no longer have production equipment using fuel oil.

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

## 2.2.2.2.2. PROTECTING THE SOIL G.24 G.30

### AUTOMOTIVE DIVISION

Within the Automotive Division, the Group is committed to identifying any pre-existing soil contamination at 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.

In every case, 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.

#### DEALERSHIP NETWORKS

Within the dealership networks of the brands, Peugeot Citroën Retail's (PCR) environment cell carries out extensive soil and diagnostic studies on the installations identified as potentially the most polluting at the time of sale or transfer. In case of proven pollution, the Group implements an action plan to treat this pollution, in compliance with regulatory constraints, for making the site compatible with the intended use after it is has been sold or transferred.

#### FAURECIA

Worldwide, Faurecia sites occupy an area of 1,093 hectares. This figure is a slight increase from the previous year (+5%) because of the acquisition of 18 additional sites within the Group. 68.2% of the area occupied is rainwater-resistant. The so-called waterproof area includes the areas occupied by buildings, parking spaces, roads and other impervious surfaces. The Group aims to discover what past pollution may be present in the soils of its sites. A the instigation of the public authorities, or on its own initiative, the Group recorded 120 sites representing 47% of those surveyed, carried out a soil and groundwater survey for identifying at least the consequences of past activity and the environmental impact of the site set up.

Soil and groundwater pollution checks are also carried out in compliance with regulatory requirements, and also as part of environmental due diligence audits requiring in-depth examination.

### 2.2.2.2.3. REDUCING OTHER FORMS OF POLLUTION IN LOCAL COMMUNITIES G.26

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.

## 2.2.2.3. WASTE AND MATERIAL CYCLES: STANDARDISING RAW MATERIAL CONSUMPTION AND OPTIMISING RECYCLING OF WASTE

### 2.2.2.3.1. CONSUMPTION OF RAW MATERIALS G.28

#### DEVELOPMENT OF THE CIRCULAR ECONOMY

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 recovery and recycling. For some plants, the Group is also studying potential opportunities to exchange resources and waste as part of industrial ecology experiments.

#### RAW AND RECYCLED MATERIALS CONSUMED (FOR PCA, DIRECT MATERIAL)

The Group's 2014 raw materials use was as follows:

- 2,195,000 tonnes of steel (vs. 2,230,000 tonnes in 2013) of which 770,000 tonnes directly (vs. 800,000 tonnes in 2013);
- 275,000 tonnes of non-ferrous metals (vs. 258,000 tonnes in 2013) of which 63,000 tonnes of aluminium directly (vs. 57,000 tonnes in 2013);
- 460,000 tonnes of synthetic materials (vs. 540,000 tonnes in 2013) including 260,000 tonnes of polymers and 32,000 tonnes of elastomers.

The works on the reduction of vehicle mass entailed an overall decrease in material masses, particularly steel in the production of the Group's vehicles.

#### RAW AND RECYCLED MATERIALS CONSUMED (FOR FAURECIA)

The reduction of the quantities of materials used within the plants is therefore a major area of improvement for each of the BGs so that the objectives set by the Group can be fulfilled.

The metals were mainly used for manufacturing seats and exhaust pipes representing 52% and 48% respectively of the use of this raw material. Plastics are mainly used for the manufacturing of instrument panels and rear bumpers: Faurecia Interior Systems uses 57% of this raw material, whereas Faurecia Automotive Exteriors uses 23%. All fibres and textiles are used primarily for the design and conception of the interior trim of a model.

In total, industrial sites recycled 3% of raw materials on-site (non-metallic raw materials). In detail, with regard to raw materials purchased, in 2014, 2.9% of plastic materials, 3.3% of fibres and 5.6% of solvents purchased were recycled internally.

### 2.2.2.3.2. WASTE MANAGEMENT G.25

Within the Automotive Division, 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 produced has been reduced by 60%;
- 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 landfilling. 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 has now reached 88% excluding metal waste.

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

When metal waste is taken into account, Group plants reclaim or recycle around 96% of their process waste.

The Peugeot Citroën Retail France dealership network signed a two-year domestic waste management contract with Véolia and Chimirec which started on 1 January 2012 for all hazardous and non-hazardous waste. This contract includes products and operations ranging from sorting, processing and conditioning of waste, collecting waste from the sites, transporting it, as well as creating awareness among and training operators who deal with the waste produced in the dealership networks.

All Faurecia sites, especially the production sites, aim to reduce the mass of waste generated during the manufacturing process. In 2014, a total of:

- 53.5% of waste was recycled; and
- 13% of waste was incinerated and recovered as energy.

In 2014, the sites generated 230,467 tonnes of waste. Non-hazardous waste constitutes the largest share, with 147,225 tonnes (non-metallic waste). Furthermore, 100% of scrap metal (scrap, cast iron) is recovered and recycled by foundries. This represents about 25% of the tonnage of waste generated by Faurecia.

## TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD

AUTOMOTIVE (EXCLUDING METAL WASTE RECYCLED NEARLY 100%)

| *(in tonnes)* | Year | Landfilling | Recovery and recycling | Other disposal methods | Total | On-site recycling |
|---|---|---|---|---|---|---|
| **Foundry waste** | **2014** | **3,316** | **45,550** | **44** | **48,909** | **80,578** |
| | 2013 | 4,251 | 46,892 | 27 | 51,170 | 92,976 |
| | 2012 | 7,118 | 47,235 | 54 | 54,406 | 101,842 |
| **Non-hazardous process waste** | **2014** | **6,636** | **58,786** | **1,745** | **67,168** | **4,017** |
| | 2013 | 10,868 | 73,214 | 1,891 | 85,973 | 5,401 |
| | 2012 | 14,844 | 73,331 | 1,693 | 89,868 | 1,209 |
| **Hazardous process waste** | **2014** | **760** | **18,473** | **15,138** | **34,371** | **0** |
| | 2013. | 1,293 | 16,568 | 18,794 | 36,655 | 0 |
| | 2012 | 1,686 | 17,764 | 17,109 | 36,560 | 0 |
| **TOTAL** | **2014** | **10,712** | **122,809** | **16,927** | **150,448** | **84,595** |
| | 2013 | 16,412 | 136,673 | 20,713 | 173,798 | 98,376 |
| | 2012 | 23,648 | 138,330 | 18,856 | 180,833 | 103,050 |

Non-hazardous process waste; Hazardous process waste.

The table above does not include the metal waste (444,282 tonnes in 2014) 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 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.

The reduction in the quantity of no-hazardous process waste between 2013 and 2014 was linked to a reduction in packaging waste throughout all the Group's sites.

The quantity of buried waste was reduced by about 5,700 tonnes between 2013 and 2014. This outcome was largely due to a reduction of waste production in plants outside Europe (Kaluga in Russia, Buenos Aire in Argentina and Porto real in Brazil). In addition, the industrial sites of Trnava, Sochaux, Mulhouse and Poissy 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-METALLIC WASTE)

| *(in tonnes)* | Year | Landfilling | Recovery and recycling | Other disposal methods | Total | On-site recycling |
|---|---|---|---|---|---|---|
| **Foundry waste** | **2014** | **3,316** | **45,550** | **41** | **48,907** | **80,211** |
| | 2013 | 4,251 | 46,892 | 27 | 51,170 | 92,976 |
| | 2012 | 7,118 | 47,235 | 54 | 54 | 101,842 |
| **Non-hazardous process waste** | **2014** | **964** | **30,669** | **1,583** | **33,216** | **4,017** |
| | 2013 | 1,279 | 33,407 | 1,743 | 36,429 | 5,219 |
| | 2012 | 1,730 | 43,699 | 1,612 | 47,041 | 1,209 |
| **Hazardous process waste** | **2014** | **183** | **13,600** | **12,482** | **26,265** | **0** |
| | 2013 | 301 | 13,283 | 14,251 | 27,835 | 0 |
| | 2012 | 779 | 14,512 | 12,857 | 28,147 | 0 |
| **TOTAL** | **2014** | **4,463** | **89,818** | **14,106** | **108,388** | **84,228** |
| | 2013 | 5,831 | 93,582 | 16,021 | 115,434 | 98,195 |
| | 2012 | 9,626 | 105,446 | 14,523 | 129,595 | 103,050 |

Non-hazardous process waste; Hazardous process waste.

BRAND NETWORK SCOPE (NON-METALLIC WASTE)

| *(in tonnes)* | Year | Landfilling | Recovery and recycling | Other disposal methods | Total |
|---|---|---|---|---|---|
| **Non-hazardous process waste** | **2014** | **5,654** | **4,591** | **19** | **10,264*** |
| | 2013 | nd | nd | nd | 10,002 |
| | 2012 | 3,605 | 8,096 | 92 | 11,793 |
| **Hazardous process waste** | **2014** | **302** | **3,463** | **192** | **3,957*** |
| | 2013 | nd | nd | nd | 4,115 |
| | 2012 | 554 | 3,526 | 187 | 4,267 |
| **TOTAL** | **2014** | **5,959** | **8,054** | **211** | **14,221*** |
| | 2013 | nd | nd | nd | 14,117 |
| | 2012 | 4,159 | 11,622 | 279 | 16,060 |

Non-hazardous process waste; Hazardous process waste.

* *Implementing an action plan again makes it possible in 2014 to publish waste destination data by manufacturing chain outside of France. This action plan will broaden the scope of the data.*

The above-mentioned data from brands was reported from an average 86% of their sites in 2014 (85% in 2013 and 83% in 2012).

When the disposal method is not known, the waste is considered to have been landfilled.

This table does not include metallic and demolition waste (respectively 2,066 tonnes and 6 tonnes in 2014).

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

| *(in tonnes)* | Year | Put into landfills | Recovery and recycling | Other disposal methods | Total | On-site recycling |
|---|---|---|---|---|---|---|
| **Non-hazardous process waste** | **2014** | **56,154** | **87,779** | **3,292** | **147,225** | **12,477** |
| | 2013 | 54,513 | 84,751 | 3,675 | 142,939 | 2,136 |
| | 2012 | 51,059 | 61,657 | 2,754 | 115,470 | 13,472 |
| **Hazardous process waste** | **2014** | **4,150** | **8,827** | **13,631** | **26,608** | **461** |
| | 2013 | 3,220 | 7,813 | 7,916 | 18,949 | 328 |
| | 2012 | 2,761 | 6,723 | 6,803 | 16,287 | 0 |
| **TOTAL** | **2014** | **60,304** | **96,606** | **16,923** | **173,833** | **12,938** |
| | 2013 | 57,733 | 92,564 | 11,591 | 161,888 | 2,464 |
| | 2012 | 53,820 | 68,380 | 9,557 | 131,757 | 13,472 |

Non-hazardous process waste; Hazardous process waste.

The above-mentioned data from Faurecia was reported from an average 94% of their sites in 2014.

The table above does not include the metallic waste (56,773 tonnes in 2014) almost all of which was recycled.

2014 totals:

- 53.5% of waste was recycled;
- 13% of waste was incinerated and recycled as energy.

In 2014, Group sites produced 230,467 tonnes of waste. Non-dangerous waste made up the majority with 147,225 tonnes (excluding metallic waste). Furthermore, 100% of metallic waste (scrap iron, castings) are recovered and recycled by the foundries. This represents 25% of the waste tonnage generated by Faurecia.

OTHER BUSINESSES (NON-METALLIC WASTE RECYCLED NEARLY 100%)

| *(in tonnes)* | Year | Landfilling | Recovery and recycling | Other disposal methods | Total |
|---|---|---|---|---|---|
| **Non-hazardous process waste** | **2014** | **101** | **427** | **0** | **529** |
| | 2013 | 81 | 450 | 0 | 531 |
| | 2012 | 123 | 338 | 24 | 485 |
| **Hazardous process waste** | **2014** | **0** | **63** | **48** | **111** |
| | 2013 | 0 | 56 | 87 | 143 |
| | 2012 | 9 | 173 | 278 | 459 |
| **TOTAL** | **2014** | **101** | **490** | **48** | **640** |
| | 2013 | 81 | 506 | 87 | 674 |
| | 2012 | 132 | 510 | 302 | 944 |

*NB: The table above does not include the 327 tonnes of metal waste produced in 2014 and the 276 tonnes produced in 2013, nearly all of which was recycled, or the 4 tonnes of manufacturing waste produced in 2014.*

The reduced volume of waste within PCI and PMTC is largely due to the closing of the Dannemarie PMTC site.

## 2.2.2.4. CONTROLLING THE WATER CYCLE ON FACILITIES

### 2.2.2.4.1. REDUCING WATER CONSUMPTION G.27

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 70.4% 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 WITHDRAWALS

| *(in $m^3$)* | Year | City water | Surface water | Underground water | Total |
|---|---|---|---|---|---|
| **Automotive** | **2014** | **1,873,845** | **2,941,544** | **3,194,230** | **8,009,619** |
| | 2013 | 1,951,262 | 3,259,761 | 3,384,130 | 8,595,153 |
| | 2012 | 1,967,131 | 3,929,592 | 3,870,874 | 9,767,597 |
| ***o/w PCA France*** | ***2014*** | ***942,877*** | ***1,996,341*** | ***2,585,244*** | ***5,524,462*** |
| | 2013 | 1,040,016 | 2,755,334 | 2,394,104 | 6,189,454 |
| | 2012 | 1,127,770 | 3,549,403 | 3,008,011 | 7,685,184 |
| **Automotive trade** | **2014** | **559,722** | **0** | **0** | **559,722** |
| | 2013 | 613,190 | 0 | 0 | 613,190 |
| | 2012 | 676,854 | 0 | 2 | 676,856 |
| **Faurecia** | **2014** | **2,209,653** | **595,967** | **1,199,473** | **4,005,093** |
| | 2013 | 2,019,282 | 684,032 | 924,151 | 3,627,465 |
| | 2012 | 1,882,862 | 654,418 | 1,107,469 | 3,644,749 |
| **Other businesses** | **2014** | **9,626** | **0** | **0** | **9,626** |
| | 2013 | 11,688 | 0 | 0 | 11,688 |
| | 2012 | 13,512 | 0 | 0 | 13,512 |
| **TOTAL** | **2014** | **4,652,846** | **3,537,511** | **4,393,703** | **12,584,060** |
| | 2013 | 4,595,422 | 3,943,793 | 4,308,281 | 12,847,496 |
| | 2012 | 4,540,359 | 4,584,010 | 4,978,345 | 14,102,714 |

The consumption of water within the Automotive Division decreased by 7% compared to the year 2013. After a worsening of the water consumption ratio per painted vehicle, the causes of which were identified in 2012, an action plan was adopted between 2013 and 2014 at the Group's factories to once again get this figure to decline. In 2014, the decline in greenhouse gas emissions from energy consumption is estimated at over 100,000 tonnes of CO2 equivalent at stations 1, 5, 6 and 7. This good performance resulted from (i) the aforementioned action plans, (ii) lower volumes of Group production from 2011 to 2014, and (iii) exceptionally mild weather in France in 2014.

In 2015, the Group will have go through the same exercise and produce a new greenhouse gas emissions report relative to the 2014 base year.

Data for the brands was reported from 88% of its sites in 2014 (84% in 2013 and 86% in 2012).

Data for Faurecia was reported from 100% of the scope of consolidation in 2014 (89% in 2013). Water was used mainly in industrial production and cooling processes for automotive parts, as well as in the sanitation system. In total, the Faurecia sites present in 2013 consumed 3,954 million $m^3$ during 2014, 8% more than the previous year. The part dedicated to the cooling system represents 43% of total water consumption or 1.712 million $m^3$. Groundwater extraction is connected mainly with two industrial sites, one based in Germany and the other in France. This is done using open cooling circuits: all water extracted is discharged into the natural environment after cooling. In both cases, the site monitors the temperature prior to discharge. The environmental impact is low. At the same time, when water is contaminated during the manufacturing process and must be treated before discharge, the sites most often use the collective network.

Some sites are taking action to reduce water consumption:

- the Marckolsheim plant, which is responsible for the collection of 16% Faurecia groundwater consumption (197,247 $m^3$), implemented a closed-circuit cooling system for its welders this year;
- in one year, the Dexter site, based in the United States, decreased its water consumption 61% through the establishment of a closed cooling circuit.

### 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.

At Faurecia, groundwater extraction is related mainly to two industrial sites, one based in Germany and the other in France, and this is done using open cooling circuits: all water extracted is discharged into the natural environment after cooling. In both cases, the site monitors the temperature prior to discharge. The environmental impact is low. At the same time, when water is contaminated during the manufacturing process and must be treated before discharge, the sites most often use the collective network.

GROSS EFFLUENT DISCHARGE, EX-WORKS G.24

| *(in kg/year)* | Year | COD | DBO5 | SM |
|---|---|---|---|---|
| **Automotive** | **2014** | **1,325,742** | **483,680** | **283,031** |
| | 2013 | 1,284,528 | 428,342 | 372,479 |
| | 2012 | 1,374,178 | 552,685 | 363,743 |
| ***o/w PCA France*** | ***2014*** | ***713,168*** | ***188,829*** | ***180,303*** |
| | 2013 | 824,473 | 220,781 | 254,093 |
| | 2012 | 787,537 | 273,879 | 227,649 |
| **Faurecia** | **2014** | **nc** | **nc** | **nc** |
| | 2013 | nc | nc | nc |
| | 2012 | nc | nc | nc |
| **Other businesses** | **2014** | **782** | **281** | **34** |
| | 2013 | 923 | 364 | 35 |
| | 2012 | 520 | 197 | 27 |
| **TOTAL** | **2014** | **1,326,524** | **483,961** | **282,065** |
| | 2013 | 1,285,451 | 428,706 | 372,514 |
| | 2012 | 1,374,698 | 552,882 | 363,770 |

COD= Chemical oxygen demand BOD5: Biochemical oxygen demand after five days; SM: Suspended matter; n/c: not communicated.
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.

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.

## 2.2.2.5. PROTECTION OF NATURAL ENVIRONMENTS AND BIODIVERSITY EFFORTS G.26 G.33

The Group's carmaking operations do not intrinsically pose a high risk to the environment. The manufacturing facilities are quite large, however, due to the demands of mass-market production.

### 2.2.2.5.1. LOCATIONS NEAR PROTECTED AREAS

#### INDUSTRIAL SITES

The Group's manufacturing facilities worldwide include 22 manufacturing plants and 13 study centres and tertiary sites. These 35 facilities occupy an area of about 3,901 hectares, of which 47% are waterproofed. The impermeable nature of the soil limits the infiltration of water into the soil, which can be, depending on the receiving environment, a factor in flooding. Consequently, the Group is creating ways to limit its stormwater discharges, especially during expansion projects with, for example, the implementation of storm basins.

Furthermore, most of these sites are located in suburban industrial areas. No site is included in a space defined as wetland (RAMSAR convention) or as an area regulated for the protection of fauna and Flora (national parks, Natura 2000, nature reserves areas, areas covered by biotope orders, etc.). And even though some facilities (Bessoncourt, Caen, Charleville, La Ferté Vidame, Mulhouse, Sept-Fons, Trnava, Valenciennes and Vesoul) are located near these areas, their proximity has no consequence identified so far on the environments concerned.

Measures required to preserve natural habitats, flora and fauna, as well as to ensure the tranquillity of neighbouring communities, are assessed and defined during initial or supplemental environmental impact studies conducted before the installation of any new plant facilities or equipment whose content is defined by regulations. These studies assess the sensitivity of natural environments located in the immediate vicinity of the sites, and particularly the proximity of special protection areas of fauna and flora. 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 addition to these studies, analyses of the environmental impacts from business activity are conducted annually using the ISO 14001 environmental management system in all of the Group's certified sites.

They allow the management of these issues (objectives, performance monitoring, etc.).

### 2.2.2.5.2. MAJOR BIODIVERSITY EFFORTS

Since facilities and the regions in which they are located have very different characteristics, each facility is granted considerable independence in setting up its biodiversity management programme. The plants in Rennes (France) and Madrid (Spain) have conducted flora assessments so that their open space management programmes can be adjusted accordingly. The production facilities in Porto Real (Brazil) and Sochaux (France) have rehabilitated land on which to plant indigenous species. Forests at the Belchamp and La Ferté Vidame sites have earned Pan-European Forest Certification (PEFC) for their sustainable management practices).

Sevel Nord has also drawn up a biodiversity inventory on its site and has implemented an initiative for the development of hives. Apart from the symbolic impact on the production of local honey, this approach is a good indicator of the condition of the nature in the immediate surroundings.

### FAURECIA

90% of plants within the scope of reporting are located in an urban or industrial area. Twenty-seven sites (17 production sites, 8 assembly sites and 2 sites for research and development) are located less than 3 km from a protected area. These 27 establishments are located on a total of 144 hectares of land. Faurecia attaches importance to the quality of its facilities in the regions in which the Group operates. The Flers Caligny production plant is a good example of what can be done to protect the surrounding area from noise pollution. The site has two land embankments, vegetated slopes that hide operations, thus isolating the vicinity from any noise generated by industrial activity.

### "THE PEUGEOT CARBON SINK PROJECT IN THE AMAZON": AN ENVIRONMENTAL, SCIENTIFIC AND SOCIO-ECONOMIC COMMITMENT

The Peugeot brand, in partnership with France's National Forestry Office (ONF), is pursuing the carbon sink project it has sponsored in the Amazon since 1998. Scheduled to run through 2038, the project involves reforesting vast areas of deteriorated land and restoring biodiversity in the Brazilian state of Mato Grosso, while studying the relationship between reforestation and the absorption of atmospheric carbon dioxide.

The reforestation initiative is helping to revitalise the biodiversity, especially by maintaining native plant species, with the aim of restoring balance to the ecosystem. More than two million trees representing around 50 species have already been planted over a total estimated surface area of 2,000 hectares.

The Amazon rainforest is home to more than half of the world's terrestrial biodiversity.

### INTENSIFIED $CO_2$ SEQUESTRATION

For the first 15 years of existence, the amount of sequestered $CO_2$ is estimated at 384,655 tonnes, of which 218,425 tonnes is VCS (Verified Carbon Standard) certified. The carbon inventory published in late 2014 confirms acceleration over the past years of around 50,000 tonnes per year to date, compared to 30,000 tonnes annually, of which half was VCS-certified during the first ten years of the project. Sequestration varies from one plot of land to another, depending on the method of planting (spacing) and the species planted. The calculations are based on the AR/ACM0001 methodology of the IPCC (Intergovernmental Panel on Climate Change).

The carbon credits were sold following the VCS protocol methodology in line with international rules and regulations. The carbon credits generated by the carbon sequestration project were certified through two audits, one by Ernst & Young and the other by TUV-SUD. The award of this quality label by recognised, independent observers reflects the project's importance and the partners' disciplined scientific approach.

The Peugeot-ONF carbon sink project is the first reforestation project in Brazil to generate certified carbon credits following the VCS certification label and the second in South America. The results of the inventory completed in 2014 will determine with accuracy how many VCS credits will be added to the 110,000 tonnes already generated during the first certification in 2011. The purpose of this operation is to provide additional funding for the reforestation of the project. In total, 2 million trees from over 50 natural species have been reintroduced onto more than 2,000 hectares of land.

### PETRA: THE CARBON SINK AT THE HEART OF A REGIONAL AND INTERNATIONAL DYNAMIC

The carbon sink's long-term success hinges on its seamless integration into the region's economic and social fabric. This has led to the creation of local jobs to help raise awareness about the future of forests and the importance of preserving them. In 2012, the project partners set up PETRA (an experimental platform for the management of Brazilian Amazon rural lands).

Nearly 20 French and Brazilian governmental, private and university organisations took part in the first Scientific Council of PETRA, which was held alongside the 14th Scientific and Technique Council of the carbon sink project in April 2014. This council allowed around 50 French, Brazilian and African experts participating to demonstrate the interest and exemplary nature of the initial project launched by Peugeot and the ONF in 1998.

# 2.3. COMPANY SUSTAINABLE DEVELOPMENT COMMITMENT

## 2.3.1. PURCHASING: ASSUMING RESPONSIBILITY AS THE GROUP'S PRINCIPAL

### 2.3.1.1. RESPONSIBLE PURCHASING, A KEY PERFORMANCE DRIVER FOR THE GROUP

#### PURCHASING CHALLENGES G.39

Purchasing is a major challenge for the Group. The amount of the purchases by the automotive and banking divisions of PSA Peugeot Citroën in 2014 was €21.4 billion, which corresponds to 39.9% of the Group's total revenue.

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

Purchases by the automotive and banking divisions break down as follows:

WORLDWIDE PURCHASES IN 2014 BY REGION

| | Europe | | Eurasia (incl. Russia) | | AMLAT | | China and South Asia | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | Amount | %* | Amount | %* | Amount | %* | Amount | %* | Total |
| Direct material | 16,155 | 94.87% | 102 | 0.60% | 760 | 4.46% | 13 | 0.07% | 17,030 |
| Spare parts | 1,368 | 97.64% | 0 | 0% | 33 | 2.36% | 0 | 0% | 1,401 |
| Indirect Machinery & Equipment | 2,691 | 92.13% | 0 | 0% | 230 | 7.87% | 0 | 0% | 2,921 |
| **TOTAL** | **20,214** | **94.67%** | **102** | **0.60%** | **1,023** | **14.69%** | **13** | **0.07%** | **21,352** |

* *Percentage of total amount of purchases (excl. Faurecia).*

## AUTOMOTIVE AND BANKING PURCHASES

PSA Peugeot Citroën Group purchases include:

- direct material:
  - purchases of direct material: vehicules and mechanical components (52% of the total amount of purchases). Direct material purchased represent more than 75% of the manufacturing cost price of a Group vehicle,
  - purchases of materials (28% of the total amount of purchases);
- purchases of spare parts and accessories (7% of the total amount of purchases),
- purchases of non-direct material:

  Purchases of overhead costs, services, selling expenses, competition, computers and telecoms (14% of the total amount of purchases).

  Of all indirect Machinery & Equipment, BPF represents a share of €27.6 million, for total purchases, all BPF combined, of slightly more €57.3 million. BPF's purchases consist mainly of consulting and IT products and services, and do not pose any special issues related to risk management in general or CSR in particular. They are treated the same as other similar purchases by the Group.

## A PURCHASING STRATEGY BASED ON THE CONCEPTS OF JOINT ARRANGEMENTS AND LOCAL INTEGRATION G.34 G.38

In light of its financial impact in its host communities, PSA Peugeot Citroën is committed to making high-quality supplier interactions an integral part its strategy. This takes the form of focusing its supplier base on a smaller number of companies selected on the basis of their operating efficiency and with whom the Group has established true partnership and transparency.

Because of the importance of the technologies purchased in the manufacturing of vehicles, these suppliers' technical, quality, logistical and financial performances are essential: Supplier failures could actually lead to stoppages in production for the Group's factories, as well as delays in commercial launches of new vehicles.

All suppliers are evaluated, selected and monitored on various criteria, especially including: competitive pricing, quality, logistical performance, ability to develop and mass produce new products, survivability and social and environmental responsibility.

### A STRENGTHENED SUPPLIER RELATIONSHIP MANAGEMENT

For the group, the development of lasting relationships with its suppliers is essential. The Purchasing Department relies on a "Supplier Relationship Excellence" approach, which governs its relationships with its suppliers, to create a "win-win" situation, in particular with strategic and major suppliers. The goal of this approach is that each partner will share its know-how and establish a long-term relationship through an ongoing improvement process.

### THE BACK IN THE RACE PLAN: PURCHASING LEVERS

As part of the Back in the Race plan, specific action plans are put in place with suppliers, who are asked to contribute to the stability of the Group according to the following four operational areas:

| Back in the Race operational areas | Supplier actions |
|---|---|
| Continuing brand differentiation and improving price positioning | Propose to the Group innovations tailored to the positioning of each brand in compliance with the quality requirements of each customer target |
| Implementing a targeted product policy at the global level | Support the Group in the deployment of its global projects. |
| Ensuring profitable growth internationally and the creation of value in host communities | Respond to the Group's need to increase its rate of local integration |
| Improving competitiveness | Modernise and adapt their industrial facilities to the best global benchmarks |

## AN ORGANISATIONAL STRUCTURE THAT ENCOURAGES RESPONSIBLE PURCHASING

Purchasing is central to the Group's international development and to its integration in the industrial ecosystems of the countries it operates in.

The Group's Purchasing Department is responsible for the supplier relationship. 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). It is responsible for the major purchases made by Banque PSA Finance.

### MAPPING THE PURCHASING PROCESS

The 1,096 PSA Peugeot Citroën purchasing professionals are located as close to the Group's target markets as possible and follow the five macro-process of the purchasing profession:

- **managing the Purchasing Department:** organisation and management of Group purchasing entities at the global level;
- **managing Supplier Relationships:** management of value creation between PSA Peugeot Citroën and its suppliers, and management of risk;
- **establishing the purchasing policy:** definition of the purchasing families strategy while taking into account the global data for the relevant market;
- **award new business:** consideration of needs for engagement of consultation, analysis of offers and choice of suppliers;
- **fulfilling contracts:** oversight of supplier relationships connected with developments in projects, life of standard, replacement and non-direct material.

## 2.3.1.2. IMPACT OF PURCHASING POLICY ON HOST COMMUNITIES G.34 G.37

### MONITORING SUPPLIER RISK G.34

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 PSA Peugeot Citroën's "make-or-buy policy", analyses the socio-economic impacts of Group's industrial choices and verifies that suppliers comply with the Group's social and environmental specifications.

Since the economic and financial crisis of 2008, which impacted suppliers heavily, the Group has tracked suppliers even more closely. The financial performance of all suppliers is analysed, which makes it possible to identify any suppliers at risk of insolvency. Their situation is presented on a monthly basis to the Purchasing Management Committee, which approves action plans and can propose the initiation of secured arrangements. This Committee also continues to monitor the commitments made by the Group to confront the crisis affecting the French automotive industry (faster payments to suppliers and compliance with the High Performance and Best Practices Code), is actively involved in the work of the PFA – a platform set up in France in 2009 to foster on-going discussion and exchange between auto industry stakeholders – and has also maintained its participation in the FAA (formerly FMEA) fund established to support automotive equipment suppliers by promoting friendly mergers between small- and medium-sized businesses, international expansion and innovation.

In 2014, the preventive and curative monitoring of suppliers with a high risk of failure based on social and economic criteria covered 45 companies representing approximately 4.6% of the purchasing costs, compared to 74 companies in 2013 and 83 in 2012. This compares with the 2009 peak of 100 suppliers representing 15% of total purchases.

### LOCAL INTEGRATION: A MAJOR COMPONENT OF PSA PEUGEOT CITROËN'S PURCHASING POLICY G.34

PSA Peugeot Citroën is a full-fledged partner to its host communities. Accordingly, the Group is committed to continuing its policy of strengthening of purchasing near its production sites, which contributes to the maintenance of subcontracting activities on-site.

The Group was awarded the "Origine France Garantie" label for 14 vehicles produced in its French plant (Mulhouse, Poissy, Rennes, Sochaux). Eight Peugeot vehicles (208 GTi, 208 XY, 308 and 308 SW, 508, 2008, 3008 and 5008), 3 Citroën vehicles (Citroën C3, C4, C5) and three DS vehicles (DS 3, DS 4 and DS 5) received the "Origine France Garantie" label awarded by the association Pro France.

This certification is given to products whose final assembly is done 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. As an example, the fraction of value produced in France for the Peugeot 208 GTi and XY is as high as 76%, and for Citroën C3, C4 and C5 models it averages 72%.

Thanks to its deep manufacturing roots in France, PSA Peugeot Citroën has once again made a positive contribution to France's balance of trade, with a €4.721 billion surplus and a positive import-export balance of 310,000 vehicles. The 5.3% increase in this figure over 2013 makes PSA Peugeot Citroën the third largest exporter in the country.

With over 971,000 vehicles produced in 2014, PSA Peugeot Citroën is on course to meet its commitment in the "New Social Contract" to produce one million vehicles in France in 2016.

To maintain a strong industrial base in France, PSA Peugeot Citroën has undertaken an ambitious plan to modernise its plants (with optimal logistics, more compact shop floors, simplified workflows) in order to improve the performance of its manufacturing assets.

### ORIGIN OF PARTS (STANDARD AND REPLACEMENT) PURCHASED FROM FIRST-RANK SUPPLIERS BY PSA PEUGEOT CITROËN MANUFACTURING SITE

YEAR 2014

| PSA Peugeot Citroën plants<br>Origin of tier 1 parts | France | Rest of Europe | Russia | Latin America |
|---|---|---|---|---|
| **Europe** | **91.25%** | **93.92%** | **3.39%** | 0% |
| France | 49.81% | 14.87% | 1.95% | 35.00% |
| Rest of Europe | 41.44% | 79.05% | 1.44% | 0% |
| **Russia** | **0%** | **0%** | **96.61%** | **0%** |
| **AMLAT** | **0.13%** | **0.05%** | **0%** | **64.00%** |
| **Rest of the world** | **8.61%** | **6.04%** | **0%** | **1.00%** |

- In the Porto Real plant in Brazil, an average of **74%** of the parts are sourced from Latin America, with a maximum of 81% for the 207.
- In Buenos Aires (Palomar site) in Argentina, this fraction of local content is on average 57% with a maximum of 86% for the 207.
- As a comparison, locally-sourced parts (Central and Eastern Europe) for the Trnava plant in Slovakia grew from 5% in 2005 to **55%** at the end of 2014.

*The local integration rate corresponds to the amount of local purchases from first-rank suppliers out of the total amount of purchases by the plant excluding shipments between Group plants. For example, the local area of the Trnava plant is the CEE area, which includes the following countries: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Estonia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Czech Republic, Romania, Russia, Serbia, Slovakia, Slovenia and Ukraine.*

In line with PSA Peugeot Citroën's strategy of international expansion and local integration, the Group's purchasing professionals are located as close as possible to the Group's target markets.

As part of its development plan, the Group wishes to increase its local integration beyond first-rank suppliers.

## TWO EXAMPLES OF A STRONG COMMITMENT: THE FRENCH AUTOMOTIVE SECTOR AND SUPPLIER CLUSTERS

PSA Peugeot Citroën's commitment to the consolidation of the French automotive sector has continued to increase since the French government's Automotive Summit, which was held in early 2009:

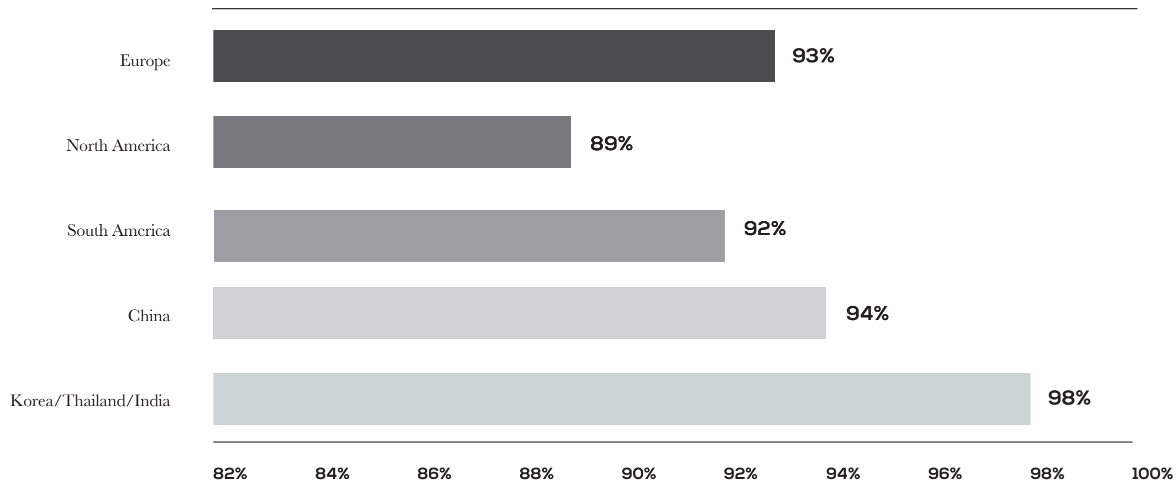
- PSA Peugeot Citroën adheres to the High Performance and Best Practices Code of 9 February 2009 concerning the customer-supplier relationship in the automotive sector. This code governs a number of operating procedures, including intellectual property and terms of payment.
- PSA Peugeot Citroën contributes actively to the work of the PFA platform, whose mission is to lead efforts to strengthen the French automotive industry. As a result, about ten Group managers actively participate in the French government's automotive industry support platform (PFA), France's regional automotive industry associations (ARIAS), and the country's competitive clusters. Examples that come to mind are efforts in stamping: an exact report about the players involved and capacity requirements for the years to come was made, customised consolidation proposals were thus able to be made and are currently under consideration.
- In mid-2012, a working group on CSR was created in the French automotive industry (Comité des Constructeurs Français d'Automobiles – CCFA). This working group aims to identify the CSR best practices at each member company and standardise them across working group members, so that they can be more easily implemented across the industry. One of the working group's key focus areas is responsible purchasing policies, including approaches and methods for supporting the supply chain, to establish standardised practices and develop industry-wide guidelines. In 2014, efforts with the stakeholders were conducted around this theme.

Meanwhile, building on its success in creating an automotive industry cluster in Galicia, Spain (the CEAGA), PSA Peugeot Citroën – in association with other car manufacturers and major parts suppliers – initiated a project in 2012 to create another such cluster around its production plant in Porto Real, Brazil. This project, which was designed to promote competitiveness and local development through public and private partnerships (local authorities, universities, equipment suppliers, etc.) led to the creation of the "Cluster Automobile Sul-Fluminense", which currently consists fo 18 companies. A similar cluster, the Cluster Automotivo Bonaerense, was established, also by the impetus of PSA Peugeot Citroën, around the site of Buenos Aire in Argentina and covering the entire Province of Buenos Aires. It currently comprises eight companies including PSA Peugeot Citroën, Faurecia Sièges, Saint Gobain and Antolín Group. There are also advanced commitments with 12 other companies.

## FAURECIA

Faurecia's ambition is to purchase as close as possible to industrial operations to help develop local industry, and minimise the associated logistical costs and impacts.

89% to 98% of direct material are sourced locally, depending on the regions where the Faurecia production plants are located (2014 figures).




Locally-sourced products account for almost 100% of non-production purchasing.

### A STRONG COMMITMENT FROM PSA PEUGEOT CITROËN TO THE SHELTERED SECTOR G.37

For over 20 years PSA Peugeot Citroën has worked with the sheltered sector to source direct material (e.g., instrument panels, interior trim, pedals, etc.). Subcontracting with this sector is one of the sections of the Group's agreement on employing the disabled, which is the fifth agreement, signed since 2000 and in the process of being renewed for 2014-2016.

- the services purchased from the protected sector in 2014 represented €33 million.
- 4,500 industrial products.
- Six major associations: ADAPEI du Doubs, ADAPEI de Haute Saône, Bretagne Ateliers, Les Papillons Blancs du Haut Rhin, Les Ateliers de l'Ostrevent and AMIPI/SLAMI foundation.
- 1,7447 entitlement units (FTE disabled workers from companies in the sheltered work sector), of whom 1,726 are in manufacturing, corresponding to 2.7 employment percentage points of disabled individuals at Peugeot Citroën Automobiles SA (PCA) in France.

PSA Peugeot Citroën has maintained its as France's leading purchaser in the sheltered "ESAT" sector (companies employing individuals with disabilities, "Établissements et Services d'Aide par le Travail").

## 2.3.1.3. SOCIAL AND ENVIRONMENTAL STANDARDS FOR PURCHASES

### CORPORATE SOCIAL RESPONSIBILITY CRITERIA EXTENDED TO SUPPLIERS G.39 G.39

PSA Peugeot Citroën intends to make compliance with its corporate social responsibility requirements a core component of its purchasing policy, alongside quality, deadlines and cost.

As regards its corporate aspects, one of the key criteria in the supplier approval process is compliance with International Labour Organisation principles. Failure to respect human rights entails immediate corrective obligations. Failure to implement these actions leads to penalties and suppliers may be removed from the panel.

The Group's environmental objectives for its products are translated into contractual commitments *via* specifications and purchasing policies that set ambitious targets for the use of green and recyclable materials. These objectives are also a key focus of the innovation policy that is part of the Group's supplier certification criteria (for further information, please refer to section 2.2.1.3.1.) Similarly, it is expected that suppliers implement a management and continuous improvement policy for their industrial facilities for the preservation of the environment. To this end, it is required that suppliers receive environmental certification (e.g. ISO 14001) for their facilities.

The Group investigates its suppliers to ensure that they do not receive mineral supplies from illegal channels that finance armed groups located in areas of conflict, in accordance with the U.S. law on conflict minerals, even if they are not subject to it.

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

Group corporate social responsibility standards:

- rely on a personal commitment to mentoring: since 2010, the Group's Code of Ethics explicitly refers to the integration of ethical and environmental criteria into supplier relationships;
- gathered in an ad hoc benchmark 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 product families. These suppliers are asked to formally pledge to comply with the PSA Peugeot Citroën guidelines or to demonstrate their compliance with equivalent guidelines. As of end-2014, 927 suppliers had made this commitment, accounting for 92.5% of the purchasing budget managed by the Purchasing Department;
- incorporated into the fundamental principles of supplier relationship management, in contractual documents such as supplier approval letters and purchasing terms and conditions, and in the Group's purchasing processes.

In an effort to guarantee continuous improvement, and to better deploy its responsible purchasing policy to all supply chains, PSA Peugeot Citroën collaborates with nine other European manufacturers in a working group called the European Automotive Working Group on Supply Chain Sustainability, which is coordinated by CSR Europe.

It has issued the following documents:

- common guiding CSR principles, with the members of the AIAG (Automotive Industry Action Group);
- a common questionnaire for assessing suppliers.

### STRENGTHENING OF CORPORATE, ENVIRONMENTAL AND SOCIETAL AUDITS

Every year, the PSA Peugeot Citroën purchasing school organises training sessions for new purchasers in Europe and Latin America. A special CSR module, which is updated annually, is deployed for this occasion. Since 2008, about 422 people have been trained in Europe and a little more than 124 people in Latin America.

In addition, the Purchasing Department organises regular meetings of its operational divisions to keep them informed of developments in CSR.

Social and environmental audits are conducted at selected suppliers' sites in accordance with the risk level associated with their country, products or processes. Since 2010, 51 social and environmental audits have been performed at suppliers ranked 1, 2 or 3.

In 2013 suppliers were generally made more aware when a CSR notice was placed in the supplier application package during the bid process. Suppliers who were contacted to make bids were asked to fill out a CSR self-assessment questionnaire about all their plants that manufacture for the Group.

In 2014, PSA Peugeot Citroën strengthened its framework for the identification and monitoring of at-risk suppliers by making arrangements for an independent third party to assess them. This approach was initiated in mid-year and has already affected 50 suppliers. It will continue in 2015.

### FAURECIA

The Faurecia Code of Ethics defines the principles of ethical conduct applicable on a day-to-day basis to all Faurecia employees in its internal and external relations and with its partners. It demonstrates the Group intention to put into practice its values of respect for customers, shareholders, people and the environment.

It is the Group's intention to expand its sustainable purchasing policies. As a result, Faurecia is committed to basing its growth on socially responsible actions and behaviours in all its business lines and in all countries where the Group has facilities.

The supplier and subcontractor Code of Ethics that was implemented in 2013 is an integral part of the fundamental principles of supplier relationships, contractual documents (including purchasing terms) and Group purchasing processes such as consultation files or the supplier quality audit process.

Also, at the specifically environmental level, Faurecia is rolling out a policy meant to avoid or minimise local and/or global problems which could be posed by car use. *Via* its industrial and human resources management policies, research and development, Faurecia is making an active contribution to reducing greenhouse gases and polluting emissions and improving road safety. Throughout a vehicle's life, Faurecia asks and encourages its suppliers to support it in this progressive approach.

## 2.3.2. CONSUMER SAFETY AND PROTECTION G.41

### 2.3.2.1. COMMITMENT TO ROAD SAFETY

Road safety has always been a top priority for PSA Peugeot Citroën. This commitment makes its vehicles among the safest available. 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.

#### PRIMARY SAFETY: AVOIDING ACCIDENTS

The Group is simultaneously promoting three lines of defence:

#### CHASSIS SYSTEMS

- Anti-blocking systems (ABS, standard in all models), electronic brakeforce distribution (EBD), emergency braking assist (EBA), and electronic stability programmes (ESP), which help drivers maintain control even in a skid are now included as standard in all models in Europe.
- The Grip Control system, which is integrated into the electronic stability programme, is available on the Peugeot 2008, 3008 and Partner and on the Citroën C4 Picasso, Grand C4 Picasso and Berlingo.
- Tyre pressure monitoring systems help to detect under-inflated tyres that can reduce vehicle stability.

#### VISION, VISIBILITY, SAFETY DISTANCE

In addition to already widespread technologies (such as a camera system to aid reversing, panoramic vision and LED lights), the Group has made many distinctive innovations available on several vehicle lines:

##### CONTROLLING TRAJECTORY AND SAFETY DISTANCES

- The AFIL lane departure warning system alerts drivers who drift across a lane, one of the key causes of motorway accidents.
- A Distance Alert system indicates the time it would take to close with the vehicle in front at the current speed (Peugeot 3008 and 208).
- Intelligent variable cruise control (Peugeot 308 and Citroën C4 Picasso/Grand C4 Picasso) aligns vehicle speed with that of the car in front.
- Automatic braking, if the driver does not react when facing a risk of collision or intensifies the driver's braking for emergency braking on highways and motorways.

##### SEE AND BE SEEN BETTER

- A blind spot information system indicates the presence of a vehicle (particularly a motor bike) in a blind spot zone through a pictogram in the wing mirror.
- 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).

#### ERGONOMICS AND HUMAN-MACHINE INTERFACE (HMI)

The proliferation of driver assistance systems and spread of info-tainment technologies demand close attention when designing HMIs. PSA Peugeot Citroën 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 SCOREF (French Experimental On-Road Cooperative System) investigating "car to x" applications researchers are looking at ways to send drivers information without distracting their attention or disturbing their driving.

#### 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 PSA Peugeot Citroën and Renault. A unique organisation, LAB has conducted research projects for more than 40 years (and 15,000 accidents in its database) to enhance understanding of accident mechanisms and their related injury mechanisms.

PSA Peugeot Citroën is primarily working in three areas:

- **Body structure:** 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. The passenger cell becomes a real survival cell by reducing strain and intrusion.
- **Airbags and other pyrotechnic devices:** the Group's vehicles contain up to nine airbags that protect both the driver and front and rear passengers from frontal, rear or lateral shocks. On cabriolet models, the roll-over protection system consists of active, pyrotechnically-charged roll-bars and windscreen pillar stiffener tubes.
- **Restraint systems:** these high-resistance passenger cells have made it possible to develop highly sophisticated, high performance restraint systems, based on seatbelt tensioning devices, load-limiting retractors and Isofix attachment points for child seats. The level of protection is adaptable to type of car occupants, their place in the vehicle, and type of shock and allows occupant restraints to be adjusted while limiting pressure on the chest, thereby reducing the frequency of thoracic and abdominal injuries.

### EURO NCAP AND CHINA NCAP SAFETY RATINGS

Starting in 2014, Euro NCAP took into account not only secondary vehicle safety performance but also the performance of primary safety systems such as the AFIL and automatic braking for emergency vehicles.

This tougher standard has caused some to question the significance of the Euro NCAP standard, since the fifth star is now reserved for vehicles with this type of equipment. The fourth star is awarded to vehicles with a very high level of passive safety.

All Group models from the entry level up rank among the best in secondary safety, as attested by the results of European and worldwide impact tests: Euro NCAP, China NCAP, Latin NCAP.

As of end-2008, a total of 13 Group vehicles had obtained the maximum five-star rating for adult protection under the former Euro-NCAP system. Since 2009, a new Euro NCAP Protocol has in place: in the new Euro NCAP test ratings, 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.

Thirteen Group vehicles have obtained the maximum five-star overall rating under the stricter new protocol.

The Euro NCAP and China NCAP performances of the Group's vehicles are available on the websites of the brands.

### TERTIARY SAFETY: POST-ACCIDENT EMERGENCY RESPONSE

PSA Peugeot Citroën 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:** in anticipation of European Regulation PE/112, which will be applicable starting in late 2017, the Group is the first mainstream carmaker to have deployed a wide-scale, location-aware emergency call system, without a subscription or any cut-off date. Since March 2010 the Connect Box developed by PSA Peugeot Citroën includes a SIM card and separates the telematics function from the radio, navigation and telephone functions. 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.

| | Cumulative total through 2011 | Cumulative total through 2012 | Cumulative total through 2013 | Cumulative total through 2014 |
|---|---|---|---|---|
| Cumulative total of Peugeot, Citroën and DS vehicles standardly equipped with the PSA Peugeot Citroën emergency call system | 1,016,676 | 1,278,048 | 1,498,340 | 1,672,495 |
| Cumulative total alerts sent to emergency services | 5,212 | 7,207 | 9,690 | 12,885 |
| Countries in which the PSA Peugeot Citroën emergency call service is available | 10 countries: France, Germany, Italy, Spain, Belgium, Luxembourg, Netherlands, Portugal, Austria and Switzerland | 13 countries: same + Denmark, Poland and the United Kingdom | 17 countries: same + Czech Rep., Slovakia, Norway and Sweden | 17 countries: same |

- **Victim removal instruction:** to facilitate the job of rescue workers after an accident, PSA Peugeot Citroën works with French rescue teams to prepare victim removal instructions for each of its models. Regular training sessions are held to update the teams' knowledge of the new vehicles and the new technologies that are about to go on the market. Meanwhile, PSA Peugeot Citroën is working with the Public Safety Services of the French Interior Ministry and the zonal victim removal group on defining an international standard for victim removal instructions. This project is being developed under the aegis of ISO, which includes Germany, Japan and the USA among others. This standard is to be applicable starting in January 2015 and will become a global standard.

### FAURECIA

Rider safety is a constant concern for Faurecia when it comes to vehicle interiors.

Over the years, Faurecia has become a major partner of carmakers in this field, first by understanding the importance of safety, then in developing products and know-how that now enables it to calmly consider all future developments. Each piece in the "safety chain" is subject to design rules that ensure the performance of the system and its sustainability.

## 2.3.2.2. CONSUMER PROTECTION

The distribution of consumer credits which makes up about 70% of total credits distributed by Banque PSA Finance and its subsidiaries are subject to specific regulations that protect consumer rights. These regulations have been strengthened within the European Union since the adoption of Directive 2008/48/EC respecting consumer credit agreements. This directive has now been transposed to all Member countries of the European Union, including France, where the Lagarde Law, which has been in force since 1 May 2011, has created new obligations (with regard to advertising, pre-contractual information and creditworthiness of borrowers). This contractual information has been implemented by Crédipar, the French subsidiary of Banque PSA Finance.

The Lagarde Law was strengthened in 2014 by the Law of 17 March 2014 respecting consumers (the so-called Hamon Law) regarding aspects relating to consumer credit.

Crédipar was an active participant with the French Association of Financial Companies (ASF) in the preparatory work for it, and it incorporated developments related to its operations. Its customers now enjoy a cancellation period for the sale of a vehicle along with the credit withdrawal period granted to the sale.

More generally, in the interests of quality and improving its customer processes, Banque PSA Finance has put in place a system for handling customer complaints designed to quality assure their treatment (commitment on response times, requirement for a written response). This system is based on a framework instruction which requires all Banque PSA Finance's local subsidiaries or branches to appoint a Head of Complaints to deal with complaints received in compliance with the instruction, to monitor the types and volume of complaints, analyse this data and, where this shows up poor practice, take appropriate corrective measures.

Crédipar, Banque PSA Finance's French subsidiary, joined an Ombudsman mediation system set up by the French association of Financial Companies (ASF) and cites contact details for the Ombudsman in all its credit contracts alongside those for its own Consumer Department, which is responsible for handling complaints.

Crédipar also signed up to the "Agreement on amicable recovery of consumer credit" between the ASF and various consumer representative bodies. The agreement seeks to guarantee customers that a number of good practice rules will be followed (progressive stages in the recovery process, respect for confidentiality and privacy, transparency in the relationship with the customer). In this way it seeks to promote amicable settlement of unpaid debts.

Crédipar takes part in ASF working groups on the protection of consumers (borrowers) and the struggle against over-indebtedness.

Banque PSA Finance now queries its customers online to further increase their satisfaction and improve the effectiveness of its customer service teams. As a result, over the past two years, over 35,000 customers responded in 13 countries in Europe and in Argentina and Brazil. Dissatisfied customers are called back to clarify their situation in order to better respond to them whenever possible.

## 2.3.3. PARTNERSHIPS AND SPONSORS TO PROMOTE REGIONAL AND/OR LOCAL COMMUNITY DEVELOPMENT G.37 G.35

### 2.3.3.1. PARTNERSHIP AND SPONSOR GROUP STRATEGIES

The PSA Peugeot Citroën Group, which employs 190,000 people around the world, is often one of the largest private employer in areas where it has an industrial presence. As an important economic actor, it must assume its responsibility in the various territories where it operates.

Through its partnerships and sponsorships, the Group meets two societal 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. PSA Peugeot Citroën's is demonstrated through the actions of its Corporate Foundation and deepened by the discussions that take place within the City on the Move Institute (IVM). 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 environment. PSA Peugeot Citroën'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 information contained in this document come from the Foundation's databases and site and brand communications media.

### 2.3.3.2. INITIATIVES TO PROMOTE SOCIAL MOBILITY

#### THE COMPANY'S FOUNDATION

Created in June 2011, the PSA Peugeot Citroën Foundation, which is defined by its motto "A World on the Move", supports projects that use mobility to encourage social integration, restoration of social bonds and access to culture and education. Since its inception, the Foundation has given its material, financial or human support to 319 projects, which it monitors through its network of about 30 local delegates and about 150 employee-sponsors, who are involved individually and volunteer in associations. In 2014, 104 initiatives by associations or NGOs were supported throughout the world: 90% of projects were located in France and 10% abroad, with a preference for areas where the Group is expanding.

The Foundation regularly monitors its activities and makes assessments on the anniversary of each project's sponsorship. It uses financial tracking that is updated throughout the year. An overview of this can be found in its progress report, which has been available on its website since 2 February 2014.

(http://www.fondation-psa-peugeot-citroen.org/en/publications/).

Only projects relating to mobility or insertion are allowed. Each project is described in a standardised fact sheet. For each case, the Foundation's staff prepares a scoresheet for assessment on six criteria: the relevance of the initiative, its innovativeness, project management, the societal impact of the project and the number of beneficiaries, the degree of involvement of the sponsor (if the project is sponsored by an employee) and the location of the project. This scoresheet is used for each selection committee. Projects of up to €80,000 (€100,000 in the case of multi-year projects) are submitted to a Selection Committee whose members are appointed by the Managing Director of the Foundation. Beyond, the Board of Directors of the Foundation decides. The initiatives come from associations, NGOs, or grow out of projects supported by the Group's plants and facilities or employees. Applications are submitted online *via* a website.

The year 2014 was the second time that the Foundation Awards were given to encourage the Group's employees throughout the world to become involved in mobility projects. A jury judged the 121 applications received (an increase of 40% from 2013) and chose 16 who received €5,000 and 4 who received €10,000. Employees are asked to vote for an "Employee Favourite" from among these. The nine thousand employees who voted selected a project in Slovakia. This strong commitment by the employees demonstrates both the appropriation of the Foundation's initiative by all Group sites and the responsibility of PSA Peugeot Citroën, which is aware of the societal issues dear to it.

To carry out its philanthropic mission, the Foundation is backed by a multi-year action plan with a five-year budget of €10 million. At end-2014, €7.2 million was granted by the Foundation to structures of general interest. In 2014, €1.3 million euros was granted to four major themes:

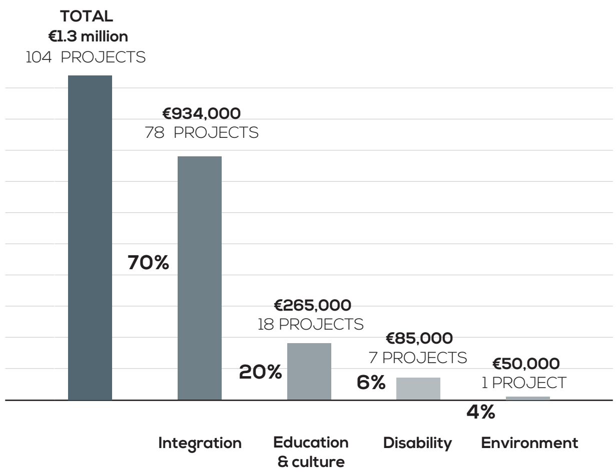
**a.** mobility and integration: an emergency outreach This refers to initiatives to help people join the workforce or highly disadvantaged people;

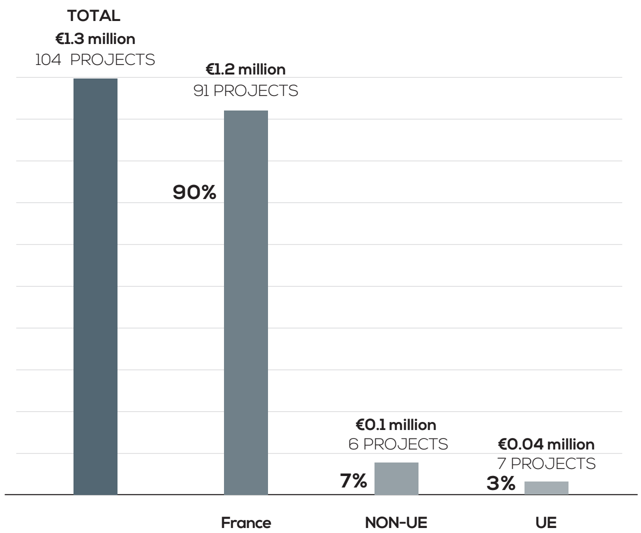
**b.** mobility and Educational and Cultural Action: these programmes use mobility to promote equal opportunity and give at-risk youth a second chance;

**c.** mobility and Disability: the goal of this programme is to increase autonomy and improve the quality of life for disabled persons;

**d.** mobility and the Environment Mobility and the environment initiatives seek to build awareness among people of all ages of sustainable mobility and the preservation of biodiversity.

### DISTRIBUTION OF BUDGETS ALLOCATED IN 2014 BY THE FOUNDATION




## A. MOBILITY AND INTEGRATION

The Foundation supports associations, in the heart of rural and peri-urban areas that work closely with social actors and local authorities in order to implement mobility services for the benefit of recipients targeted by social services. The goal is to remove the obstacles for the unemployed to receive training or find a new job. End of 2014, the Foundation helped or helps more than 100 mobility actors throughout France. There are different types of actors:

- **Mobility platforms** – these include different services in a given territory: mobility evaluation and advice, rental of vehicles at a special rate, transport on demand, access to driver licences, etc.

  The Foundation, in close cooperation with the federation of driver education associations known by its French acronym FARE (which it has supported since 2012, and more recently in connection with the work of the Laboratoire de la Mobilité inclusive, has contributed significantly to the emergence and definition of mobility platforms. This is the reason for the Mouv'Up! programme, which was launched in 2013 and plans to create 18 mobility platforms over two years by bringing together stakeholders already active in a region, but not together. The first two platforms to come out of the Mouv'Up! cluster were inaugurated in 2014 in Parthenay and Brive la Gaillarde.
- **Community garages** – The Foundation supports community garages that are aimed at welfare recipients. They allow people to have vehicles repaired, rent or buy them at low cost. These garages also hire the unemployed to help them return to the workforce. In 2014, the Foundation supported 11 community garages in France, including Access Auto 62 and the GESSAIE association.
- **Reduced-rate driving schools** – The Foundation supports reduced-rate driving schools for people excluded from the workforce, welfare recipients, and at-risk youth. With the help of targeted instruction methods and pricing, the open access to tests for the BSR safe-driving certificate, Rules of the Road and driving licence. The association La clef du permis is one of them.
- **Reduced-rate car rentals** – Being able to hire a car for less can help a person find a job or become qualified for one. The Foundation supports associations who have created this local service. The association Vert Bocage in Bayeux is an example of one of these structures.
- **Modes of transport and transportation on demand** – Modes of transport and transportation on demand services make getting about easier for low-income people isolated in rural areas or urban outskirts with poor public transportation, and tightens the fabric of society.
- **Mobile services** – The Foundation is committed to structures whose goal is to rebuild social ties in isolated regions.

After three years of existence, the PSA Foundation has emerged as an expert inclusive mobility actor, building on its work with the City on the Move Institute and working since March 2014 in the Laboratoire de la Mobilité Inclusive alongside major actors in the field: companies such as Total, Renault and Caisse d'Épargne, NGOs like Secours Catholique, WiMoov and FACE and institutions such as Pôle Emploi, FASTT and CNML. The work programme for the year was a prospective study of the mobility of seniors, a census of best practices in mobility in seven developed countries and an experiment in connected mobility services for disadvantaged populations in rural areas.

The call for projects launched with the Foundations Vinci pour la Cité and Vinci Autoroutes, on the subject of the Mobility in the context of the "*Entreprises et Quartiers*" Charter, aroused great interest from actors of all sizes (282 projects received). This call for projects made sure to involve employees from the three groups involved in each of the selected projects. It gave rise to the creation of a dedicated learning website, "3 *Fondations pour la mobilité*", which was entrusted to a structure specialising in socially conscious crowdfunding.

Beyond the high-profile success new mobility services within large cities, isolated communities invented new models of access to car mobility in disadvantaged areas. The Foundation is now present in all of these experiments to clarify the Group's strategy for these major social innovations.

In the more specific field of emergency outreach, the Foundation supports associations whose staff, who are often mobile, help people from disadvantaged backgrounds: assistance to the homeless, support for families without resources, help for the isolated and marginalised groups. Samusocial de Paris is the most typical of these associations. Its collaboration with PSA Peugeot Citroën began in 1997. Since 2011, the total commitment to Samusocial de Paris has totalled €450,000.

### B. MOBILITY AND EDUCATIONAL AND CULTURAL ACTION

In 2014 the Foundation supported 18 projects in education and culture. Cultural projects supported by the Foundation occur mostly on French soil.

- **Education** – The Foundation believes that by using mobility to give at-risk youth greater access to educational and cultural programmes, it is also promoting equal opportunity and giving these youth a second chance. That's why it works hand-in-hand with community organisations focusing on these issues, at the heart of disadvantaged urban areas as well as in rural areas. Outside France, the Foundation has focused its educational programmes around the theme of road safety.
- **Culture** – The aim is to introduce those who find it hard to access transport or cannot get around to culture.

### C. MOBILITY AND DISABILITY

In 2014, the Foundation supported seven initiatives in France and abroad that offer mobility solutions to the physically and mentally handicapped, so that mobility is no longer an obstacle but a springboard to greater independence and an improved quality of life.

### D. MOBILITY AND THE ENVIRONMENT

The Foundation lends its support to projects that combine environment and mobility for the general public: awareness campaigns for sustainable mobility and travelling educational projects to do with ecology and biodiversity.

The emblematic project that is the partnership between the Foundation and the association France Nature Environnement continued in 2014 and saw the publication of a guide prepared collectively and geared towards local elected representatives called, "The right place for cars in the mobility of tomorrow".

## AN EXCEPTIONAL GROUP INITIATIVE

In 2014, the PSA Peugeot Citroën Group made a direct donation of more than €80,000 to Samusocial de Paris. This donation was the result of resale for recycling and recovery of a large batch of used mobile phones, the proceeds of which went entirely to *Samusocial*.

## THE CITY ON THE MOVE INSTITUTE (IVM)

In 2000, the group created and funded this think tank dedicated to research and experimentation in social innovation around the themes of urban mobility and access to mobility. The City on the Move Institute (IVM), which brings together scientists, sociologists and urban planners, has emerged in the landscape of institutions involved in thinking and innovating in the field of socially conscious and sustainable mobility. IVM conducts its work in France, Europe, Latin America and China. It informs the objectives of the PSA Peugeot Citroën Foundation.

PSA Peugeot Citroën allocated IVM a budget of €1 million to IVM in 2014.

Its work and demonstrators on the inclusive and social dimension of mobility that gave rise to 2004 publications on the development potential of new services, particularly in peri-urban areas, have become a worldwide reference for urban planning and transport professionals. The IVM pursues an original approach, working with various stakeholders such as multi-disciplinary academic fields and elected officials from major world cities open to innovation and with representatives of the community and NGOs.

In 2014, the IVM continued its major projects and was the partner for several events:

### 1) THE LEGIBLE CITY

In France, working with Grand Lyon and UNI-EST and supported by the PSA Peugeot Citroën Foundation, IVM undertook action research for 2013-2016 to design and produce a digital mobility-training kit. It has to be shareable, technically stable, distributable and able to meet the needs of multiple users: municipalities, teachers and trainers, tourism professionals, etc. This product incorporates the most advanced knowledge for digital training.

The strategy continued in 2014 and focused on three points:

- organisation of a seminar as part of the cycle initiated in 2013 on the theme of the "Legible City", entitled "Learning Mobility";
- design/building and test of a interactive digital tool prototype in the form of interactive and educational mapping, the Grand Lyon "Fresco";
- preparation of specifications for a call for proposals for the design of the serious game, with the assistance of Ubisoft executives.

### 2) PASSAGES: TRANSITIONAL SPACE FOR THE 21ST CENTURY CITY

This programme launched in late 2012 aims to rethink the issue of the sharing of space between cities and cars and therefore to imagine, through various situations and contexts, how to improve the urban quality of "getting there" by linking architecture, design, governance, information and connected spaces. The first international "calls for ideas" were launched in 2014. They involve six trips to Barcelona, Shanghai and Tours.

### 3) E-SHARING: SHARED ELECTRIC MOBILITY FOR OCCUPATIONAL GROUPS

This project, carried out in 2013 and 2014 and assisted by ADEME under the Vehicle of the Future programme of their Investments of the Future, is part of an experiment run by PSA Peugeot Citroën with industrial partners (Docapost and Deways) and local municipalities (Grand Lyon and Metropolitan Rennes). The project is based on the observation that the professional uses of mobility are evolving and that there is a real desire on the part of employers for innovative mobility solutions.

The IVM's efforts will increase understanding of mobility sharing mechanisms and car sharing services issues.

### 4) BETTER MOBILITY, BETTER LIFE

The "Better Mobility Better Life" award in China is a means to identify innovative solutions in mobility. This award is organised in partnership with the World Bank, the University of Tongji, the Transportation Research Centre of the Ministry of Housing and Rural and Urban Development, "Urban Transport" magazine and the Chinese association of schools of urban planning.

In 2014, the award was given for the fourth time, on the basis of surveys conducted by 30 urban planning universities, with 40 finalists selected in Shenzen at the congress of the national urban planning commission, and the best 3 projects will receive awards from the IVM.

### 5) OTHER INITIATIVES

- Launch in Brazil of the "Mobilidade Minuto" award to identify innovative mobility services.
- Launch of a short film competition in Africa to film African "travels" (8 projects will be selected and presented in April 2015).
- The IVM awas invited by UN-Habitat to present its work on streets and public mobility spaces in Medellin and Buenos Aires.

### 2.3.3.3. SPONSORSHIP AND PHILANTHROPY INITIATIVES TO STRENGTHEN LOCAL TIES

#### BRAND AND SITE INITIATIVES

Sponsorship and philanthropy initiatives conducted by sites or brands enable institutions to become directly involved with local structures in complementary areas of mobility, the Foundation's main cause.

For better local ties, the Citroën, Peugeot and DS brands, along with the Group's sites, define their partnerships with local associations themselves. Their common feature is local development. In response to stakeholder expectations, these partnerships specifically develop local projects that are useful for everyone:

- **Brand initiatives:**

  Brands support associations everywhere in the world, with local representatives choosing which ones to support. For example, in Spain, Citroën and Peugeot sponsored the exhibition "Future of efficient and sustainable mobility in urban areas, Smart Cities".

- **Site initiatives:**

  These initiatives constitute a tool for dialogue with stakeholders in host communities. They encourage people to volunteer for the benefit of local structures or involvement in local events, as is the case with the Plato Val de Seine programme supported by the Yvelines Chamber of Commerce and Industry, with which the Poissy site has been involved since 2001. The site appointed two managers for two years who provide group coaching to executives of VSE/SMEs in the territory of the Valley of the Seine, in order to help them improve their business performance.

#### THE PEUGEOT INDUSTRIAL HERITAGE FUND

Inaugurated in September 2010 and financed by an endowment fund heavily supported by PSA Peugeot Citroën, the Terre Blanche Archives Centre is the new home for archival materials from all of the Group's manufacturing and business facilities. The Centre de Terre Blanche will open its doors to historians, researchers and students interested in viewing its archives. The fund continues to expand, thanks to gifts and contributions from automobile enthusiasts, including many former Group employees. More broadly, the archives offer a compelling perspective on the more than 200-year history of automobiles in Europe. In 2014, the Fund contributed to the organisation of a "War Factory" exhibition as part of the centenary of the First World War.

#### SUBSIDIARY INITIATIVES

##### BANQUE PSA FINANCE

The head office management of BPF encourages all its entities in France and around the world to sponsor worthy causes like:

##### LOCAL INITIATIVES TO AID YOUTH AND EDUCATIONAL PROGRAMMES

- In 2014, BPF in France (Crédipar) supported:
  - the European Leukodystrophy Association and the Institut des Parons (Aix en Provence), which provides assistance to children with mental disabilities, for the development of a "*Snoezelen*" space;
  - Rett Syndrome research;
  - the "*Blouses Roses*", whose mission is to offer fun activities for hospitalised children.
- BPF in England has continued its support of the association "Children in Need" through fundraising efforts by 100 subsidiary employees.
- BPF in Poland offered mobile telephones and used office furniture to the Blind Children's Association.

##### SOCIAL AND CHARITABLE INITIATIVES

- BPF in France (Crédipar):
  - participated in the national "*Pièces Jaunes*" operation to help the Fondation des Hôpitaux de Paris.
- BPF in Spain:
  - organisation of a social justice initiative for the sale of homemade cakes; the proceeds collected went to the association to combat violence against women "*Juntos contra la violencia domestica*" to subsidise centres for victims and their children;
  - organisation of food collection (Madrid Food Bank, the "*Yo te invito a cenar initiative*", etc.).
- BPF in the Netherlands:
  - sponsored four activities, including a hospital for children and service dogs for disabled people;
  - contributed an amount of €2,500 to Plan Nederland (formerly Foster Parents Plan), a micro-credit project for young people.
- BPF in Brazil implemented a "Social and environmental responsibility programme".

##### FAURECIA

Faurecia sites and employees around the world regularly mobilise to perform many societal initiatives depending on the cultures and needs of local communities.

To help people at risk:

- the FUELS (Faurecia Unites its Employees around Local Solidarity) programme created in North America in 2010 allows employee volunteers to participate in the collection of perishable foodstuffs for local food banks. In five years, FUELS collected more than 3.5 million meals in the United States, Canada and Mexico. In 2014, other countries have followed the North American example by launching their own food collection campaign. As a result, the French sites have collected nearly eight tons of food for the association *Restos du Cœur*;
- in India, the month of September was declared Joy of Giving Month at Faurecia to celebrate generosity: books, toys, clothes and food were collected by employees and then redistributed to local schools or charities. In Spain, toys were collected for the Spanish Red Cross.

To promote education in China, since 2013, Faurecia has participated in the "Green IT Classrooms" programme initiated by the charitable organisation Netspring. It tries to facilitate access to technology for students in disadvantaged rural areas through the donation of refurbished computers. The first two classes benefited from Faurecia's support in 2013, in Shanghai and Suzhou. In June 2014, Faurecia launched a third operation in Hubei, in partnership with Rexel, world leader in the distribution of electrical equipment. Powered through a solar energy station installed by Rexel, the computers donated by Faurecia will benefit schoolchildren from a dozen villages. In addition to computer equipment, Faurecia also distributes books and school supplies to these schools.

Other initiatives are proliferating around the world, organised at country or site level, according to local realities.

## 2.3.4. ETHICAL PRACTICES – ANTI-CORRUPTION G.40

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 Pact). PSA Peugeot Citroën 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 ethical approach is based on three elements:

- an ethical policy (the Code of Ethics);
- ethical governance and a feedback, warning and structured monitoring system;
- a rigorous deployment process.

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

The PSA Peugeot Citroën Code of Ethics is 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. Along with an illustrative document "Daily ethics", an operational guide comprising examples of situations which might occur, the Code of Ethics is made directly available to members of staff on the Group's intranet. It is part of the new employee documents given to all new staff.

- "Compliance with the Code of Ethics" is the operating procedure in the Group's procedure manual, which every employee is expected to apply. It can be viewed on the Group's intranet. It 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 respective roles of each body.

This rule includes detailed instructions about fraud, anti-competitive behaviour, insider trading and corruption, in accordance with the requirements of the UK Bribery Act which came into force in 2011 and the commitments taken by the Company to fight corruption (World framework agreement on corporate responsibility). It is based on the "Anti-fraud system" implemented in 2012.

- A code of stock exchange ethics applicable to Members of the Peugeot S.A. Supervisory Board, to non-voting advisors, to members of the Managing Board and members of the Executive Committee as described in section 3.2 of this Registration Document.
- With respect to its suppliers, PSA Peugeot Citroën is also vigilant: combating corruption and conflicts of interest is part of the Group's "social and environmental responsibility requirements".

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 strengthened in November 2012.

### GOVERNANCE, WARNING AND MONITORING SYSTEM

From 2010, the Group has had an Ethics Committee, which reports to the Executive Committee. This Committee is chaired by the Secretary General of the Group and includes the Group's Human Resources Director and the Quality Director, Auditing and Risk Management Director.

The Committee meets quarterly and is responsible for:

- determining general guidelines, based on the tracking of external trends and factors, such as new risks, emerging stakeholder expectations and new legislations; approving changes to Ethics systems (such as anti-fraud measures);
- oversight of operational deployment: setting and monitoring of annual objectives, monitoring of indicators;
- performing analyses, processing and monitoring of the ethical cases referred to them;
- being the referent for employees who have questions regarding ethics;
- reporting these ethical issues to the Executive Committee and the Supervisory Board.

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.

The Ethics Committee relies on a global network of **Chief Ethics Officers** covering the geographical areas where the Group operates and responsible for ensuring that the ethical approach is deployed locally. The Chief Ethics Officers relay the guidelines and objectives determined by the Ethics Committee in the countries and regions. They investigate the ethical cases for their region and that they are consistently referred to the Ethics Committee. If necessary, they may alert the Committee before the investigation begins.

The **Group's management** are called upon to assess risks of fraud in their areas of activity and their own practices with regard to the Company's ethics. They are responsible for applying the Code of Ethics in their area and for implementing suitable systems according to the risk levels identified.

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.

The mechanism for guaranteeing good faith and fair dealing and preventing fraud and corruption is based on principles common throughout the Group:

- employee involvement;
- analysis of risks and a defined process for controlling them;
- traceability of transactions;
- separation of powers and multiple sign-offs depending on the sums involved;
- and selection of suppliers.

An enhanced anti-fraud system has been in place in the Group since 2012 (including PCA and all entities and subsidiaries of the Group, with the exception of Faurecia and BPF, which have their own systems). It is placed under the responsibility of the Group's Ethics Committee, which has tasked the Group's Security Department (one of the entities of the Group's General Secretariat) with managing it, carrying out investigations, monitoring and reporting incidents. The system is structured around prevention, detection, investigation and treatment processes, as well as continued improvement.

In total, for 2014, no less than 80 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.

It is also supplemented at the supplier level by supplier CRS audits conducted by the Purchasing Department (51 audits conducted since 2010 of Rank 1, 2 or 3 suppliers) which automatically generated an audit of anti-corruption practices and policy).

### LATIN AMERICA

Every year a campaign is conducted with management and non-management personnel of the region, who fill out a formal declaration related to conflicts of interest, receipt of gifts, performance of services, etc. This declaration makes reference to the Code and assumes that the latter has been reread and studied before the document is signed. In 2014, there were 2,945 documents signed.

A whistleblowing system has also been implemented in this area *via* the use of a website which is fed back to the local Ethics Committee as well as the Group's Ethics Committee.

### ASIA

The Management in Asia was audited in 2013 and 2014 by the Group Audit to ensure that practices in China complied with the Group's rules and principles, particularly with respect to anti-fraud and anti-corruption (signature rules, managing the bids, etc.). A special anti-corruption guide in English and Chinese compliant with Chinese laws and regulations was published at the end of 2014 and made available.

## IMPLEMENTATION PROCESS AND ACHIEVEMENTS IN 2014

### ADHERENCE

After the massive geographic deployment phase and individual adherence, 2014 was marked by the deepening and appropriation of the Charter among the various Departments.

In accordance with the recommendations of the Ethics Committee, **ethical management reviews** were conducted throughout 2014 in the 19 departments that fall under the Chairman of the Management Board, on the basis of a standard defined by the Corporate Secretary. These ethical reviews consisted of reviewing the activities of Management with regard to each of the rules of the Charter and assessing the level of risk of infringement of these rules. The risk of corruption in particular was systematically evaluated.

The Management's "ethical" risk profile emerges from this work and the ethical reviews conclude with the choice by the Director of the two or three priority action areas for the next period and the determination of the associated action plans.

The consolidation of these efforts at Group level makes possible a global overview of the risks and identification of all ongoing action plans in each Department. The progress of the action plans will be monitored during 2015.

A practical anti-corruption guide stating the Group's policy on this subject was published in French and English in September 2014. Training sessions focused on issues of competition and corruption were also conducted by experts from the Legal Department and the Corporate Secretary's office with employees who exercise Purchasing and Trade functions.

As a result, in addition to the 140 people already trained late 2013, 775 employees from 11 countries attended face-to-face training on competition law in 2014. For anti-corruption, in 2014, 261 had face-to-face training and 304 were trained remotely.

### TRAINING SUMMARY 2014

(Consolidated Group, excluding Faurecia)

| | 2013 | | 2014 | |
|---|---|---|---|---|
| Areas | Number of hours | Number of employees | Number of hours | Number of employees |
| Equal opportunity, diversity, anti-discrimination training | 9,869 | 1,573 | 4,338 | 1,518 |
| Compliance with internal rules, Global Agreement, data privacy guidelines, etc. | 22,555 | 7,961 | 30,461 | 8,521 |
| Corruption, conflicts of interest, etc. | 2,097 | 854 | 1,831 | 887 |
| Competition and corruption + fraud (in classroom) | 459 | 293 | 2,157 | 1,343 |
| Code of Ethics | 884 | 1,843 | | |
| **TOTAL** | **35,864** | **12,524** | **38,787** | **12,269** |

### 2014 SITUATION

The Ethics Committee met four times in 2014, in accordance with the established quarterly rules of procedure.

Results for 2014 are as follows:

- cases of conflict of interest (Group scope, excluding Faurecia)

  There were no major cases of conflict of interest reported in 2014.
- corruption (Group scope, excluding Faurecia)

  There were no convictions for corruption delivered in 2013.
- failure to obey competition rules (Group scope, excluding Faurecia)

In December 2014: Peugeot Citroën Argentina and seven other carmakers received a notification form the Argentine Competition Commission imposing a fine on Peugeot Citroën Argentina of €14 million relating to the sale of vehicles in a Tierra del Fuego free zone. The Group is accused of price fixing between carmakers on pricing in this area and failing to allow customers to enjoy the tax benefits attached to it. The Group appealed, as did the seven other carmakers that received similar fines.

In 2011, the Peugeot Turkey Popas subsidiary was ordered to pay a €6,098,648 fine. Peugeot Turquie Popas has appealed the decision. The proceedings are ongoing.

### BANQUE PSA FINANCE

Due to its status as a banking establishment, Banque PSA Finance is subject to banking regulations, which govern the resources and actions of the Internal Control function.

BPF has implemented, in application of the Decree of 3 November 2014 on the internal control of institutions in the banking sector (previously pursuant to Regulation No. 97-02 of the CRBF), procedures and systems intended to prevent the risks to which all financial institutions are exposed and, more specifically, in the context of its oversight and ethics policy, the following procedures:

- an Internal Control Charter develops and explains the principles of role separation and for preventing conflicts of interest;
- an anti-money-laundering and terrorism system (LCB-FT) is in place.

With this system, there may be a focus on tools for detecting persons whose assets have been frozen so as to avoid a business relationship where appropriate. The classification of Politically Exposed Person is also controlled so that the appropriate controls and monitoring may be implemented, in particular for the identification and source of funds. Internal LCB-FT training is encouraged to give targeted practical training to staff according to their exposure to risk;

- BPF has adhered to the PSA Peugeot Citroën Group Code of Ethics, whose provisions have been stated to all employees in a communication from the Executive Management in September 2014;
- in addition to the various systems described above, BPF has implemented a professional alert system which allows any Group employee to inform the Central Compliance Manager of any non-compliance situation linked to the institutions' activities;
- specific training in the protection of customer data was deployed to the approximately 400 employees of the Banque PSA Finance head office.

### FAURECIA

Faurecia is a signatory to the United Nations Global Compact. As a result, the group has agreed to align its operations and strategy with ten universally accepted principles regarding human rights, labour standards, the environment and the fight against corruption. This commitment was reaffirmed in the Faurecia Code of Ethics. This Code, which was created in 2005, revised in 2007 and completed in 2014, is given to each new employee, is translated into the main languages of the Group and can be accessed on the Group intranet and internet sites.

It is part of the FCP ("Faurecia Core Procedures") and seeks to increase responsibility and involvement of the Group's staff. Its knowledge in the plants is systematically checked during Internal Audits.

The code is built around four themes: respect for basic rights, development of economic and social dialogue, the development of skills, ethics and rules of behaviour.

It also includes an alert procedure if the Code of Ethics is breached.

The ethical principles and behavioural rules are: the use of the Group's funds, services or assets, relations with customers, service providers or suppliers, compliance with competition law, confidentiality, loyalty and exclusivity, conflict of interest, safeguarding the Group's assets.

The Code provides for a system to manage breaches depending on the nature and importance of the actions invoked.

# 2.4. HUMAN RESOURCES, DRIVING CHANGE WITHIN PSA PEUGEOT CITROËN

Our new social contract to rebuild the Group's financial fundamentals is based on a sustainable policy that aims to drive transformation within the Company and prepare employees for the upcoming changes. This involves sharing Group strategy and implementing a culture of social dialogue, at Group level, in each country and in each workplace.

The human resources policy supports and provides security to employees *via* negotiated provisions and close HR support. It emphasises social dialogue as the means to define innovative solutions and to build trust and commitment.

This human resources policy is maintaining its priorities and its fundamental principles: developing talent and protecting health and safety through policies applied throughout the Company.

It focuses on each person to ensure equal opportunity. The PSA Peugeot Citroën Global Framework Agreement on Social Responsibility and its commitments to respecting fundamental human rights form a core reference system for this responsible human resources policy.

### POLICIES AND MANAGEMENT SYSTEMS

To address these priorities, after analysing the Group's priorities, policies were laid down to ensure the Group's operational efficiency, its sustainable development and to meet the differing expectations of its internal and external stakeholders. This section deals with three of these policies: employee relations policy (see section 2.4.1), health & safety (see section 2.4.4) and developing human resources (see section 2.4.3).

Each time the document refers to a policy, this applies to all Group companies except Faurecia, unless otherwise stated. This applies in particular to the following topics: the employee relations policy including organising social dialogue, measures taken to ensure gender equality and the anti-discrimination policy, the workplace health and safety policy, and the human resources development policy, including training policy and systems. Additional information may relate to only one company or group of companies and the scope of application will then be specified. Where it is not, the information should be understood as relating to Peugeot Citroën Automobiles.

The present section of the Registration Document includes data from Faurecia, a listed company 51.14%-owned by Peugeot S.A., in accordance with legal requirements. As Faurecia manages its business independently, it prepares and publishes its own Registration Document. The specific policies implemented by Faurecia are outlined briefly in separate sections.

## 2.4.1. THE PATH OF SOCIAL DIALOGUE TO IMPLEMENT THE NEW PSA PEUGEOT CITROËN SOCIAL CONTRACT

The human resources policy implemented in 2014 contributes in a socially responsible way to rebuilding the Company's financial fundamentals in Europe and to taking into account all human dimensions of the Group's strategic vision. Supported by a forward-looking, shared vision on the Group's strategy and the culture of social dialogue, at Group level as well as in each country and in each workplace, it involves a negotiated approach to managing employment. A PSA Peugeot Citroën intergenerational contract helps manage the employment of older employees responsibly while preparing for the future by training young people to work in the automotive industry. Finally, it also links employee profit-sharing to the Company's economic recovery through the redistribution of earnings in both base salary and incentive bonuses and through increasing employee's equity stake in the Company.

### THE SYSTEM FOR MANAGING SOCIAL RELATIONS

Structured around six commitments, PSA Peugeot Citroën's employee relations policies are designed to support a harmonious working environment in every plant and facility. In particular, systems are in place to proactively foresee and manage the employee relations aspects of all of the developments that impact the Group, while strengthening social cohesion within the organisation.

**The system for managing employee relations**

1. The Group respects and is committed to promoting the principles of the Universal Declaration of Human Rights and the International Labour Organization
2. Working processes and standards meet current labour regulations
3. The Group's social dialogue is based on independent trade unions and employee representatives
4. Contractual agreements combine the Company's operational efficiency with the satisfaction and commitment of employees, strengthening internal social cohesion
5. Social dialogue, based on respect and responsibility, takes place daily by managers within the work units
6. Social policy in all subsidiaries is assessed regularly

Organisation of the employee representative bodies is one of the requirements of the system for managing employee relations. Social dialogue is structured around a formal social agenda for each dialogue body. It is based on a calendar which makes it possible to anticipate and support changes. Monitoring of the application and assessments of Company agreements take place regularly in central and local commissions.

### THE GLOBAL FRAMEWORK AGREEMENT ON CORPORATE SOCIAL RESPONSIBILITY, THE BASIS FOR INTERNATIONAL SOCIAL DIALOGUE G.6 G.15 G.16 G.17 G.18 G.19 G.40 G.42

PSA Peugeot Citroën wanted to demonstrate the full depth of its commitment and decided to get a wide range of stakeholders involved in the CSR process on an international level. With IndustriAll Global Union (formerly the International Organisations of Metal Workers' Federation – FIOM) and IndustriAll Europe (formerly the European Metallurgists' Federation – FEM), the Group signed a global framework agreement on corporate social responsibility on 20 May 2010. This agreement reaffirms and builds on the first agreement concluded on 1 March 2006 and formalises in specific terms the commitment made by the Group in 2003 when signing up to the Global Compact. It brings together over 90 trade unions worldwide.

It engages the Group to respect and promote the fundamental human rights expressed in the Universal Declaration of Human Rights and to apply the best human resources management and development practices. It also commits the Group to sharing its standards with its industrial partners, suppliers and independent dealers. This agreement is expressed in 15 commitments.

**15 commitments of global framework agreement on PSA Peugeot Citroën'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 organizations
13. Shared social responsibility with suppliers, sub-contractors, industrial partners and distribution networks
14. Consideration of the impact of company activity at the local level
15. Environmental protection

The purpose of the Group's global framework agreement is to take all Group entities forward in terms of social responsibility. It applies to all Group companies (excluding Faurecia). Every year, each subsidiary defines its priorities for action and applies action plans to improve their ability to fulfil the agreement's commitments. In 2014, 264 action plans were defined in the 99 Group subsidiaries based in 33 countries on 4 continents.

Each subsidiary conducts a self-assessment of the application of the agreement every three years. In addition, an annual audit takes place (see section 2.4.6.2).

This continuous improvement process is being led jointly with unions or employee representatives, who are directly involved in implementing the action plans and the self-assessment process. In 2014, 90 trade unions or employee representative bodies issued an opinion on the action plans carried out and on the selection of new action plans made by their subsidiary. 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 EXTENDED EUROPEAN GROUP WORKS COUNCIL, REPRESENTING ALL EMPLOYEES

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 the general management to understand the concerns, expectations and suggestions of employees, but also 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 and Russia.

In 2014, the European Group Works Council and its Liaison Committee of officers met 14 times.

## EMPLOYEE REPRESENTATION IN CORPORATE GOVERNANCE

An employee representative was elected in 2013 as member of the Supervisory Board of Peugeot S.A. to reflect the Group's desire to better involve employees when defining the Company's strategy. He resigned in 2014 to offer his candidacy under the new procedure in the Articles of Association voted by the Annual Shareholders' Meeting of 25 April 2014 following the enactment of the French employment security law. He was elected on 18 June 2014 by the Group's European Works Council, in accordance with this new regulatory provision.

A representative of employee shareholders also sits on the Supervisory Board.

## THE JOINT UNION-MANAGEMENT STRATEGY COMMITTEE, SUPPORTING DIALOGUE AND DISCUSSION

This Committee is a body for dialogue and discussion allowing for more and earlier involvement of the employee representatives in the Group strategy. The French representative organisations and the main trade unions of the non-French European companies are represented on the Committee.

To strengthen social dialogue and share the Company's vision, priorities and projects, the remit of this Committee was extended in 2013 according to the procedures set out in the "New Social Contract".

## A NEW SOCIAL CONTRACT, HELPING REBUILD THE COMPANY'S FINANCIAL FUNDAMENTALS G.7

In cases where no collective bargaining agreement applies, social dialogue is usually pursued through the negotiation of company agreements. In 2014, 132 company agreements were concluded, 70 of which were international. Worldwide, 92% of Group employees are covered by a collective bargaining agreement.

An extensive negotiation cycle led to the signing in France by four out of six trade unions on 24 October 2013 of an agreement with a wide scope of application showing the ability to reconcile the Company's economic and social priorities. This "New Social Contract" focuses on four main aspects:

- greater involvement by employees and their representatives in the Group's strategic vision and in each department's and site's forward-looking projects;
- a new approach that secures jobs while carrying out collective transformations, particularly those targeting improvements in the utilisation rate of our plants;
- the implementation of a PSA Peugeot Citroën intergenerational Contract, combining job retention leave for older employees with work-study hiring of over 2,000 young people;
- competitiveness and flexibility measures, including the moderation of wage costs, without cutting the remuneration paid, in order to maintain strong bases in western Europe.

Following this agreement, contractual agreements were actively and creatively pursued. Negotiations took place within the framework opened up by the New Social Contract (for example, an agreement on granting rest days to parents with a seriously ill child), to define local implementation arrangements (for example on work arrangements and flexibility) and on any topic to support transformation within the Company or adapt existing arrangements. Internationally, the agreements gave rise to a wide variety of content, taking into account the legal and contractual provisions and specific needs of each country, in particular to create favourable competitive conditions.

Faurecia has its own European Works Council, which plays a major role in economic and social dialogue. Set up in 2003, this body is now governed by the agreement signed unanimously on 10 January 2012. The European Works Council met in plenary session on 17 and 18 April 2014 and its council office met three times during the year.

In 2014, the social dialogue policy implemented at Faurecia led to the signing of 383 plant or company agreements, in 20 countries, 174 in France, 101 in Germany, 29 in Brazil, 11 in Mexico, 9 in Thailand, and 8 in Tunisia and Uruguay. In 2014, negotiations were successfully conducted on competitiveness and/or performance in a certain number of sites where this was essential to maintain activity or win new orders, thus avoiding the need for further industrial redeployment measures.

## 2.4.2. RESPONSIBLE EMPLOYMENT AND SKILLS MANAGEMENT

To achieve its transformation plans, the Company engages in ongoing dialogue with employee representatives and favours a contractual approach.

Anticipating transformations *via* workforce and skills planning (GPEC) is a major priority for the Group. GPEC-related matters were therefore of prime importance when implementing the New Social Contract. Their inclusion, with the aim of making jobs more secure, is reflected in a system which jointly anticipates changes, gradually implements the necessary adaptation measures, and is committed to employing young and older people.

The professions and skills observatory, a joint body responsible for building and sharing a prospective vision of roles within the automotive industry, analysing each one and producing figures to reflect company needs in terms of jobs, is based on the architecture of the 21 business lines and 110 Group professions (see section 2.4.3.1). Analyses shared during the professions and skills observatory meetings constitute a considerable asset for a successful workforce and skills planning and retraining.

### 2.4.2.1. WAYS TO ADAPT RESOURCES TO THE COMPANY'S NEEDS

#### SAFEGUARDING CAREER PATHS

The encouragement of internal and external reclassifications is structured around Mobility and Career Development units (EMDP) offering information-sharing opportunities as regards jobs (adverts, catalogues of job offers, videos, description of current measures, etc.) while guaranteeing confidentiality.

Internal mobility opportunities were still given priority. This policy is based on organising numerous forums in EMDPs, assisting redeployment through training on the Top Competences programme, and improving support for geographical mobility, in particular by helping the spouses of redeployed personnel find work. This program set up by PSA offered internal training to 965 people , who completed a "Top Competences" module, taking on average 88 hours in 2014. 85% of the training given under this arrangement was in France and 15% in other European countries. 26% were operators, 34% were technicians and supervisors (TAM) and 40% were managers.

Safeguarding career paths also uses the innovative solutions formulated by the New Social Contract:

- probationary mobility period under the Jobs and Skills Alignment Plan to allow outplacement candidates to return until the end of their trial period with a new employer;
- secured mobility periods under Human Resources Planning and Development Initiatives, allowing outplacement candidates to return to PSA Peugeot Citroën for up to two years after starting a new job;
- career transition passport under Territorial Career Mobility and Transition Platforms.

#### TERRITORIAL CAREER MOBILITY AND TRANSITION PLATFORMS

An illustration of PSA Peugeot Citroën's responsible employment management, these platforms organise the safeguarding of career paths at territorial level. Set up in the PSA Peugeot Citroën Group's five French host regions (Alsace, Brittany, Franche-Comté, Île-de-France, Nord-Pas-de-Calais) with government support, these platforms are based on partnerships forged with companies of all sizes that are hiring, from SMEs to international groups.

Based on these companies' offers and on their commitment to hire PSA Peugeot Citroën employees if they successfully complete their retraining, the Group builds tailored training paths with its partners. This career transition passport allows employees interested in transitioning measures to fill the gap between their current and future job while remaining PSA Peugeot Citroën employees until they are definitively hired.

#### PSA PEUGEOT CITROËN INTERGENERATIONAL CONTRACT: JOB RETENTION LEAVES FOR OLDER EMPLOYEES AND THE HIRING OF YOUNG PEOPLE

Safeguarding career paths is at the core of the PSA Peugeot Citroën intergenerational contract, that provides for retaining older employees while hiring young people. for each older employee retained in a job, a young person will be hired between 2014 and 2016, particularly *via* work-study contracts and apprenticeships.

For older employees, the Group has drawn up a scheme in France that combines keeping people in employment and gradually preparing employees for retirement. This scheme is aimed at employees who qualify to retire at the full social security rate within two years. This period may be extended to three years for employees who have been in sustained hardship positions during their career. Partial maintenance of remuneration is ensured. These provisions ensure that employees maintain their employment contracts until they are able to claim their pension, while allowing them to gradually reduce the amount of work that they do. At the end of 2014, 2,580 employees have already undertaken voluntary leave with senior job retention.

At the same time, the Group agrees to hire an equivalent number of young people on work-study contracts. The main vehicle for these hirings is the apprenticeship contract, a contract with which the Group has plenty of experience and which effectively combines preparation for a diploma or degree with training at the Company. In addition, international corporate volunteering contracts (VIE), skill-acquisition contracts, and industrial training agreements by research (CIFRE) will be entered into to meet the needs of the Group and the pre-requisites for the courses taken by the young people. In 2014, 1,050 young people were hired through these work-study contracts. These hirings will be adjusted in 2015 to take into consideration the difference with all senior job retention leaves recorded in 2014. Finally, preference will be given to apprentices or former apprentices for the targeted hirings that the Group will make under permanent contracts.

## GROUP HIRINGS

In 2014, the Group hired 4,619 employees on permanent contracts. 73% of these hirings took place at Faurecia. 89% of these hirings were for the Group's international business.

Attracting and recruiting the talent the Group needs is a real strategic challenge, despite the slowdown in hirings in 2014, particularly in France, where only rare or expert profiles were required. The Employer brand, expressing the Group's identity as an employer, is a decisive driver to support these hirings and cultivate the Group's image among candidates and more generally, students. Developing its Employer brand allows the Group to optimise its capacity to maintain skills and attract new ones.

Actions promoting proximity and discussion took place among young people and teaching staff, using a network of very active and motivated "campus partners". This involved participation in forums, organising visits to Group sites, participation in teaching at selected higher education partner establishments and also placements within the Company for lecturers.

PSA Peugeot Citroën is today partner to thirty education and research establishments worldwide. This partnership, which is based on lasting relationships with schools and universities and the implementation of share laboratories (in particular the "StelLabs" programme), teaching or research chairs, is now in place in Brazil (São Paulo and Rio Universities), China (Beijing and Shanghai Universities) and the United States (GeorgiaTech in Atlanta).

## WORKFORCE

### WORKFORCE ON PERMANENT AND FIXED-TERM CONTRACTS OVER THREE YEARS BY DIVISION G.1A

*(Consolidated Group, at 31 December)*

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Automotive | 119,783 | 111,228 | 103,894 |
| *o/w PCA (France)* | *66,804* | *61,265* | *57,351* |
| Faurecia | 80,825 | 81,995 | 82,382 |
| Other businesses | 3,679 | 3,661 | 3,510 |
| **TOTAL** | **204,287** | **196,884** | **189,786** |

The abbreviations CDI and CDD stand for, respectively "permanent employment contract" and "fixed-term employment contract".

### WORKFORCE ON PERMANENT AND 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** | **2014** | **70,044** | **24,986** | **8,864** | **103,894** |
| | 2013 | 71,922 | 27,376 | 11,930 | 111,228 |
| | 2012 | 78,545 | 28,596 | 12,642 | 119,783 |
| ***o/w PCA (France)*** | ***2014*** | ***57,351*** | | | ***57,351*** |
| | *2013* | *61,265* | - | - | *61,265* |
| | *2012* | *66,804* | - | - | *66,804* |
| **Faurecia** | **2014** | **12,122** | **34,520** | **35,740** | **82,382** |
| | 2013 | 12,635 | 33,521 | 35,839 | 81,995 |
| | 2012 | 13,136 | 33,271 | 34,418 | 80,825 |
| **Other businesses** | **2014** | **1,664** | **1,650** | **196** | **3,510** |
| | 2013 | 1,646 | 1,717 | 298 | 3,661 |
| | 2012 | 1,798 | 1,760 | 121 | 3,679 |
| **TOTAL** | **2014** | **83,830** | **61,156** | **44,800** | **189,786** |
| | 2013 | 86,203 | 62,614 | 48,067 | 196,884 |
| | 2012 | 93,479 | 63,627 | 47,181 | 204,287 |

At 31 December 2014, there were 189,786 employees within the Group of which 178,630 were on permanent contracts (94% of the workforce). Today, 56% of employees work outside France, of which 32% in other European countries and 24% in the rest of the world.

This headcount was broken down into 19.8% managers, 22.4% TAM and 57.8% operators.

BREAKDOWN OF EMPLOYEES ON PERMANENT AND FIXED-TERM CONTRACTS BY GENDER AND REGION 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 | 11,775 | 58,269 | 5,741 | 19,245 | 1,556 | 7,308 | 19,072 | 84,822 |
| *o/w PCA (France)* | *10,171* | *47,180* | *0* | *0* | *0* | *0* | *10,171* | *47,180* |
| Faurecia | 2,793 | 9,329 | 9,437 | 25,083 | 10,324 | 25,416 | 22,554 | 59,828 |
| Other businesses | 762 | 902 | 847 | 803 | 97 | 99 | 1,706 | 1,804 |
| **TOTAL** | **15,330** | **68,500** | **16,025** | **45,131** | **11,977** | **32,823** | **43,332** | **146,454** |

WORKFORCE ON PERMANENT OR FIXED-TERM CONTRACTS BY AGE GROUP AND GENDER G.1C G.15

*(Consolidated Group, at 31 December)*

| | < 30 years | | 30-39 | | 40-49 | | ≥ 50 | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Women | Men | Women | Men | Women | Men | Women | Men | Women | Men |
| Automotive | 2,429 | 7,822 | 6,180 | 23,421 | 5,588 | 27,133 | 4,875 | 26,446 | 19,072 | 84,822 |
| *o/w PCA (France)* | *802* | *2,476* | *2,628* | *11,573* | *3,234* | *16,455* | *3,507* | *16,676* | *10,171* | *47,180* |
| Faurecia | 6,731 | 18,075 | 6,993 | 17,156 | 5,525 | 14,394 | 3,305 | 10,203 | 22,554 | 59,828 |
| Other businesses | 295 | 163 | 536 | 441 | 456 | 636 | 419 | 564 | 1,706 | 1,804 |
| **TOTAL** | **9,455** | **26,060** | **13,709** | **41,018** | **11,569** | **42,163** | **8,599** | **37,213** | **43,332** | **146,454** |

## LEAVERS G.2B

LEAVERS ON PERMANENT CONTRACTS BY REGION

*(Consolidated Group, at 31 December)*

| **Automotive** | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|
| Resignations | 611 | 1,106 | 3,054 | 4,771 |
| *o/w PCA (France)* | *310* | *0* | *0* | *310* |
| Dismissals | 636 | 590 | 76 | 1,302 |
| *o/w PCA (France)* | *333* | *0* | *0* | *333* |
| Redundancies | 3,237 | 251 | 91 | 3,579 |
| *o/w PCA (France)* | *2,922* | *0* | *0* | *2,922* |
| Retirement, death or other | 1,598 | 733 | 73 | 2,404 |
| *o/w PCA (France)* | *1,113* | *0* | *0* | *1,113* |
| **TOTAL** | **6,082** | **2,680** | **3,294** | **12,056** |
| Leavers rate, Automotive | 8.9% | 11.6% | 38% | 12.1% |
| *o/w PCA Separation rate (France)* | *8.3%* | *0.0%* | *0.0%* | *8.3%* |

| **Faurecia** | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|
| Resignations | 148 | 1,925 | 3,227 | 5,300 |
| Dismissals | 335 | 1,236 | 3,644 | 5,215 |
| Redundancies | 216 | 285 | 618 | 1,119 |
| Retirement, death or other | 138 | 203 | 105 | 446 |
| **TOTAL** | **837** | **3,649** | **7,594** | **12,080** |
| Leavers rate, Faurecia | 7.3% | 11.6% | 23.2% | 16.0% |

| Other businesses | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|
| Resignations | 23 | 77 | 101 | 201 |
| Dismissals | 10 | 26 | 1 | 37 |
| Redundancies | 12 | 2 | 8 | 22 |
| Retirement, death or other | 42 | 29 | 1 | 72 |
| **TOTAL** | **87** | **134** | **111** | **332** |
| Leavers rate, Other businesses | 5.5% | 9% | 58.1% | 10.2% |

The percentage of leavers is calculated as the ratio of all permanent contract departures during the year (resignations, redundancies, dismissals and others: retirement, death, etc.) to the total Group workforce on permanent contracts at 31 December 2014.

In 2014, the Group recorded 24,468 leavers. This gives a leavers rate of 13.7%.

In Latin America the 34% drop of automotive production recorded in 2014 brought with it a resizing of manufacturing capacities in Brazil and Argentina. In those two countries, measures were negotiated to promote departures from the Company. For example, in Brazil an innovative training programme was offered to prepare people for reassignment, along with the creation of small manufacturing and service companies meeting the region's needs.

## HIRINGS G.2A

### HIRINGS ON PERMANENT CONTRACTS

*(Consolidated Group, at 31 December) – Includes transfers from Fixed-Term to Permanent Contracts*

| | | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|---|
| **Automotive** | **2014** | **453** | **480** | **243** | **1,176** |
| | 2013 | 450 | 847 | 1,082 | 2,379 |
| | 2012 | 1,140 | 3,703 | 1,233 | 6,076 |
| ***o/w PCA (France)*** | ***2014*** | ***88*** | ***0*** | ***0*** | ***88*** |
| | *2013* | *52* | *0* | *0* | *52* |
| | *2012* | *552* | *0* | *0* | *552* |
| **Faurecia** | **2014** | **25** | **1,292** | **2,063** | **3,380** |
| | 2013 | 14 | 1,414 | 2,521 | 3,949 |
| | 2012 | 43 | 1,451 | 3,364 | 4,858 |
| **Other businesses** | **2014** | **23** | **28** | **12** | **63** |
| | 2013 | 13 | 72 | 199 | 284 |
| | 2012 | 64 | 107 | 21 | 192 |
| **TOTAL** | **2014** | **501** | **1,800** | **2,318** | **4,619** |
| | 2013 | 477 | 2,333 | 3,802 | 6,612 |
| | 2012 | 1,247 | 5,261 | 4,618 | 11,126 |

### EMPLOYEES HIRED ON FIXED-TERM CONTRACTS

*(Consolidated Group, at 31 December)*

| | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|
| Automotive | 2,006 | 1,321 | 211 | 3,538 |
| *o/w PCA (France)* | *1,481* | *0* | *0* | *1,481* |
| Faurecia | 473 | 3,215 | 4,542 | 8,230 |
| Other businesses | 100 | 84 | 8 | 192 |
| **TOTAL** | **2,579** | **4,620** | **4,761** | **11,960** |

In 2014, Faurecia's overall level of activity rose, supported by sustained growth in Asia and a recovery in automotive production in Europe. This trend is reflected in the staff headcount progression on a steady rise of 0,5% in 2014, from 81,995 at the end of 2013 to 82,382 at the end of 2014.

Industrial redeployment initiatives in 2014 affected 23 sites and 1,582 employees in 9 countries. In this context, Europe has seen the number of employees rise slightly, by 1.3%, despite the restructuring plans implemented in western European countries. In South America, after registering significant growth in recent years, the number of employees fell 15.3%, confirming the decline in automotive production and the difficulties encountered in this region. Faurecia continued to expand in Asia, where employee numbers grew 11.1%, confirming the strong commercial momentum with automakers from the region.

Hiring volumes at Faurecia stabilised, with 2,133 engineers and managers recruited in 2014 compared to 2,063 in 2013. Recruitment mainly took place in areas of growth such as China (467), the United States (432), Mexico (252) and India (114). Hirings continued at a slower rate in France (249) and Germany (148). 38% of new employees were assigned to production, 33% to sales, R&D and programme functions, and 29% to support functions.

## 2.4.2.2. ORGANISATION OF WORKING HOURS

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

### STEPS TO PRESERVE EMPLOYMENT G.4

Use of short-time work can be an alternative to unemployment and redundancies. 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, was used in various European countries, including France.

Thus, in France alone, short-time working hours in 2014 represented the equivalent of 1,800 jobs saved (number of short-time working hours based on an average annual work time of 1,607 hours).

SHORT-TIME WORKING

*(Consolidated Group, at 31 December)*

| | | |
|---|---|---|
| **Automotive** | **2014** | **4,172,246** |
| | 2013 | 5,734,951 |
| | 2012 | 7,093,162 |
| ***o/w PCA France*** | ***2014*** | ***2,930,576*** |
| | *2013* | *4,411,327* |
| | *2012* | *5,313,938* |
| **Faurecia** | **2014** | **1,018,538** |
| | 2013 | 1,455,766 |
| | 2012 | 1,328,034 |
| **Other businesses** | **2014** | **11,196** |
| | 2013 | 0 |
| | 2012 | **15,487** |
| **TOTAL** | **2014** | **5,201,980** |
| | 2013 | 7,190,717 |
| | 2012 | 8,436,683 |

OVERTIME

*(Consolidated Group, at 31 December)*

| | | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|---|
| **Automotive** | **2014** | **293,847** | **603,014** | **288,697** | **1,185,558** |
| | 2013 | 305,388 | 751,877 | 1,036,474 | 2,093,739 |
| | 2012 | 376,681 | 697,341 | 588,819 | 1,662,841 |
| *o/w PCA (France)* | ***2014*** | ***249,464*** | - | - | ***249,464*** |
| | *2013* | *295,818* | - | - | *295,818* |
| | *2012* | *262,978* | - | - | *262,978* |
| **Faurecia** | **2014** | **218,983** | **2,195,091** | **7,986,910** | **10,400,984** |
| | 2013 | 217,253 | 1,991,106 | 7,896,369 | 10,104,728 |
| | 2012 | 144,366 | 1,809,622 | 7,618,538 | 9,572,526 |
| **Other businesses** | **2014** | **17,002** | **11,994** | **4,136** | **33,132** |
| | 2013 | 18,974 | 16,717 | 1,012 | 36,703 |
| | 2012 | 23,676 | 36,143 | - | 59,819 |
| **TOTAL** | **2014** | **529,832** | **2,810,099** | **8,279,743** | **11,619,674** |
| | 2013 | 541,615 | 2,759,700 | 8,933,855 | 12,235,170 |
| | 2012 | 544,723 | 2,543,106 | 8,207,357 | 11,295,186 |

Working hours are determined on an annual or multi-year basis.

## 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 ON PERMANENT OR FIXED-TERM CONTRACTS

*(Consolidated Group, at 31 December)*

| | | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|---|
| **Automotive** | **2014** | **2,378** | **5,619** | **1** | **7,998** |
| | 2013 | 2,275 | 6,696 | 2 | 8,973 |
| | 2012 | 2,349 | 6,966 | 6 | 9,321 |
| *o/w PCA (France)* | ***2014*** | ***1,944*** | ***0*** | ***0*** | ***1,944*** |
| | *2013* | *2,082* | *0* | *0* | *2,082* |
| | *2012* | *2,135* | *0* | *0* | *2,135* |
| **Faurecia** | **2014** | **598** | **1,086** | **0** | **1,684** |
| | 2013 | 614 | 938 | 0 | 1,552 |
| | 2012 | 604 | 798 | 0 | 1,402 |
| **Other businesses** | **2014** | **118** | **274** | **0** | **392** |
| | 2013 | 90 | 301 | 0 | 391 |
| | 2012 | 93 | 314 | 0 | 407 |
| **TOTAL** | **2014** | **3,094** | **6,979** | **1** | **10,074** |
| | 2013 | 2,979 | 7,935 | 2 | 10,916 |
| | 2012 | 3,046 | 8,078 | 6 | 11,130 |

At 31 December 2014, the Group had 10,074 part-time employees worldwide (5,616 half-time); 43% of these were women and 57% were men.

## MATERNITY, PATERNITY AND PARENTAL LEAVE 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.

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 Adminis-trative Employees | Techni-cians and Super-visors | Mana-gers | Total | Operators and Adminis-trative Employees | Techni-cians and Super-visors | Mana-gers | Total | Operators and Adminis-trative Employees | Techni-cians and Super-visors | Mana-gers | Total |
| Automotive | 491 | 349 | 312 | 1,152 | 1,698 | 482 | 378 | 2,558 | 484 | 118 | 85 | 687 |
| *o/w PCA (France)* | *216* | *102* | *193* | *511* | *906* | *264* | *296* | *1,466* | *166* | *42* | *65* | *273* |
| Faurecia | 737 | 186 | 292 | 1,215 | 807 | 168 | 387 | 1,362 | 349 | 181 | 119 | 649 |
| Other businesses | 0 | 82 | 17 | 99 | 5 | 31 | 12 | 48 | 0 | 65 | 15 | 80 |
| **TOTAL** | **1,228** | **617** | **621** | **2,466** | **2,510** | **681** | **777** | **3,968** | **833** | **364** | **219** | **1,416** |

In 2014 in the Group, there were 2,466 periods of maternity leave, 3,968 periods of paternity leave and 1,416 periods of parental leave.

## ABSENTEEISM AND ITS CAUSES G.5

In total in 2014, there were 10,369,676 hours of paid absence excluding time-off, including 7,774,413 hours of sick leave, 541,316 hours of maternity leave, 371,848 hours of absence as a result of accidents and 1,682,099 hours for other reasons.

In 2014, based on the 278 million hours worked, absenteeism for sickness stood at around 2.8%.

HOURS OF PAID ABSENCES EXCLUDING TIME-OFF

*(Consolidated Group, at 31 December)*

| | | France | | Rest of Europe | | Rest of the world | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | Sick leave | Other paid leave | Sick leave | Other paid leave | Sick leave | Other paid leave | Sick leave | Other paid leave |
| **Automotive** | **2014** | **2,909,390** | **394,721** | **1,298,668** | **675,923** | **540,303** | **586,156** | **4,748,361** | **1,656,800** |
| | 2013 | 4,044,384 | 747,448 | 1,299,807 | 968,414 | 783,307 | 161,205 | 6,127,498 | 1,877,067 |
| | 2012 | 3,847,250 | 1,361,035 | 1,359,880 | 598,152 | 526,339 | 207,497 | 5,733,469 | 2,166,684 |
| ***o/w PCA (France)*** | ***2014*** | ***2,468,683*** | ***317,824*** | **-** | **-** | **-** | **-** | ***2,468,683*** | ***317,824*** |
| | *2013* | *2,889,233* | *350,572* | - | - | - | - | *2,889,233* | *350,572* |
| | *2012* | *2,806,074* | *1,126,492* | - | - | - | - | *2,806,074* | *1,126,492* |
| **Faurecia** | **2014** | **570,172** | **77,235** | **1,789,855** | **172,426** | **533,815** | **621,443** | **2,893,842** | **871,104** |
| | 2013 | 628,025 | 41,837 | 1,791,819 | 190,635 | 722,213 | 412,781 | 3,142,057 | 645,253 |
| | 2012 | 583,963 | 41,546 | 1,658,180 | 145,804 | 568,290 | 451,758 | 2,810,433 | 639,108 |
| **Other businesses** | **2014** | **54,573** | **12,942** | **75,027** | **51,214** | **2,609** | **3,203** | **132,209** | **67,359** |
| | 2013 | 54,687 | 16,382 | 83,096 | 53,104 | 1,367 | 3,371 | 139,150 | 72,857 |
| | 2012 | 59,540 | 12,949 | 75,429 | 73,606 | 1,211 | 2,124 | 136,180 | 88,679 |
| **TOTAL** | **2014** | **3,534,136** | **484,898** | **3,163,550** | **899,563** | **1,076,727** | **1,210,802** | **7,774,413** | **2,595,263** |
| | 2013 | 4,727,096 | 805,667 | 3,174,722 | 1,212,153 | 1,506,887 | 577,357 | 9,408,705 | 2,595,177 |
| | 2012 | 4,490,753 | 1,415,531 | 3,093,489 | 817,562 | 1,095,840 | 661,379 | 8,680,082 | 2,894,472 |

# 2.4.3. DEVELOPING TALENT AND GROWING AUTOMOTIVE EXPERTISE

Growing its automotive expertise and developing a leadership and performance culture are assets for PSA Peugeot Citroën. The Group's future will be built on its human resources through characteristic initiatives. First comes organisation according to job families and professions: with PSA Peugeot Citroën University, this approach cultivates skills and automotive expertise within PSA Peugeot Citroën. Next, development leadership helps identify future leaders and attract and retain new talent. Finally, the focus on results helps drive the Group's cultural transformation.

## 2.4.3.1. HUMAN RESOURCES DEVELOPMENT POLICY

The human resources development policy implemented worldwide is built around seven principles:

**The human resources development policy**

| | |
|---|---|
| 1. | Each Group employee is an active participant in his or her career development |
| 2. | Each manager is responsible for the development of his or her team |
| 3. | Every employee has an annual performance review |
| 4. | Career paths are defined by job family, through each family's profession |
| 5. | Training is a major investment for the Company and for each employee |
| 6. | Job mobility allows interested employees to expand their career horizons and develop their skills |
| 7. | The Group manages jobs responsibly |

This policy is rounded off by systems that are standardised, appropriately equipped and regularly evaluated within the HR community *via* a road map detailing the stages of maturity. These systems are: career plans, developing managerial skills, supporting employees, the annual appraisal system, the talent review, qualifying career paths, the training offer, training certification, internal mobility and the Group's employment plan.

## 2.4.3.2. GROWING PSA PEUGEOT CITROËN AUTOMOTIVE EXPERTISE

### MANAGEMENT BY JOB FAMILIES AND PROFESSIONS

The job families and professions approach developed by the Group is central to the Group's human resources development policy in the medium and long terms. It identifies career paths leading employees from their current position to the jobs of tomorrow.

Job families are cross-functional skills communities that encompass all the professions focused on the same ultimate work objective. The 21 job families map out the 110 Group professions. From these follow skills development programmes, skills acquisition procedures, career paths leading to qualifications and their associated links between professions and job families, mobility and guidance on expertise.

As a guarantee of excellence, all professional training courses are certified by PSA Peugeot Citroën University according to a structured audit process.

The job family helps employees set career objectives and prepare for mobility, while enabling managers to provide effective support. It allows the Group to foresee strategic changes in the skills base, identify the capabilities it will need in the future and anticipate transitions.

By building on job families and professions, the Group demonstrates its ability to retain and grow its automotive expertise.

### PSA PEUGEOT CITROËN UNIVERSITY: ACQUIRING SKILLS G.11A

PSA Peugeot Citroën University's purpose is to relay knowledge, know-how and behaviours which reflect the Group's values, strategy and vision all over the world.

Committees work on forward-planning of skills and supporting projects, evaluate training offers and scale the volume of training needs. PSA Peugeot Citroën University has set up its own certification process for training courses to ensure that they are comprehensive and relevant to the needs an internationally implemented.

The job families committees and the professional specialists together grant the certification based on a system of skills assessment within the profession.

The University is committed to making its training offer more innovative, more global and more accessible through e-learning. This remote learning technology has been quickly rolled out across the Group to offer employees all over the world a shared body of knowledge, know-how and values which fit the Group's globalisation ambition. There are now over 1,000 e-learning references in the University's training catalogue. To support employees as the Group becomes a global player, PSA Peugeot Citroën University has an innovative range of online training modules for learning seven different languages on its Intranet, CAMPUS WEB.

#### THE MANAGEMENT SCHOOL, PROMOTING EXCELLENCE IN MANAGEMENT

Part of the University, the Management School offers a range of training modules tailored to managers' needs in leadership development and change management. It includes programmes adapted to all management levels: the Advanced Executive Programme for managers identified as high potential, the Manager Leader programme, focused on the personal development of "managers of managers" and the Managing in Challenging Times programme aimed at new managers, the "Leading my basic production unit", aimed at manufacturing floor managers.

This program has been supplemented by Manager 20.20, an innovative active learning programme that brings together managers at every level and with various experience to create collective momentum. Aimed at developing collective intelligence and emulating the collaborative spirit in the workplace, about 900 managers were involved in this programme in 2014.

#### A UNIVERSITY TO HELP RETAIN THE GROUP EMPLOYEES

"Top Compétences" is a system to promote internal mobility, designed to better meet the Group's competitiveness and skills reallocation needs. Aimed at all socio-professional categories in the Group, it has opened up new opportunities for career reconversion supported by an increased emphasis on individual training; over 2,000 employees have benefited from the opportunity to learn a new profession within the Group. Since 2012, over 160,000 training hours, evenly distributed between operators, technicians, supervisors, engineers and managers, have been provided under this scheme.

The Company also believes it is its corporate responsibility to include employees with no initial training and provide basic training. Therefore, to support employees who are struggling the most to deal with their career changes, the University has entered into a partnership with the French Adult Professional Training association (AFPA). A programme to improve general education has also been rolled out, lasting between 70 hours and 280 hours.

## MEASURING SKILLS GAINS

The system for evaluating the investment in training is based firstly on a system for validating training-based learning and then on an evaluation carried out at the end of the training session.

In 2014, all 110 professions had achieved certification. An audit campaign to confirm professions certified three years ago has been initiated. 15 professions confirmed the certification of professional training courses, of a target of 24 professions by end-2014.

## EMPLOYMENT OF YOUNG PEOPLE – MEETING THE CHALLENGE

Under the responsibility of the Group University, the PSA Peugeot Citroën private technical school is the result of a partnership between the Group and the French state education system. Over 600 young students, professors and science and industrial technology/economics and management inspectors benefit each year from this system.

Strengthened by this experience, the Group has built relationships with the academic world far beyond France. In collaboration with local education partners and the French state education system, the Group is implementing training centres for the networks of the Peugeot and Citroën brands 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 industry professions and business.

In Faurecia, 2014 was marked by a redimensioning of Corporate Training. Faurecia University's missions were redefined and governance reinforced. Two regional universities were set up: Faurecia University North America and Faurecia University Asia are now fully operational. They have dedicated teams and premises in Auburn Hills (Michigan) and Shanghai. In 2014, Faurecia University delivered 298 training sessions compared to 163 in 2013. In total, 4,562 took part in these programmes compared to 2,487 in 2013.

HOURS OF TRAINING G.12 G.11B

*(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 | 1,512 | 520 | 264 | 2,296 | 21.6 | 20.8 | 29.8 |
| *o/w PCA (France)* | *1,227* | *0* | *0* | *1,227* | *21.4* | *0* | *0* |
| Faurecia | 235 | 639 | 854 | 1,727 | 19.3 | 18.5 | 23.9 |
| Other businesses | 22 | 23 | 2 | 47 | 13.4 | 13.9 | 10.2 |
| **TOTAL** | **1,769** | **1,181** | **1,120** | **4,070** | **21.1** | **19.3** | **25.0** |

AVERAGE HOURS OF TRAINING PER EMPLOYEE BY SOCIO-PROFESSIONAL CATEGORY AND GENDER G.12

*(Consolidated Group, at 31 December) – Number of training hours based on total workforce (of the division and region) on Fixed Term Contracts and Permanent Contracts at 31 December 2014*

| | Operators and administrative employees | | | Technicians and supervisors | | | Managers | | | Total (including all SPCs) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| Automotive | 25.2 | 26.2 | 26.0 | 11.7 | 18.4 | 16.7 | 17.9 | 18.1 | 18.1 | 19.0 | 22.8 | 22.1 |
| *o/w PCA (France)* | *23.9* | *25.6* | *25.3* | *9.8* | *17.9* | *16.3* | *17.3* | *16.1* | *16.3* | *19.1* | *21.9* | *21.4* |
| Faurecia | 16.7 | 16.5 | 16.5 | 23.8 | 26.6 | 25.8 | 33.0 | 31.6 | 31.9 | 20.3 | 21.2 | 21.0 |
| Other businesses | 24.6 | 12.6 | 15.8 | 9.2 | 15.7 | 11.8 | 33.0 | 17.0 | 15.6 | 10.7 | 16.0 | 13.4 |
| **AVERAGE** | **19.7** | **21.9** | **21.4** | **14.9** | **20.7** | **19.1** | **24.5** | **23.9** | **24.0** | **19.4** | **22.1** | **21.4** |

In 2014, almost 6,000 training courses were provided across the Group. The average number of training hours per employee was 21.4 hours in 2014. 79% of employees received at least one training course during the year. The more than 4 million hours of training delivered throughout the Group represented an investment of €113.7 million.

## 2.4.3.3. DEVELOPING TALENT G.11A

Individual and collective development and leadership development are based on the following schemes set up by the Group:

### THE TALENT REVIEW

Combining the career committee and succession plan processes, the Talent Review helps:

- build more robust development options, a proposed mobility date and a career forecast explicitly linked to succession plans;
- detect and develop talent earlier in the employee's career, by setting up talent pools for employee with excellent performance and strong growth potential.

Strengthened by its global network of 200 Human Resources Business Partners (HRBPs), the Group performs the Talent Review process globally every year as a proactive exercise to manage individual employment, and identify and develop talent. Managers, accompanied by their HRBP, draw up five to seven career projections and career forecasts for each employee based on an assessment of their potential and performance. This career forecast gives an indication of career progression over the medium term.

This information collected from each manager is shared by the HRBPs and submitted to a managerial panel, the Talent Review. This bottom-up process also identifies talent with high potential that are examined in more detail at the Talent Review.

Finally, the Talent Review is used to draw up succession plans for strategic positions and skills (Top 800, Master-Experts and Experts and other key positions). Potential internal successors can be suggested and considered immediately for each position (ready now principle), or over the medium (two to four years) or long term (five to seven years).

The creation in 2014 of an international Talent Pool identified more than 1200 international profiles with international experience and fluency in English. In addition, international career paths were therefore built for 60 high-potential managers.

Particular emphasis was also placed on accelerating the development of high-potential managers in their first management position with career path validation in two stages over seven years.

### TOOLS TO HELP DEVELOP TALENT AND LEADERSHIP

Talent Management also involves enhanced individual and collective assessment and support approaches: 360°, Assessment Centre, a development programme exclusively aimed at our high-potential managers ("Advanced Executive programme") backed up by mentoring, coaching and collaboration initiatives on top of the Management School offering.

### DEVELOPING THE COMMITMENT AND MOTIVATION OF EMPLOYEES AND TEAMS

Launched in September 2013, "Team Connect" is an in-house survey to gain a deeper insight into employee commitment and draw up specific, targeted action plans. Based on a shared methodology for all activity sectors or sites/countries where PSA Peugeot Citroën operates, the questions explore a number of dimensions relating to employee motivation and perception of their working environment: strategy, confidence, quality and customer care, respect and recognition, development opportunities, employee benefits, corporate social responsibility, performance evaluation, authority and increasing responsibility, resources, training, cooperation, structure and process and direct supervision. This survey was conducted in all companies outside France (excluding joint ventures) and, in France, in the entire Banque PSA Finance. The Scope covers all employees (operators, technicians, supervisors and managers). In all, over 40,000 employees in 34 countries were given the opportunity to give their opinion to the Group.

Around 700 managers received a results report on their team's situation. Team Connect actions reviews were set up to support employees and share best practice, with regular communication to report on initiatives undertaken following the first survey ("Implementing Your Opinion"). In parallel, the Group has committed to enhancing discussions and actions over the medium term to help improve motivation for more cross-sector issues that do not come exclusively under management initiatives (confidence in the Group's future, collective work agreements, positive HR contract, etc.).

After this first outing, Team Connect was conducted again in November 2014 to assess developments and support the initiatives implemented. The participation rate in this second outing was 81%, up 3 points. Team Connect is now an appropriate measurement tool used by managers to improve practices and help transform the Group.

## 2.4.3.4. MANAGING PERFORMANCE AND DEVELOPMENT G.11B

The annual annual appraisal is a fundamental management strategy for assessing team performance and development. With its three parts – evaluation, objectives, perspectives and development – the annual appraisal is an important opportunity for evaluating the contributions of each employee, recognising and rewarding performance, and for individual development, in the form of a personal development plan.

With the support of the HR process unified since 2012 for all Group managers, technicians and supervisors, the transposition of Company objectives, *via* objectives contracts, into Annual Performance Objectives *via* the performance review ensures their correct alignment and collective performance.

In 2014, over 90% managers, technicians and supervisors worldwide received a annual appraisal, and most of them updated their CV and technical skills, self-assessed based on a catalogue of 330 technical skills.

## 2.4.3.5. COMPENSATION POLICY

The Group endeavours to maintain its employees' purchasing power, reward performance, offer compensation that is competitive with market practices and give employees a stake in the value they help to create. This Group's compensation policy has the same objectives in every host country.

The crisis shaking the automotive industry on European markets and the challenges of a competitive market faced by the Group worldwide led to specific negotiations with employee representatives to implement wage moderation, which was necessary for the Group's recovery. It maintained its payroll budget in all countries and individual merit raises implemented were, as a priority, oriented towards rewarding performances, enhanced skills and supporting a higher level of responsibilities.

In 2014, 32 wage agreements were signed by employee representatives in Austria, Germany, Brazil, Spain, France, Mexico, the United Kingdom, Russia and Slovakia.

## FAIR COMPENSATION BASED ON COMPETITIVENESS AND PERFORMANCE

The Group continued to implement a corporate bonus system for executive managers worldwide, with the following objectives:

- to recognise executive managers' contribution to achieving individual and collective operating targets that contribute to the Group's performance;
- to strengthen the culture of value creation in the Company;
- to gradually align the bonus policy for managers with market practices in their countries.

In 2014, 15,000 executive managers were eligible for a bonus scheme, over 69% of managers worldwide.

The Group continued to communicate with managers on the bonus policy and the levels of responsibilities held.

In addition, exceptional bonuses were maintained in recognition of the specific characteristics of certain jobs (motor sport, style, inventors, vehicle projects) in accordance with regulations and under centralised control.

## GROUP EMPLOYEE PROFIT-SHARING AGREEMENTS

Employees have a share in the Group's profits via several collective plans:

- non-discretionary (participation) and discretionary profit-sharing (intéressement) plans in France: the three-year discretionary profit-sharing plan (2013-2015) which affiliates employees with the Company's strategic results (economic, quality and security). In 2014, no profit-sharing payments under the discretionary plan were made due to the level of the Group's performance in 2013;
- international profit-sharing: it affiliates the Group's employees outside France with the Group's recurring operating income. The plan is available to all subsidiaries outside of France, except for Brazil which has its own local discretionary profit-sharing plan. On account of the level of performance in 2013, the Group did not pay out any profit sharing in 2014 with respect to 2013.

## EMPLOYEE SAVINGS SCHEMES

In many host countries, PSA Peugeot Citroën offers a variety of savings schemes. These employee savings schemes enable employees to invest, by making voluntary contributions and investing their individual discretionary and/or non-discretionary profit-sharing awards.

## ACCELERATE, THE FIRST GROUP CAPITAL INCREASE RESERVED FOR EMPLOYEES

In 2014, the Group set up the Accelerate plan, the first Group capital increase reserved for employees. It gave 95% of Group employees the opportunity to become shareholders at a favourable rate, through a corporate mutual fund (FCPE) or direct shareholding (in Spain and Italy). This offer was made to about 100,000 employees in 14 countries. During the subscription period which ran from 31 October to 17 November 2014, over 15% of employees expressed an interest in having a share in Group performance over the long term. This level of participation and the high levels of subscriptions (much higher than the stock option plan) shows that employees are fully engaged with the Group's recovery plan and that they have full confidence in its capacity to return to the highest performance levels. This capital increase reserved for Group employees took place on 29 January 2015.

### TOTAL PAYROLL AND PROGRESSION G.3

*(Consolidated Group, excluding Faurecia, at 31 December)*

PROGRESSION IN TOTAL PAYROLL BY REGION AND DIVISION

| *(in thousand euros)* | | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|---|
| **Automotive** | **2014** | **3,720,040** | **1,049,665** | **451,910** | **5,221,614** |
| | 2013 | 3,923,718 (1) | 1,061,588 | 520,711 | 5,505,017 |
| | 2012 | 4,225,516 (1) | 1,063,984 | 480,567 | 5,769,066 |
| *o/w PCA (France)* | ***2014*** | ***3,119,329*** | - | - | ***3,119,329*** |
| | 2013 | 3,508,860 | - | - | 3,508,860 |
| | 2012 | 3,757,331 | - | - | 3,757,331 |
| **Other businesses** | **2014** | **131,851** | **90,132** | **12,478** | **234,461** |
| | 2013 | 133,046 | 90,803 | 10,005 | 233,855 |
| | 2012 | 131,413 | 94,882 | 7,917 | 234,212 |
| **TOTAL** | **2014** | **3,851,891** | **1,139,797** | **464,388** | **5,546,076 (2)** |
| | 2013 | 4,056,764 (1) | 1,152,391 | 530,717 | 5,739,872 |
| | 2012 | 4,355,929 (1) | 1,158,866 | 488,484 | 6,003,279 |

(1) *Without FM or SEVELNORD.*
(2) *As per IFRS 11, total payroll, as shown in the financial statements, includes the numbers for TPCA (€35,548 thousand) and SEVEL S.p.a. (€123,378 thousand), with the amount for the entire Group excluding Faurecia being €5,615,001 thousand.*

In 2014, total payroll costs (excluding Faurecia) came to €4,263,348 thousand, while related payroll taxes amounted to €1,351,653 thousand.

At Faurecia, total compensation paid inclusive of payroll taxes was up 3.9% for the Group as a whole: €3,101.7 million in 2014 against €2,986.1 million in 2013. At the same time, the number of employees increased by 0.5%. In 2014, 74 agreements were concluded on wage/bonus/compensation packages and 65 on profit-sharing/non-discretionary profit-sharing. A system of variable compensation, based essentially on the performance of operating units, applies in a uniform manner in all countries in which Faurecia operates. At end-2014, out of a total of 16,300 managers, about 3,850 benefited from it.

GROUP MINIMUM WAGE VERSUS LOCAL STATUTORY MINIMUM WAGE, BY COUNTRY G.34

*(Base 100 = Consolidated Group, excluding Faurecia, in 2014)*

| Countries | Ratio | Local statutory minimum wage |
|---|---|---|
| Germany | 100 | Regional legal minimum wage |
| Argentina | 144 | Local legal minimum wage |
| Austria | 100 | Regional legal minimum wage |
| Belgium | 122 | Guaranteed average minimum monthly income |
| Brazil | 178 | Local legal minimum wage |
| China | 100 | Regional minimum wage (Shanghai) |
| Spain | 142 | Local legal minimum wage |
| France | 124 | Local legal minimum wage Guaranteed |
| Italy | 103 | Local legal minimum wage |
| The Netherlands | 109 | Local legal minimum wage (for people over 23) |
| Poland | 119 | Local legal minimum wage |
| Portugal | 122 | Local legal minimum wage |
| United Kingdom | 138 | Local legal minimum wage |
| Russia | 648 | Regional legal minimum wage (excluding Moscow) |
| Slovakia | 180 | 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.

## 2.4.4. WORKPLACE HEALTH AND SAFETY: THE GROUP'S TOP PRIORITY

Good health is essential to sustaining the performance of human resources and business operations. For the Group, health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity. Its policy aims to keep all employees healthy.

### 2.4.4.1. WORKPLACE HEALTH AND SAFETY MANAGEMENT SYSTEM G.8

The Group's health and safety policy is supported by the Workplace Health and Safety Management System (SMST). This management method is based on six founding principles and 22 requirements which define the points of vigilance and control: it is the health and safety referential applicable to all Group entities and subsidiaries.

| 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 |

The Workplace Health and Safety Management System is now operational at all Group units. An extensive programme is also underway at all units to help managers apply the approach on a daily basis using a Workplace Health and Safety Management System "roadmap". This roadmap includes five essential steps leading to a mature process and lasting change: raise awareness, change mind-sets, change behaviours, change habits and corporate culture. This road map is based on best practice and makes it possible to assess the results.

The management principles of this system are applied in Europe, Latin America and China. This management system is adapted to all Group business and the specific legislation of the different countries.

The Workplace Health and Safety Management System has demonstrated its effectiveness. It has made a clear contribution to results achieved and is moving the entire Group towards health and safety excellence, both incrementally and in a structured manner.

In addition to cross-functional training to help managers acquire the knowledge they need to deploy the Workplace Health and Safety Management System, health and safety audits are carried out to ensure that the principles are effectively applied.

The Industrial Hygiene, Safety and Working Conditions Committees in France and similar committees in other countries are involved in regulating all aspects of the system.

Due to the high number of establishments, the company-owned retail network has set up a SMST relay structure to bring the Group's prevention principles as close as possible to management and employees. This relay network ensures employee training, the use of management tools and assistance from management. The network has a structured leadership so that best practice and prevention tools can be discussed.

## FIVE PRIORITY COMMITMENTS FOR PREVENTING HEALTH AND SAFETY RISKS

### PREVENTING MUSCULOSKELETAL DISORDERS

Preventing musculoskeletal disorders (MSDs) is a key workplace health and safety policy priority. MSDs are a leading cause of work-related injuries in the automobile industry.

The Group carried out a review of workstations that require repetitive movement at all manufacturing sites. Based on seven factors taken from the Ergonomics Management System (EMaS), this assessment identified the risk level for each profession and detected factors with the greatest potential to cause MSDs. Every year, action plans are defined and implemented in all of the Group's plants. The initiatives are conducted by multi-disciplinary teams made up of occupational physicians, safety engineers and technicians, ergonomists and managers.

In addition, a strategy to deal with discomfort in non-repetitive work stations was rolled out in all Group sites in 2014.

The "Work-related Alerts" (ALT) process enables warning signs for MSD to be better detected.

In addition to this initiative, the Group continues to improve its workstations. Manufacturing sites 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 and is based on a rigorous methodology for rating workstations. From 2005 to the end of 2014, the proportion of "heavy" work stations fell from 18% to 7%, while "light" work stations rose from 37% to 58%.

### CHEMICAL RISKS

Chemical risks are a major focus of the preventive measures the Group has taken to manage health and safety. They concern not only risks related to the use of products and substances but also those related to the pollutants generated by certain processes. The Group uses more than 7,500 chemical products and substances at its R&D and manufacturing sites and more than 1,500 in its dealerships. CHEMA (Chemical Health Environment Management Application), the new approval and management application for chemical products, has been expanded to manufacturing sites in Europe, laboratories and APV.

Instruction notices for all hazardous chemicals are posted at the relevant workstations. They are approved in accordance with PSA Peugeot Citroën's protocol, whether for the Manufacturing, Laboratories, Technical-Industrial Innovation or Sales businesses. The most hazardous products are rigorously monitored from a medical standpoint.

The Group's objective is for all companies to have an air quality monitoring plan for their manufacturing, R&D and sales activities.

### PSYCHOSOCIAL RISKS

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. Starting in 2007, the Group decided to look at stress head on and to recognise psychosocial risks as job-related risks.

A company-wide agreement was signed in October 2009 and reissued in 2014 to implement a psychosocial risk prevention plan in all countries and all divisions. Stress levels and stress factors are evaluated through a programme to measure and monitor workplace stress. This programme, administered by the occupational health services, makes it possible to both identify future problems at the individual level and assess, on an on-going basis, the degree of overall workplace stress. This monitoring initiative also incorporates a leadership element: a network of correspondents, around 50 people, (site HR, occupational physicians, social workers, safety engineers) representing each site and division have been implemented to support managers in the prevention initiative. Now there are responses for each risk factor identified within the Group.

### PREVENTING ROAD RISKS

As a carmaker, the Group naturally puts a high priority on road safety. In association with employee representatives, the Group adopted an occupational road risk prevention Code to provide employees with guidelines on how to use their cars when on business trips or commuting.

To increase compliance with safety guidelines during test drives conducted during the vehicle design phase, driving requirements have been tightened and the employees in question have undergone theoretical and practical training to make sure they understand and can implement the appropriate road safety principles.

### WORK STATION SAFETY: "STOP" AUDITS

The preventive observation safety at work (STOP) programme has been in place at the Group's Industrial sites since 2009. Each month, working in pairs, managers carry out observations to control the STOP approach and resolve risky situations in workshops. This programme trains managers, giving them the ability to detect high risk situations or dangerous behaviour, speak to the employee and have a positive discussion about prevention. This programme aims at achieving progress for both the manager and the employee.

## 2.4.4.2. IMPROVING WELL-BEING AND QUALITY OF LIFE AT WORK G.4

Regardless of their area of activity, all subsidiaries, dealerships and sites focus on creating a pleasant and safe working environment. The Group strives to implement optimum arrangements, such as working and rest areas *via* a worplace layout Code defining the relevant criteria (luminosity, office surface area, toilets, meeting rooms, etc.) or site traffic plans.

To achieve a better work-life balance, multiple services are offered to employees: company concierge services, travel agents, bus services, carpooling intranet sites, administrative support, etc. In 2014, some 160 openings were offered daycare facilities in France.

Community life is encouraged: over 80 sporting, cultural and charity associations are very active.

### OVER 1,400 TELEWORKERS THROUGHOUT THE GROUP

Teleworking, a managerial tool which improves departmental operating procedures by boosting employee motivation and commitment has been accessible to employees, technicians and supervisors since January 2014 in France, in accordance with the terms and conditions provided for in the "New Social Contract". This project was rolled out after an experimental phase started in 2012 in association with employee representatives. It was able to show the positive impact on working conditions, primarily by reducing fatigue, stress and commuting time.

By the end of 2014, 1,400 employees have opted for teleworking, which ranks PSA Peugeot Citroën among the top teleworking employers.

This agreement offers teleworking possibilities adapted to the most commonly encountered situations within the Group. This also makes it possible to monitor employee well-being and prevent teleworkers becoming isolated. Weekly teleworking allows employees to work at home one or two days a week. It helps achieve a better work-life balance and gives managers more visibility in managing their organisation. Teleworking for exceptional events is also possible for one-off, unforeseeable situations or emergencies (bad weather, pandemics, transport strikes, etc.).

The Group makes a point of applying this best practice in other geographic areas where it operates. Teleworking is now a standard practice in German, Spain and Brazil.

## 2.4.4.3. 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 2014, with a management lost-time rate of 1.38 , as compared to 1.19 in 2013 and 1.99 in 2012. PSA Peugeot Citroën 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. The lost-time accident frequency rate of Group employees was 1.37, as compared to 1.16 in 2013 and 1.78 in 2012. The lost-time accident frequency rate TF1 corresponds to the number of lost-time occupational accidents multiplied by one million divided by the number of hours worked.

### THE ONLY ACCEPTABLE TARGET IS ZERO ACCIDENT AND ZERO HIGH-RISK SITUATION

The Group believes that the only acceptable goal is an accident-free work environment and that no real progress can be achieved without ensuring employees' safety.

For 2014, the Group had set itself the target of a management lost-time incident frequency rate of one point on it sites over the whole year. This target has already been achieved in 24 facilities in Latin America, Spain, France, Portugal, Russia and Slovakia.

TOTAL LOST-TIME ACCIDENT FREQUENCY RATE (TF1)

*(Consolidated Group, excluding Faurecia, at 31 December)*

| | 2013 | 2014 |
|---|---|---|
| Automotive | 1.17 | 1.38 |
| *o/w PCA (France)* | *1.62* | *1.50* |
| Other businesses | 0.98 | 1.28 |
| **TOTAL** | **1.16** | **1.37** |

Faurecia met its lost-time accident targets in 2014, i.e. 0.8 (the indicators have decreased threefold since 2009).

TOTAL MANAGEMENT LOST-TIME ACCIDENT FREQUENCY RATE (TF1 MANAGEMENT)

*(Consolidated Group, excluding Faurecia, at 31 December)*

| | 2013 | 2014 |
|---|---|---|
| Automotive | 1.20 | 1.39 |
| *o/w PCA (France)* | *1.64* | *1.54* |
| Other businesses | 0.96 | 1.23 |
| **TOTAL** | **1.19** | **1.38** |

Management lost-time accident frequency rate including Group employees and temporary employees.

SAFETY RESULTS

*(Consolidated Group, excluding Faurecia, at 31 December)*

| | France | | Rest of Europe | | Rest of the world | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Frequency rate | Severity rate | Frequency rate | Severity rate | Frequency rate | Severity rate | Frequency rate | Severity rate |
| Automotive | 1.81 | 0.22 | 0.71 | 0.04 | 0.27 | 0.02 | **1.38** | **0.15** |
| *o/w PCA France* | *1.50* | *0.22* | - | - | - | - | *1.50* | *0.22* |
| Other businesses | 2.74 | 0.15 | 0.34 | 0 | 0 | 0 | **1.28** | **0.06** |
| **TOTAL** | **1.83** | **0.22** | **0.69** | **0.04** | **0.26** | **0.02** | **1.37** | **0.15** |

The lost-time accident frequency rate (TF1) corresponds to the number of lost-time occupational accidents multiplied by one million divided by the number of hours worked.

The severity rate corresponds to the number of consecutive days lost to accidents multiplied by one thousand divided by the number of hours worked.

OCCUPATIONAL ILLNESSES

*(Consolidated Group, excluding Faurecia, at 31 December 2014)*

The priority focus is on job-related diseases, which are covered by active prevention programmes in every plant and facility to lead a reduction in occupational illnesses. The frequency rate of occupational illnesses introduced by the Group is now being monitored (FR = number of recognised occupational illnesses divided by the number of hours worked multiplied by 1,000,000). In 2014, this rate was 3.89.

| | Musculoskeletal disorders of the upper limbs | Carrying heavy loads | Occupational illnesses after exposure to asbestos | Noise-related hearing loss | Other | Total |
|---|---|---|---|---|---|---|
| Automotive | 342 | 10 | 22 | 18 | 18 | 410 |
| *o/w PCA (France)* | *244* | *8* | *14* | *8* | *9* | *283* |
| Other businesses | 2 | 0 | 0 | 0 | 0 | 2 |
| **TOTAL** | **344** | **10** | **22** | **18** | **18** | **412** |

### 2.4.4.4. AGREEMENTS AND MIXED HEALTH AND SAFETY COMMISSIONS 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 89% 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 national company agreements which set out the applicable provisions. In 2014, 18 health and safety agreements were signed.

As for Faurecia, the Company is also committed to enhancing occupational safety and working conditions and has consistently reduced the number of work-related accidents since 2003. Faurecia met its lost-time accident targets in 2014, i.e. 0.8 (the indicator has decreased threefold since 2009). This shows that Faurecia is now among the best industrial companies in the world. Faurecia has defined 13 mandatory personal safety-related HSE (Health, Safety, Environment) rules. These rules have been deployed at all Faurecia sites. Applying these 13 rules has made it possible to significantly reduce the number of serious HSE alerts and to achieve the accident reduction objective. In 2014, to prevent work-related accidents outside the standard production process, plants started to systematically analyse the potential risks of this type of work. Thirteen strict HSE rules were also developed to remedy the relative weakness identified in logistic areas.

## 2.4.5. COMMITMENTS IN TERMS OF DIVERSITY AND EQUAL OPPORTUNITY

### 2.4.5.1. PROMOTING DIVERSITY FOR SOCIAL COHESION AND PERFORMANCE G.15

By signing precursor agreements with trade unions, the Group has made a public commitment and taken action to promote diversity, supporting its stakeholders and employees in this dynamic.

An agreement on diversity and social cohesion entered into from 8 September 2004, renewed on 29 November 2011, is the basis of the Group's policy to promote diversity among employees, equal opportunities and the prevention of discrimination, a major part of its social policy and an asset for innovation, creativity and dealing with change. This agreement affirms the Company's desire to:

- have the best skills, to help the Group achieve success;
- better reflect society and its environment, which facilitates customer understanding and satisfaction.

PSA Peugeot Citroën also fights against all forms of discrimination and intolerance towards difference, considering that skills are the key factor in hiring and career development.

Promoting diversity therefore means recruiting, bringing together and nurturing the brightest talent, regardless of national origin, gender, lifestyle, sexual orientation, age, marital status, pregnancy or parenthood, genetic characteristics, real or supposed belonging or not belonging to an ethnic group, nation or race, political opinion, union activity, religious convictions, physical appearance, name, pre-existing health conditions or disability. The Group respects privacy.

PSA Peugeot Citroën diversifies its hiring channels, building partnerships with education systems and state employment services, developing online job offers and using social networks to reach a wider public. Furthermore, it works to ensure that no stages 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).

In 2009, the Group was among 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.

The Group has formalised its actions in favour of diversity in the Worldwide Diversity Commitment, which is shared across the Group and applicable in every host country. This is a guide comprising seven founding principles that provide an overall view of diversity and its challenges:

- formalise, implement and lead the Worldwide Diversity Commitment within the subsidiaries;
- inform employees;
- raise awareness and train Group employees in managing diversity;
- secure and objectify the human resource management process;
- encourage diversity, a source of synergy, social balance and business efficiency;
- diagnose, assess and improve the implementation of the Worldwide Diversity Commitment;
- promote the Worldwide Diversity Commitment outside the Company.

This commitment aims to improve how diversity is taken into account within the Group and help subsidiaries make progress in implementing and promoting diversity. Each subsidiary identifies priority action plans and carries out a self-assessment to measure the progress made and share best practice.

TOP TEN NATIONALITIES OTHER THAN FRENCH

*(Consolidated Group, excluding Faurecia, at 31 December – percentage of total workforce)*

| | Workforce | | | Total | |
|---|---|---|---|---|---|
| **Nationality** | **Automotive** | **o/w PCA** | **Other businesses** | **In number** | **%** |
| Spain | 10,727 | 172 | 256 | 10,983 | 10.2% |
| Brazil | 3,533 | 34 | 158 | 3,691 | 3.4% |
| Argentina | 3,376 | 14 | 1 | 3,377 | 3.1% |
| Slovakia | 2,739 | 16 | 15 | 2,754 | 2.6% |
| Germany | 2,163 | 34 | 268 | 2,431 | 2.3% |
| United Kingdom | 2,165 | 42 | 245 | 2,410 | 2.2% |
| Russia | 2,293 | 5 | 60 | 2,353 | 2.2% |
| Portugal | 1,745 | 414 | 55 | 1,800 | 1.7% |
| Italy | 1,051 | 192 | 216 | 1,267 | 1.2% |
| Belgium | 767 | 31 | 86 | 853 | 0.8% |
| **TOTAL** | **30,559** | **954** | **1,360** | **31,919** | **29.7%** |

The Group's workforce represents 125 nationalities. The Group (excluding Faurecia) has over 38,358 non-French employees, i.e. 36% of employees. The top ten nationalities other than French represented in the workforce accounted for 29.7% of the Group total (excluding Faurecia).

## 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 informed about these policies and a large number of managers have participated in sensitivity campaigns.

Whistle-blowing schemes are in place for employees who experience or witness bullying, discrimination or violence in the workplace. Employees may also use the "bullying" and "diversity" email addresses to report a problem. This prompts the HR function to launch an internal investigation.

A standard tracking procedure aligned with the local legal framework has been introduced in every host country. In 2014, 57 cases of bullying, discrimination and violence in the workplace were identified and handled at Group level (excluding Faurecia).

### 2.4.5.2. GENDER EQUALITY G13

For the last ten years, PSA Peugeot Citroën has pursued an assertive policy of promoting gender balance and gender equality in its workforce. The signing on 26 August 2014, with all six representative trade 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 Group remains committed to this issue.

NUMBER OF FEMALE EMPLOYEES ON PERMANENT OR FIXED-TERM CONTRACTS

*(Consolidated Group, at 31 December)*

| | Operators and administrative employees | Technicians and supervisors | Managers | Total |
|---|---|---|---|---|
| Automotive | 8,524 | 6,603 | 3,945 | 19,072 |
| *o/w PCA (France)* | *5,298* | *2,234* | *2,639* | *10,171* |
| Faurecia | 15,764 | 3,159 | 3,631 | 22,554 |
| Other businesses | 60 | 1,211 | 435 | 1,706 |
| **TOTAL** | **24,348** | **10,973** | **8,011** | **43,332** |

PROGRESSION IN THE PERCENTAGE OF WOMEN EMPLOYEES ON PERMANENT AND FIXED-TERM CONTRACTS

*(Consolidated Group, at 31 December)*

| **% women in the workforce** | **2012** | **2013** | **2014** |
|---|---|---|---|
| Automotive | 18.2% | 18.4% | 18.4% |
| *o/w PCA (France)* | *17.5%* | *17.6%* | *17.7%* |
| Faurecia | 26.5% | 26.8% | 27.4% |
| Other businesses | 48.1% | 48.2% | 48.6% |
| **TOTAL** | **22.0%** | **22.4%** | **22.8%** |

Women account for 20.9% of engineers and managers, 23.7% of technicians and supervisors and 21.9% of operators and administrative employees.

PERCENTAGE OF WOMEN MANAGERS ON PERMANENT OR FIXED-TERM CONTRACTS BY AGE GROUP

*(Consolidated Group, at 31 December)*

| | < 30 years | | | 30-39 years | | | 40-49 years | | | ≥50 years | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of women Mana-gers | Total number of Mana-gers | % of women Mana-gers | Number of women Mana-gers | Total number of Mana-gers | % of women Mana-gers | Number of women Mana-gers | Total number of Mana-gers | % of women Mana-gers | Number of women Mana-gers | Total number of Mana-gers | % of women Mana-gers | Number of women Mana-gers | Total number of Mana-gers | % of women Mana-gers |
| Automotive | 292 | 899 | 32.5% | 1,540 | 5,927 | 26.0% | 1,460 | 8,063 | 18.1% | 653 | 5,444 | 12.0% | 3,945 | 20,333 | 19.4% |
| *o/w PCA (France)* | *171* | *587* | *29.1%* | *932* | *3,640* | *25.6%* | *1,052* | *5,570* | *18.9%* | *484* | *3,706* | *13.1%* | *2,639* | *13,503* | *19.5%* |
| FAURECIA | 1,003 | 3,749 | 26.8% | 1,482 | 5,796 | 25.6% | 837 | 4,591 | 18.2% | 309 | 2,566 | 12.0% | 3,631 | 16,702 | 21.7% |
| Other businesses | 20 | 41 | 48.8% | 124 | 293 | 42.3% | 166 | 486 | 34.2% | 125 | 425 | 29.4% | 435 | 1,245 | 34.9% |
| **TOTAL** | **1,315** | **4,689** | **28.0%** | **3,146** | **12,016** | **26.2%** | **2,463** | **13,140** | **18.7%** | **1,087** | **8,435** | **12.9%** | **8,011** | **38,820** | **20.9%** |

The percentage of women managers for the Group as a whole is 20.9%.

Women accounted for 28.0% of managers under 30 years and 12.9% of managers over 50 years.

GENDER DIVERSITY IN SENIOR MANAGEMENT

*(Consolidated Group, excluding Faurecia, at 31 December)*

| | 30-39 years | | 40-49 years | | ≥ 50 years | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Women | Men | Women | Men | Women | Men | Women | Men |
| Automotive | 7 | 11 | 41 | 229 | 18 | 285 | 66 | 525 |
| *o/w PCA (France)* | *7* | *7* | *33* | *164* | *15* | *223* | *55* | *394* |
| Other businesses | 2 | 3 | 3 | 17 | 3 | 30 | 8 | 50 |
| **TOTAL** | **9** | **14** | **44** | **246** | **21** | **315** | **74** | **575** |

"Senior managers" include the senior managers in charge of adapting and implementing the Group's strategy, policies and programmes. It does not include members of the Executive Committee or senior executives.

In 2014, the proportion of senior female managers was 11.2%. The aim is to bring this figure up to 20% by 2020.

### EQUAL OPPORTUNITY – CHALLENGES AND COMMITMENTS

Developing the gender balance and making more jobs open to women is a challenge for the Group, in terms of both its performance and its social cohesion. The Group's commitments are threefold:

- gender diversity in the professions seen as a performance objective for the Group and part of its sustainable development approach, gender diversity in the professions needs to be stepped up. PSA Peugeot Citroën, along with its partners, is working on making the automotive professions more attractive to women internal mobility. It should also help increase the gender balance within the Group's various departments and professions;
- HR processes to guarantee equal opportunity: these have been shown to be effective, and must continue to be applied and monitored. They include monitoring and comparing compensation and promotion indicators for men and women and specific monitoring when employees go on and return from maternity leave and parental leave in general;
- access of women to higher levels of responsibility: applied to executives and senior managers, this objective is rolled out at all management levels and in all professional categories. This ongoing change is sustained over the long term by support and training measures because this is the means of reducing persistent gaps and is a necessary condition for Group performance and the engagement of all employees.

## 2.4.5.3. ENCOURAGING PROFESSIONAL INSERTION G.15

### EMPLOYING YOUNG PEOPLE

In 2014, as part of its programme to bring young people into the workforce, the Group welcomed 3,146 work-study programme participants (work-study contracts include skills-acquisition and apprenticeship contracts, industrial training by research contracts (CIFRE) with PhD students and other types of contracts depending on the country). In addition 2,278 interns were part of the Group at 31 December.

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 BY GENDER

*(Consolidated Group, at 31 December)*

| | Interns | | | Work-study contracts | | | o/w Skill-acquisition contracts | | | o/w Apprenticeship contracts | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Women | Men | % of Women | Women | Men | % of Women | Women | Men | % of Women | Women | Men | % of Women |
| Automotive | 263 | 248 | 51% | 596 | 1,551 | 28% | 131 | 369 | 26% | 346 | 887 | 28% |
| *o/w PCA (France)* | *29* | *35* | *45%* | *405* | *827* | *33%* | *62* | *118* | *34%* | *329* | *665* | *33%* |
| Faurecia | 574 | 1,158 | 33% | 293 | 625 | 32% | 81 | 82 | 50% | 66 | 178 | 27% |
| Other businesses | 18 | 17 | 51% | 52 | 29 | 64% | 34 | 12 | 74% | 14 | 16 | 47% |
| **TOTAL** | **855** | **1,423** | **38%** | **941** | **2,205** | **30%** | **246** | **463** | **35%** | **426** | **1,081** | **28%** |

### EMPLOYING SENIORS

Keeping older employees (24% of the Group's workforce) in work and motivated is one of the Company's corporate 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 and the coexistence of the generations and knowledge transfer as an asset for social cohesion and economic efficiency.

### COMMUNITY INITIATIVES

Aware that where people live can be a cause of isolation, lack of equal opportunity or even discrimination, the Group is a major player in its host communities and is committed to promoting equal opportunity and diversity within the Group. In liaison with the public and educational authorities, the Group implements targeted career guidance and professional insertion measures, through youth employment contracts and work-study contracts, specifically aimed at people who have difficulty finding work.

In signing the "*Entreprises et Quartiers*" Charter (in France), the Group demonstrated its commitment to work alongside public authorities and local residents to support local economic and social development in neighbourhoods designated as disadvantaged in France's urban planning policy. Similar initiatives were carried out in other countries such as in the municipality of Cologne in Germany.

## 2.4.5.4. HIRING DISABLED WORKERS

### HIRING AND INTEGRATING DISABLED WORKERS G.14 G.37

The Group is committed to hiring and retaining disabled employees. Worldwide, the Group has 8,341 disabled employees. 79% of disabled employees are workers and employees, 15% are technicians or supervisors and 6% are managers. The term disabled employee is defined by various local laws.

In the Group's Automotive Division in France, 7.24% of employees are classified as disabled, i.e. 6% above the mandatory national rate. This is solely made possible by maintaining people with disabilities in work. In addition, there are 2.71% sheltered workers under contract which bring the overall rate of disabled employees to 9.95%, considerably higher than the minimum legal thresholds.

For almost 15 years, the Group has been developing an assertive policy to maintain the employment of, recognise and integrate disabled people, in particular through the signing of a number of agreements and organising initiatives worldwide. In France, the Group signed the fifth agreement on social and professional integration of the disabled on 10 March 2014, confirming its willingness to step up its commitments in this area. In France, expenditure on integrating disabled staff was €5.2 million.

The 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 disabled employees and maintain them in their jobs** by supporting these workers and offering them 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, HR function, management, employee representatives and employees) and by setting up preventive measures.

Subcontracting with sheltered workshops is one aspect of the Group's agreement for the social and occupational inclusion of the disabled. For over 20 years PSA Peugeot Citroën has worked with the sheltered sector to source direct material (e.g. instrument panels, interior trim, pedals, etc.) and was the first company to procure from this sector in France, representing 2014 revenue in terms of value added purchases (revenue – cost of components and parts) of €31 million and 1,631 individuals employees (including 1,596 in the industrial sector).

DISABLED EMPLOYEES

*(Consolidated Group, at 31 December)*

| | | France | Rest of Europe | Rest of the world | Total |
|---|---|---|---|---|---|
| **Automotive** | **2014** | **5,240** | **427** | **25** | **5,692** |
| | 2013 | 6,933 | 477 | 40 | 7,450 |
| | 2012 | 5,393 | 532 | 44 | 5,969 |
| *o/w PCA (France)* | ***2014*** | ***4,702*** | ***0*** | ***0*** | ***4,702*** |
| | *2013* | *6,198* | *0* | *0* | *6,198* |
| | *2012* | *4,940* | *0* | *0* | *4,940* |
| **Faurecia** | **2014** | **1,106** | **1,276** | **176** | **2,558** |
| | 2013 | 1,122 | 1,250 | 162 | 2,534 |
| | 2012 | 1,060 | 1,228 | 124 | 2,412 |
| **Other businesses** | **2014** | **61** | **30** | **0** | **91** |
| | 2013 | 79 | 25 | 0 | 104 |
| | 2012 | 19 | 26 | 0 | 45 |
| **TOTAL** | **2014** | **6,407** | **1,733** | **201** | **8,341** |
| | 2013 | 8,134 | 1,752 | 202 | 10,088 |
| | 2012 | 6,472 | 1,786 | 168 | 8,426 |

## 2.4.6. COMMITMENTS TO RESPECTING HUMAN RIGHTS G.16 G.17 G.18 G.19 G.40

### 2.4.6.1. ENSURING RESPECT FOR HUMAN RIGHTS

The Group is committed to growth founded on socially-responsible principles and practices, enforced in every host country and business around the world.

In 2003, the Group pledged to uphold and promote the ten principles of the United Nations Global Compact, an agreement inspired by the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

In signing the Global Framework Agreement on Social Responsibility on 20 May 2010, PSA Peugeot Citroën 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, PSA Peugeot Citroën undertakes to go beyond simply complying with local and national standards and to work within a framework for fundamental human rights. The agreement sets out the Group's commitments and refers to conventions 87, 135 and 98 of the International Labour Organisation (ILO) 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 remuneration and convention 155 occupational safety and health (see section 2.4.1).

The Group promotes the respect of human rights in every host country, even in regions where such respect is not always forthcoming. The Group's policies demonstrate that it is deeply committed to the Universal Declaration of Human Rights. This commitment is expressed to the public on corporate website and to employees around the world on the human resources Intranet site, with a direct link to the Universal Declaration of Human Rights on the UN website.

Moreover, the Group actively supports employee freedom of association and representation around the world and is committed to respecting the independence and pluralism of trade unions. Active, on-going social dialogue is maintained with union representatives in every host country.

TRAINING ON HUMAN RIGHTS POLICIES AND PROCEDURES

*(Group, excluding Faurecia, yearly situation)*

| Areas | Number of hours | Number of employees | % of employees trained |
|---|---|---|---|
| Equal opportunity, diversity, anti-discrimination training | 4,338 | 1,518 | 1.41% |
| Compliance with internal rules, Global Agreement, Code of Ethics, data privacy guidelines, etc. | 30,461 | 8,521 | 7.93% |
| Corruption, conflicts of interest, etc. | 1,831 | 887 | 0.83% |
| **TOTAL** | **36,630** | **10,926** | **10.17%** |

In 2014, some 10,926 Group employees participated in dedicated training in Human Rights policies and procedures.

Some of the courses are focused on preventing issues related to employees' duties in financing and purchasing, such as money laundering, fraud and financing terrorist activities. Others, concerning Human Rights and antidiscrimination practices, are specifically intended for managers and recruiters.

Faurecia also has a policy of respecting fundamental human rights. In 2004, it signed the United Nations Global Compact. In 2007, new developments, new demands from clients, as well as new policies on corporate social responsibility and sustainable development led Faurecia to revise its Code of Ethics to comply with the ILO's core conventions.

Faurecia complies with national laws and regulations on child labour. It will not employ children under the age of sixteen, under any circumstances, and complies with the provisions of the ILO regarding the health, safety and morality of young people aged between 15 and 18. Faurecia ensures that its suppliers and partners adopt the same standards.

Faurecia is committed to ensuring the freedom of choice in employment and to eliminating all forms of forced and compulsory labour. Faurecia ensures that its suppliers and partners adopt the same standards.

Faurecia recognises the existence of trade unions worldwide and the right of workers to form the union organisation of their choice and/or to organise workers' representation in accordance with the laws and regulations in force. It undertakes to protect union members and leaders and not to make any discrimination based on the offices held. Faurecia is also committed to promoting a policy of consultation and negotiation.

In its recruitment actions and career management, Faurecia undertakes not to make any discrimination, in particular on the basis of age, gender, skin colour, nationality, religion, health or disability, sexual orientation, political or philosophical opinions or trade union allegiances. All employees have the right to work in a healthy environment, free from any form of hostility or harassment qualified as unlawful under the regulations and practices in force in the countries where Faurecia conducts its business.

## 2.4.6.2. THE SOCIAL AUDIT, ENSURING THE APPLICATION OF THE GROUP'S SOCIAL POLICY

### SOCIAL AUDITING ON A GLOBAL SCALE

On an international scale, the Group's social policy is regularly monitored. The Group sees the social audit as a control tool to continuously improve processes, to ensure the application of the Group's social policy. These audits are designed to ensure compliance with legal and regulatory requirements, contractual commitments and our social responsibility principles.

In 2014, the application of the Group's Global Framework Agreement on Social Responsibility was audited in the Group's subsidiaries in the Netherlands and Portugal. Audits on the application of the agreement on diversity and social cohesion in the Company are performed based on an audit grid. These audits lead to recommendations in light of the context and specificities of each subsidiary.

In 2014, 40 facilities (plants, branches and technical centres) were audited for application of the Workplace Health and Safety Management System, supplementing the local audits covering all subsidiaries.

As a socially responsible company, the Group shares its social requirements with suppliers. Since 2010, 51 social and environmental audits have been performed at tier 1 to tier 3 suppliers identified as potentially at risk, as part of the deployment of the Purchasing Department's sustainable development action plan. These audits, carried out by an independent external body, lead to the implementation of corrective action plans if discrepancies are noted (See section 2.3.1.3)

# 2.5. EXTRA-FINANCIAL PERFORMANCE OF PSA PEUGEOT CITROËN

## 2.5.1. CORPORATE SOCIAL RESPONSIBILITY OF PSA PEUGEOT CITROËN – ASSESSMENTS

A number of socially responsible investment indices have included PSA Peugeot Citroën in recognition of its sustainable development performance. Group performance as measured by these agencies is presented in the table below.

| Index | Rating agency | Last assessment of PSA Peugeot Citroën |
|---|---|---|
| FTSE4Good | EIRIS | PSA Peugeot Citroën maintained in the FTSE4Good index ("automobile and parts"). |
| vigeo World 120<br>vigeo Europe 120<br>vigeo France 20 | Vigeo: The Vigeo indices, introduced in late 2012, group together the listed companies with the best environmental, social, and governance (ESG) ratings. The indices are updated every six months. | PSA Peugeot Citroën maintained in three indices World 120, Europe 120 and France 20. |
| CDP CLIMATE DISCLOSURE LEADER 2014 | Carbon Disclosure Project: The Carbon Disclosure Project rates companies' action concerning climate change issues, on the basis of a publicly disclosed methodology that changes each year. | PSA maintained in transparency leader index (CDLI). Awarded 98/100 for transparency and A- for performance. The average is 81/100 for transparency and B for performance. |
| Dow Jones Sustainability Indexes | RobecoSam | Awarded 85/100 by RobecoSam, PSA Peugeot Citroën awarded a Bronze label for extra-financial performance. The average grade in the sector is 65/100. |
| The Global Compact 100 Sustainability Stock Index powered by Sustainalytics | Sustainalytics | PSA Peugeot Citroën maintained in the Global Compact 100 index. |
| Member 2013/2014 STOXX ESG LEADERS INDICES | Sustainalytics: The STOXX Global ESG Leaders index offers a representation of the leading global companies in terms of environmental, social and governance criteria. | PSA Peugeot Citroën maintained in the STOXX® Global ESG Leaders. |
| Corporate Responsibility Prime rated by oekom research | Oekom Research, an independent German rating agency in sustainable development, awards the Prime rating to companies that are leaders in their sector. | PSA Peugeot Citroën has retained Prime status in the sustainable rating carried out by Oekom Research. |

Lastly, in accordance with its Global Compact commitments, the Group reports on improvements made during the year in each of the ten principles.

## 2.5.2. OTHER AWARDS AND DISTINCTIONS

### AWARDS AND DISTINCTIONS FOR CSR INITIATIVES

PSA Peugeot Citroën was the first "equal opportunity" certified company in 2005. The renewal of this label on 16 December 2014 marks the Group's long-term commitment and ongoing progress. This label, awarded by Afnor Certification, rewards companies that are actively taking measures to promote gender equality and can demonstrate significant progress in this area.

In 2011, PSA Peugeot Citroën was also certified under the first European gender equality label – the Gender Equality European Standard (GEES) – for its operations in Spain, France, Italy and Belgium. This label recognises the Group's commitment to promoting equal opportunity through a range of measures implemented in all Group sites. It encourages the Group to continue its efforts and set up new action plans in this area.

PSA Peugeot Citroën is a founding member of French endowment fund Arborus, which aims to promote gender equality in the workplace in Europe. Arborus helps member companies share best practices in this area and works to encourage the adoption of these practices on a European level.

Since 2009, PSA Peugeot Citroën has been certified under France's Diversity label, which recognises good human resources practices to promote diversity and equal opportunity and to prevent discrimination. This certification was renewed following an audit in February 2012.

### THE SPECIAL MENTION OF THE FIRST PRIZE "ENTERPRISE AND HEALTH" WAS AWARDED TO PSA PEUGEOT CITROËN SPAIN BY EDICIONES DIGITALES SIGLO 21

On 2 July 2014, the Ediciones Digitales Siglo 21 awarded the Spanish dealership and BPF facilities a "Special mention for Enterprise and Health", one of the most prestigious prizes for employee well-being, hailing PSA Peugeot Citroën for its innovative commitment to health and safety and the benefits of prevention.

The main measures implemented by PSA Peugeot Citroën Spain and favourably viewed by the jury include daily health promotion programmes, and raising awareness of health and safety in the workplace, with the launch of a monthly newsletter wholly dedicated to this area.

### THE NATIONAL "ALARES" PRIZE IS AWARDED TO PSA PEUGEOT CITROËN SPAIN

On 26 June 2014, the Alares Foundation awarded its National Prize for work-life balance and corporate responsibility in the large company category to PSA Peugeot Citroën Spain, in respect of all activities (dealerships, BPF and plants).

The first company in the automotive sector to receive an award from the Alares Foundation, PSA Peugeot Citroën is recognised in Spain for its corporate responsibility and its commitment to equal opportunity.

# 2.6. INDEPENDENT VERIFIER'S REPORT ON THE REVIEW OF SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PUBLISHED 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 12 December 2014. Grant Thornton submitted its expert report to the Company's Managing Board on 20 February 2015. The conclusions of this report are presented below.

## INDEPENDENT VERIFIER'S REPORT ON THE REVIEW OF SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PUBLISHED IN THE MANAGEMENT REPORT

*This is a free translation into English of the verifier's review report issued in the French language and is provided solely for the convenience of English speaking readers. The review report should be read in conjunction with, and construed in accordance with, French law and standards applicable in France.*

To the Shareholders,

In our capacity as professional accountants identified as independent verifier, authorized by the COFRAC under the reference n° 3-1080 [(1)], we hereby report to you on the consolidated social, environmental and societal information published in the management report prepared for the year ended 31 December 2014 (hereinafter the "CSR information"), pursuant to Article L.225-102-1 of the French Commercial Code (*Code du Commerce*).

**Management's responsibility**

The executive board is responsible for the preparation of the management report including the CSR information in accordance with the requirements of Article R.225-105-1 of the French Commercial Code presented as required by the company's internal reporting standards (the "reporting standards") and available on request at the company's headquarters.

**Independence and quality control**

Our independence is defined by regulatory requirements and by the Code of Ethics of our profession inserted in the 30 March 2012 decree specific to the activity of accountants. Furthermore, we have implemented a quality control system to ensure compliance with the code of ethics, professional standards and applicable laws and regulations.

**Independent verifier's responsibility**

It is our role, on the basis of our work:

- to attest whether the required CSR information for Peugeot S.A. and Peugeot Citroën Automobiles S.A. is presented in the management report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Attestation of disclosure);
- to express limited assurance on the fact that, taken as a whole, the CSR information for Peugeot S.A is presented fairly, in all material aspects, in accordance with the reporting standards (Assurance report)

Our work was conducted by a team of 6 persons during the period of November 2014 to February 2015 for a duration of approximately 11 weeks. We called upon the help of our CSR experts to complete this assignment.

### 1. ATTESTATION OF DISCLOSURE

We conducted our work in accordance with the professional guidelines and the legal order published on 13 may 2013 determining the methodology according to which the independent verifier conducts his mission:

we met with the various managers and got acquainted with the direction the company is taking in terms of sustainability, with regards to the social and environmental consequences of the company's business and its societal commitments and, where appropriate , the actions and programs that stem from it ;

We compared the CSR information presented in the management report with the list set forth in Article R.225-105-1 of the French Commercial Code;

*(1) Details avalaibale on www.cofrac.fr*

In the event of omission of certain consolidated information, we have verified that explanations are provided in accordance with the third paragraph of Article R.225-105-1 of the French Commercial Code.

We verified that the CSR information covered consolidated scope, i.e. the Company and its subsidiaries within the meaning of Article L.233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L.233-3 of the French Commercial Code , subject to the limit set forth in the methodology note presented in paragraph 2.7 of the management report.

Based on our work, we attest that the required Information is disclosed in the management report.

## 2. ASSURANCE REPORT

We conducted our work in accordance with the professional guidelines and the legal order published on 13 may 2013 determining the methodology according to which the independent verifier conducts his mission and in accordance with the International Standard on Assurance Engagement ISAE 3000.

We met approximately 15 times with the managers responsible for the preparation of the CSR information within the department in charge of the process of collection of the information and where appropriate we also met with those in charge of internal control and risk management procedures in order to:

- assess the appropriateness of the reporting standards with respect to its relevance, completeness , neutrality, clarity and reliability by taking into consideration, where applicable, the industry's best practices;
- verify that the company had set up a process for the collection, compilation, processing and control to ensure the completeness and consistency of the CSR information. We also familiarise ourselves with the internal control and risk management procedures relating to the compilation of the CSR information.

We determined the scope of the tests according to the nature and importance of the CSR information taking into consideration the characteristics of the company, its actions in respect to the social and environmental consequences of its activities, its direction as far as sustainability is concerned. We also determined tests according to the industry's best practices.

Regarding the consolidated information that we have considered the most significant (1):

- for the consolidating entity and the sites, we reviewed the related documentary sources and conducted interviews to check the qualitative information (organisation, strategies, actions). We set up analytical procedures and verified the quantitative information using sampling techniques in order to check the consistency of the calculations and the consolidated information in order to reconcile the data with the information in the management report.
- We selected sites based on their activity, their contribution to consolidated indicators (2), their location and risk analysis. We have conducted interviews to verify the proper application of procedures and set up tests using sampling techniques to verify the calculations performed and reconcile data with supporting evidence. The selected sample represents 18% of the workforce and between 4 and 41% of the quantitative environmental information tested.

As far as other CSR information is concerned we have assessed its consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations given in the event of total or partial absence of information.

We believe that the sampling techniques and the sample sizes that we set up by exercising our professional judgment have allowed us to formulate a limited assurance conclusion; a higher level of assurance would have required a more extensive review. Because of the use of sampling techniques, and because of other limits inherent to the functioning of any information system and internal control system, the risk of missing out a significant anomaly in the CSR information cannot be totally eliminated.

**Conclusion**

Based on our work we did not identify any significant misstatement likely to call into question the fact that the CSR information, as a whole, has been presented fairly, in accordance with the reporting standards.

Paris, February 20, 2015

The independent verifier

**Grant Thornton**

**French member firm of Grant Thornton International**

Alban Audrain
Partner

Gilles Hengoat
Partner

(1) *Quantitative social information:*
*– headcount by type of contract and split by gender, age and area; hiring and leaves for open-end contracts; dismissals; frequency (TF1) and severity rate of accidents; umber of training hours*
*Quantitative environment information:*
*– water use; energy consumption; direct and indirect greenhouse gases emissions; emissions of organic compounds (VOCs), raw discharges in water of COD, TSS and BOD5 quantity of waste and DIND and DID excluding metal waste.*
*Qualitative information related to chapters: "Limiting the environmental impact of materials and managing end-of-life vehicles"; "Management of end-of-life products: recycling and recovery"; "Preserving air quality"; "Purchasing: assuming responsibility as the group's principal"; "Partnerships and sponsors to promote regional and/or local community development"; "Onboard intelligence and tertiary safety"; "Ethical practices – anti-corruption"; "Mobility".*

(2) *For social and environment information: sites in Metz, Rennes, Sept-Fons, Sochaux, Trnava.*
*For environment information only: in France: branch Citroën Neuilly and Peugeot Bobigny; in Austria: Citroën Vienne Sud and Peugeot Wagramerstrasse.*

# 2.7. REPORTING SCOPE, METHODOLOGY AND CROSS-REFERENCE TABLES

## 2.7.1. REPORTING SCOPE

### REGULATORY REFERENCES AND INTERNATIONAL STANDARDS

The 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" Act) and in line with GRI (Global Reporting Initiative) recommendations.

A cross-reference index with GRI indicators may be found at the end of the Group's "2014 CSR Report", published by the Group for its Automobile and Banking Divisions. The reported data concern the production plants (PCA, PCI and Peugeot Motocycles), the R&D centres, the main office sites, the Peugeot and Citroën 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 are subject to the obligation to present their CSR data separately in the Management Report. For PCA and Faurecia, the data is detailed in this document. For Credipar (French subsidiary of BPF), the detailed data is provided in the BPF report.

### ACTIVITIES INCLUDED IN REPORTING AND DEVELOPMENTS

Detailed societal and environmental data as well as information on sustainable development initiatives also covers

- the Automotive Divisions (production, research and development and tertiary facilities):

  The "automotive" segment now includes the subsidiaries PCA, PCI, AP/AC, Française de Mécanique, SevelNord, manufacturing facilities 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: health and safety conditions in the workplace, organisation of social dialogue, especially procedures for informing, consulting and negotiating with personnel, and agreements signed with trade 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 social 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,
  - La 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 now included in the 2014 reporting;
- "Automotive trade" activities: these include proprietary dealership network, training centres for network personnel, spare parts warehouses, regional offices and import subsidiary headquarters;
- the equipment subsidiary Faurecia, a listed company, in which Peugeot S.A. has a stake of 51.14%.

  In accordance with the legal provisions, Faurecia manages its business independently and therefore prepares and publishes its societal and environmental indicators in its own Registration Document;
- the "Other Businesses" comprise the Peugeot S.A. holding company, PMTC France, PMTC Germany and PMTC Italy, and Banque PSA Finance (BPF).

  Notable changes:

  - Banque PSA Finance (BPF) publishes its own CSR information. PSA Peugot Citroën is no longer required to list BPF□s CSR data separately.

In compliance with regulations, quantitative data were reported using cross-functional, comparable indicators when relevant.

### EXCLUSIONS

The scope of reporting does not include subsidiaries jointly owned with other carmakers or cooperation ventures accounted for by the equity method, due to the lack of exclusive control:

- TPCA, located in Kolín in the 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 Automobiles;
- Sevelsud, located in Val di Sangro, Italy, a joint operation with Fiat.

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 carmaker in China.

Other items, including examples of actions undertaken, are described in greater detail in the CSR (Corporate Social Responsibility) publications for each of the entities. The Group's CSR policy and Faurecia's Registration Document notably describe the policy, commitments and results of the automobile, banking and equipment supply divisions.

## 2.7.2. REPORTING METHODOLOGY

### ENVIRONMENTAL DATA REPORTING

The Group consumes two main resources for the needs of its operations:

- water, for such uses as machining, washing, cooling, sanitary facilities, etc. Depending on local availability, production plants get their water from public water companies, private wells or nearby rivers;
- energy, in the form of fossil fuels, biomass, steam and electricity, to power a certain number of processes, such as heat treatment, casting and paint curing, as well as to provide heat, light and air conditioning in buildings and offices.

The use of water, energy and products in manufacturing processes, such as scrap iron in casting, steel and aluminium sheets in stamping, or surface treatment products, paints, cutting liquids, glues and sealants, generate emissions into the water, air and soil, as well as waste that Group plants are committed to limiting and effectively managing.

Details on the methodology used for the indicators published in this Chapter 2 May be found in the document "2014 CSR Report", which is available for downloading on the Group's website.

Coverage rates presented under the tables for the Peugeot and Citroën brands, as well as for Faurecia, correspond to the percentage of total sites concerned by these given indicators that reported data for the year. Failure to report data may be due to the inability of the facility to respond or to calculate the indicator concerned (lack of metering systems, for example). Unless otherwise mentioned, data concern all sites.

The environmental data of Banque PSA Finance account for a marginal proportion of the Group's emissions and consumption and are therefore no longer consolidated in this reporting but is listed in the BPF Management Report.

The Aulnay industrial site was removed from the reporting scope for 2014 due to its being shut down in late 2013.

Nevertheless, the Group continues to control the site's environmental impact.

Some 2013 and 2012 results have been restated to reflect more detailed data reported after the earlier Registration Document was published. The restatements have been explained each time the difference exceeded 1%.

### KEY

**Automotive:** Peugeot Citroën Automobiles operations in France (production plants, R&D centres, office facilities). Consolidation of automotive activity relates to 36 sites including PCA France, PCA outside France, Sevel Nord, la Française de Mécanique and PCI. The industrial site of Française de Mécanique has been consolidated since 2014.

**PCA France:** Peugeot Citroën Automobiles operations in France (production plants, R&D centres, office facilities).

The scope of reporting for PCA France covered 25 sites. PCI: Process Conception Engineering operations (one site).

**Automotive trade:** operations of the Peugeot and Citroën proprietary networks (Peugeot Citroën Retail dealerships, import subsidiary headquarters, spare parts warehouses, regional training centres and regional offices).

The scope of reporting for Automotive trade covered 170 Citroën sites, 207 Peugeot sites and 38 dual-brand sites, for a total of 415 sites. Only entities open at the start of the reporting campaign in November 2014 are reported, except for nine of them which progressively shut down activities in 2014. With regard to newly opened sites, the only entities taken into consideration are those open for at least six months during the reporting period.

**Other businesses:** Peugeot Motorcycles operations (PMTC, one site).

**Faurecia:** Faurecia's equipment supply operations. Faurecia's scope of reporting covered 251 sites, divided into four product groups. Compared to 2013, 18 sites were opened and 15 were removed from the reporting scope (including 1 merger and 1 site transfer).

The data presented in the tables have been audited by Grant Thornton. Information on the methods, procedures, global scope of verification and level of assurance of their audit is presented in the current document.

### SOCIAL REPORTING ON A GLOBAL SCALE

The Group consolidates and publishes indicators on its human resources management with three guidelines: transparency, completeness and quality of information. This social reporting process involves over 300 contributors from all the subsidiaries (33 countries), using interactive applications to compile data, led by a central team dedicated to this process.

The employee-relations indicators published comply with Article R. 225-105-1 of the "Grenelle 2 Act" and Global Reporting Initiative recommendations. They were produced for the subsidiaries as defined by 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.

As Faurecia manages its business independently, it prepares and publishes its own indicators and human resources policy in its Registration Document. General information concerns the Group's divisions excluding Faurecia. The specific policies implemented by Faurecia are detailed in separate sections.

Additional information to that included in this document may be found in the 2014 document "2014 CSR Report" report and on the Group's corporate website.

## THIRD-PARTY AUDIT

The process of collecting the consolidated social, environmental and corporate information from Peugeot S.A. published in this report, which meets the requirements of Articles L. 225-102-1 and R. 225-105 of the French Commercial Code, which are based on the "Grenelle 2 Act", was verified by an independent firm (Grant Thornton).

Faurecia commissioned an independent body, which audited the Company's quantitative and qualitative data in light of the Grenelle Act. Its findings were communicated to Grant Thornton, which included them in its auditor's report.

The firm attests to the presence of PSA Peugeot Citroën's CSR information.

The certification on the content and accuracy of the information of Peugeot S.A. issued by by the independent firm Grant Thornton is available in full in Chapter 2.6 of this Registration Document.

## 2.7.3. CROSS REFERENCE TABLE WITH REQUIRED MATERIAL IN ARTICLE R. 225-105 OF THE FRENCH COMMERCIAL CODE (APPLICATION OF GRENELLE 2 LEGISLATION)

This icon points out the information required by Article 225 of the Grenelle 2 Law. G.X

| Expected by the decree | PSA Peugeot Citroën codification of the 42 topics of Grenelle 2 | 2014 Registration Document (relevant sections) | Reporting status* |
|---|---|---|---|
| **1° Personnel information** | | | |
| **a) Employment** | | | |
| Total workforce | G.1a | **2.4.2.1** | |
| Employees by gender | G.1b | **2.4.2.1** | |
| Employees by age | G.1c | **2.4.2.1** | |
| Employees by region | G.1d | **2.4.2.1** | |
| Hirings | G.2a | **2.4.2.1** | |
| Dismissals | G.2b | **2.4.2.1** | |
| Compensation and changes therein | G.3 | **2.4.3.5** | |
| **b) Work arrangements** | | | |
| Organisation of working hours | G.4 | **2.4.2.2** | |
| 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** | | | |
| Health and safety conditions in the workplace | G.8 | **2.4.4.1** | |
| Summary of agreements signed with unions or employee representatives regarding workplace health and safety | G.9 | **2.4.4.4** | |
| Workplace accidents, particularly their frequency and severity, along with occupational diseases | G.10 | **2.4.4.3** | |
| **e) Training** | | | |
| Policies put into practice with regard to training | G.11a | **2.4.3.2/2.4.3.3** | |
| Means put into practice with regard to training | G.11b | **2.4.3.2/2.4.3.4** | |
| Total number of hours of training | G.12 | **2.4.3.2** | |
| **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 | **2.4.1/2.4.2.1/ 2.4.5.1/2.4.5.3** | |
| **g) Promotion and observance of the core conventions of the International Labour Organisation 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** | |
| 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 | G.20 | **2.2.1/2.2.2** | |

| Expected by the decree | PSA Peugeot Citroën codification of the 42 topics of Grenelle 2 | 2014 Registration Document (relevant sections) | Reporting status* |
|---|---|---|---|
| Environmental assessment or certification initiatives | G.20 | **2.2.1** | |
| 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/ 2.2.1.3.2/2.2.2** | |
| The amount of the provisions and warranties made for environmental risks, provided this information is not of a nature that might be seriously adverse to the Company in a current legal dispute | G.23 | **2.2.2** | |
| **b) Pollution and waste management** | | | |
| 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/ 2.2.1.3.2/2.2.2/ 2.2.2.2.1/ 2.2.2.2.2/ 2.2.2.4.2** | |
| Measures to prevent, recycle or eliminate waste | G.25 | **2.2.1.3.2/ 2.2.2.3.2** | |
| The handling of sound pollution or any other form of pollution specific to an activity | G.26 | **2.2.1.3.2/ 2.2.2.2.3/2.2.2.5** | |
| **c) Sustainable use of resources** | | | |
| Water consumption and sourcing in light of local constraints | G.27 | **2.2.2.4.1** | |
| Consumption of raw materials and measures taken to use them more efficiently | G.28 | **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.29 | **2.2.1.1.1/ 2.2.2.1.1** | |
| Use of land | G.30 | **2.2.2.2.2** | |
| **d) Climate change** | | | |
| Greenhouse gas emissions | G.31 | **2.2.1.1.2/ 2.2.2.1.2** | |
| Adaptation to the consequences of climate change | G.32 | **2.2.1.1/ 2.2.1.1.1/ 2.2.1.3.2/2.2.1.4/ 2.2.2.1.2** | |
| **e) Protection of biodiversity** | | | |
| Measures taken to preserve or develop biodiversity | G.33 | **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.34 | **2.3.1.1/2.3.1.2/ 2.4.3.5** | |
| On neighbouring or local residents | G.35 | **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.36 | **2.1.2** | |
| Support, partnerships and philanthropy provided | G.37 | **2.3.1.2/2.3.3/ 2.4.5.4** | |
| **c) Subcontractors and suppliers** | | | |
| Consideration given to social and environmental issues in purchasing policies | G.38 | **2.3.1.1** | |
| The importance of subcontracting and the inclusion in subcontractor and supplier relationships of their social and environmental responsibility | G.39 | **2.3.1.1/2.3.1.3** | |
| **d) Fair operating practices** | | | |
| Actions undertaken to prevent corruption | G.40 | **2.3.4/2.4.1/2.4.6** | |
| Measures taken benefiting the health and safety of consumers | G.41 | **2.2.1.2/2.2.1.3.1 2.2.1.4/2.3.2** | |
| **e) other actions undertaken relating to this Article** | | | |
| Measures taken in favour of human rights | G.42 | **2.3.1.3/2.4.1** | |

* *The reporting status indicates a response by the Group to each of the 42 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).*

# 3

# 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

The table below summarises the changes that took place within the Managing Board and Supervisory Board in 2014 and up to the date of this Registration Document.

| Effective date | Description of the change |
|---|---|
| **1 January 2014** | Appointment of Carlos Tavares to the Managing Board. |
| **31 March 2014** | Appointment of Carlos Tavares as Chairman of the Managing Board, replacing Philippe Varin. |
| **25 April 2014** | Re-election of Louis Gallois as a member of the Supervisory Board. |
| **29 April 2014** | Introduction of a new Supervisory Board governance structure (following the rights issues reserved for Dongfeng and the French State).<br>Appointment of Louis Gallois as Chairman of the Supervisory Board.<br>Effective date of the resignations from the Supervisory Board of Marie-Hélène Peugeot Roncoroni, Jean-Paul Parayre, Jean-Philippe Peugeot, Robert Peugeot, Thierry Peugeot, Thierry Pilenko and Jean-Louis Silvant.<br>Effective date of the election to the Supervisory Board of Xu Ping, Bruno Bézard, Liu Weidong, Etablissements Peugeot Frères (represented by Thierry Peugeot), FFP (represented by Robert Peugeot) and SOGEPA (represented by Florence Verzelen).<br>Appointment of Bruno Bézard, Thierry Peugeot and Xu Ping as Vice-Chairmen of the Supervisory Board.<br>Appointment of Geoffroy Roux de Bézieux as Senior Independent Supervisory Board Member.<br>Resignation as advisors to the Supervisory Board of Marc Friedel, François Michelin and Roland Peugeot.<br>Election of Jean-Philippe Peugeot as advisor to the Supervisory Board. |
| **3 July 2014** | Appointment of Marie-Hélène Peugeot Roncoroni as permanent representative of Etablissements Peugeot Frères, replacing Thierry Peugeot. |
| **29 July 2014** | Appointment of Marie-Hélène Peugeot Roncoroni as Vice-Chairman of the Supervisory Board and Frédéric Banzet as advisor to the Supervisory Board, replacing Jean-Philippe Peugeot. |

### 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.

#### CHANGES IN THE MEMBERSHIP OF THE MANAGING BOARD IN 2014

Carlos Tavares joined the Managing Board on 1 January 2014. He took over the operational management of the Group on 20 February 2014 and was appointed as Chairman of the Managing Board on 31 March 2014, replacing Philippe Varin.

#### EXECUTIVE COMMITTEE

The Executive Committee is responsible for the Group's executive management. Its members are listed in Section 1.3 above.

# INFORMATION ABOUT CURRENT MANAGING BOARD MEMBERS

## CARLOS TAVARES

First appointed to the Managing Board: 1 January 2014

Current term expires: 2017

Portuguese national

Born 14 August 1958

Business address:
PSA Peugeot Citroën
75 A.avenue de la Grande-Armée
75116 Paris
France

**Chairman of the Managing Board of Peugeot S.A. (since 31 March 2014)**
**Member of the Managing Board (since 1 January 2014)**

| Other directorships and positions as of 31 December 2014 | 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 PCMA HOLDING B.V. | | √ |
| Manager of a Bed&Breakfast micro-enterprise in Lisbon | | |

**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 AVTOVAZ
- Director of ALPINE-CATERHAM
- Chairman of the Management Committee of NISSAN AMERICAS
- Executive Vice-President, Planning, NISSAN MOTOR COMPANY

**Relevant expertise and professional experience**

After graduating from Ecole 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 2014: 1,000 shares.**

## JEAN-BAPTISTE CHASSELOUP DE CHATILLON

First appointed to the Managing Board: 13 March 2012

Current term expires: 2017

French national

Born 19 March 1965

Business address:
PSA Peugeot Citroën
75 avenue de la Grande-Armée
75116 Paris
France

**Member of the Managing Board of Peugeot S.A.**
**Chief Financial Officer**
**Executive Vice-President, Information Systems**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Chairman of the Board of Directors, BANQUE PSA FINANCE | | √ |
| 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 AUTOMOBILES COMPANY LTD | | √ |
| Director of Changan PSA AUTOMOBILES CO. LTD | | √ |
| Vice-Chairman of the Supervisory Board of GEFCO S.A. | | |

**Other directorships and positions in the past five years**
- Director of Peugeot Citroën Automobiles S.A.
- Director of PCMA Holding B.V.
- Chairman of the Supervisory Board of Peugeot Finance International N.V.
- Director of GEFCO
- Member of the Board of Comité des Constructeurs Français Automobiles (CCFA)
- Permanent representative of CCFA on the Board of Directors of Auto Moto Cycle Promotion

**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 and Executive Vice-President, Information Systems, with additional responsibility for Replacement Parts & Services and the Proprietary Dealer Network, and Chairman of Banque PSA France (BPF).

**Number of Peugeot S.A. securities owned as of 31 December 2014: 1,593 shares and 1,005 stock warrants.**
**Number of units in group Employee stock ownership Fund as of 31 December 2014: 178 units.**

## GRÉGOIRE OLIVIER

First appointed to the Managing Board: 6 February 2007

Current term expires: 2017

French national

Born 19 October 1960

Business address:
PSA Peugeot Citroën
3rd Floor, Building 2
1528 Gunei Road
Shanghai Cahoejing
HiTech Park 200,233 -
Shanghai
China

**Member of the Managing Board of Peugeot S.A.**
**Executive Vice-President, China and ASEAN**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Chairman and Chief Executive Officer of PEUGEOT CITROËN (China) AUTOMOTIVE TRADE CO. | | √ |
| Vice-Chairman of DONGFENG PEUGEOT CITROËN AUTOMOBILES COMPANY LTD | | √ |
| Vice-Chairman of CHANGAN PSA AUTOMOBILES CO. LTD | | √ |

**Other directorships and positions in the past five years**
- Member of the Supervisory Board of WENDEL
- Director of PCMA HOLDING B.V.
- Director of PEUGEOT CITROËN AUTOMOBILES S.A.
- Permanent representative of Peugeot S.A. on the Board of Directors of AUTOMOBILES PEUGEOT
- Permanent representative of Peugeot S.A. on the Board of Directors of AUTOMOBILES CITROËN

**Relevant expertise and professional experience**

Grégoire Olivier, a graduate of Ecole des Mines engineering school and Ecole Polytechnique, holds an MBA from the University of Chicago. After holding various positions, in particular at Pechiney and Alcatel, he was appointed Chairman of the Sagem Management Board in 2001. He was appointed Chairman and Chief Executive Officer of Faurecia in 2006 and then joined PSA Peugeot Citroën in 2007 as Executive Vice-President of the Automobile Programmes and Strategy Department and member of the Managing Board. He is currently Executive Vice-President, China and ASEAN.

**Number of Peugeot S.A. securities owned as of 31 December 2014: 7,125 shares and 4,500 stock warrants.**

## JEAN-CHRISTOPHE QUÉMARD

First appointed to the Managing Board: 13 March 2012

Current term expires: 2017

French national

Born 30 September 1960

Business address:
PSA Peugeot Citroën
Centre technique Vélizy A
Route de Gisy
78140 Vélizy-Villacoublay
France

**Member of the Managing Board of Peugeot S.A.**
**Executive Vice-President, Middle East and Africa**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Director of IFP Energies Nouvelles | | |

**Other directorships and positions in the past five years**
- Director of BMW PEUGEOT CITROËN ELECTRIFICATION
- Chairman of the Board of Directors of GM PSA PURCHASING
- Director of Dongfeng PEUGEOT CITROËN AUTOMOBILES COMPANY LTD.
- Director of PCMA HOLDING B.V.

**Relevant expertise and professional experience**

Jean-Christophe Quémard is a graduate of Ecole des Mines de Saint-Etienne and Ecole du Pétrole et des Moteurs. After joining PSA Peugeot Citroën 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. He is also a director of IFP Energies Nouvelles, holding a seat reserved for "qualified persons".

**Number of Peugeot S.A. securities owned as of 31 December 2014: 1,459 shares.**
**Number of shares in the PSA Peugeot Citroën employees' fund held as at 31 December 2014: 690 shares**

# MANAGING BOARD MEMBERS WHO STEPPED DOWN IN 2014

## PHILIPPE VARIN

First appointed to the Managing Board: 1 June 2009.

Chairman of the Managing Board until 30 March 2014.

## 3.1.1.2. THE SUPERVISORY BOARD

### INFORMATION ABOUT THE CURRENT MEMBERS OF THE SUPERVISORY BOARD

**LOUIS GALLOIS**

First elected to the Supervisory Board: 12 February 2013

Current term expires: 2018 (4-year term)

French national

Born 26 January 1944

Business address:
PSA Peugeot Citroën
75 avenue de la Grande-Armée
75116 Paris
France

**Chairman of the Supervisory Board of Peugeot S.A. since 29 April 2014**
**Senior Independent Member until 29 April 2014**
**Member of the Appointments, Compensation and Governance Committee**
**Member of the Strategy Committee**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| President of Fédération Nationale des Associations d'Accueil et de Rénovation Sociale | | |
| Member of the Board of Directors of Ecole Centrale de Paris | | |

**Other directorships and positions in the past five years**
- General Commissioner for Investment (2014)
- Member of the Supervisory Board of MICHELIN (2014)
- Executive Chairman of EADS
- Chairman of Fondation de la Cité des Sciences et des Technologies (Villette Entreprises)

**Relevant expertise and professional experience**

A graduate of the HEC business school and Ecole Nationale d'Administration, Louis Gallois began his career in the French Treasury Department and then became chief of staff for Jean-Pierre Chevènement at the Ministry of Research and Technology. After that, he was 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 and then at Aerospatiale. 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.

**Number of Peugeot S.A. securities owned as of 31 December 2014: 1,065 shares.**

**BRUNO BÉZARD**

First elected to the Supervisory Board: 29 April 2014

Current term expires: 2018 (4-year term)

French national

Born 19 May 1963

Business address:
Ministère des Finances
139 rue de Bercy
75572 Paris Cedex 12
France

**Vice-Chairman of the Supervisory Board of Peugeot S.A. since 29 April 2014**
**Member of the Appointments, Compensation and Governance Committee**
**Member of the Strategy Committee**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Head of the French Treasury (Ministry of Finance/Ministry of the Economy) | | |
| Director of GDF Suez (representative of the French State) | √ | |

**Other directorships and positions in the past five years**
- Head of Public Finances (Ministry of Finance/Ministry of the Economy)
- Director of EDF (representative of the French State)
- Director of La Poste (representative of the French State)
- Director of AREVA (representative of the French State)
- Director of FRANCE TELECOM (representative of the French State)
- Director of AIR FRANCE-KLM (representative of the French State)
- Director of SNCF-French Railways (representative of the French State)
- Director of DEXIA (representative of the French State)
- Director of Thales (representative of the French State)
- Director of FSI (representative of the French State)
- Head of the REGIONAL ECONOMIC OFFICE IN BEIJING

**Relevant expertise and professional experience**

Bruno Bézard graduated from Ecole Polytechnique and from Ecole Nationale d'Administration, in the Michel de Montaigne class of 1988. He is a senior civil servant with the title of Inspecteur Général des Finances. He previously served as Head of the Housing and Regulated Savings Department (1994-1998), then Deputy Director of the Insurance Unit in the French Treasury Department (1998-2000), Deputy Chief of Staff for Minister of the Economy, Finance and Industry Christian Sautter (2000), Deputy Director of the French Treasury's Debt, Development and Emerging Markets Department (2000-2001), Advisor on Economic and Financial Affairs to Prime Minister Lionel Jospin (2001-2002), then Head of the French Treasury's Investments Office (2002-2003). Appointed Deputy Managing Director of Agence des Participations de l'Etat (APE) in 2003, he served as Managing Director from 2007 to 2010, when he became Minister-Counsellor for Economic and Industrial Affairs and Head of the Regional Economic Office in Beijing. He was appointed Head of Public Finances in August 2012 and Head of the French Treasury in July 2014.

**Number of Peugeot S.A. securities owned as of 31 December 2014: none.**

## MARIE-HELENE PEUGEOT RONCORONI

First elected to the Supervisory Board: 2 June 1999

Current term expires: 2018 (4-year term)

French national

Born 17 November 1960

Business address:
FFP
66 avenue de Charles de Gaulle
92200 Neuilly sur Seine
France

**Vice-Chairman of the Supervisory Board of Peugeot S.A. since 29 July 2014**
**Permanent representative of Etablissements 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 2014 | Listed company | Group company |
|---|---|---|
| Vice-Chairman and Director of FFP | √ | |
| Director of SAPAR | | |
| Director and Chief Operating Officer of ETABLISSEMENTS PEUGEOT FRÈRES | | |
| Director of ASSURANCES MUTUELLES DE FRANCE | | |
| Director of ESSO SAF | √ | |
| Director of LISI | √ | |
| Director and Vice-Chairman of the PSA PEUGEOT CITROËN CORPORATE FOUNDATION | | |
| Director of INSTITUT DIDEROT | | |

**Other directorships and positions in the past five years**
- Member of the Supervisory Board of Peugeot S.A. (2014)
- Permanent representative of SAPAR on the Board of Directors of Immeubles de Franche-Comté (2014)
- Director of Immeubles et Participations de l'Est
- Director of Simante SL
- Permanent representative of Immeubles de Franche-Comté on the Board of Directors of S.A. Comtoise de Participation
- Director of La Française de Participations Financières – LFPF
- 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 is the director and Vice-President of FFP, Director and Chief Operating Officer of Etablissements Peugeot Frères, Director of SAPAR, Assurances Mutuelles de France, ESSO SAF, LISI and the Institut Diderot.

**Number of Peugeot S.A. securities owned as of 31 December 2014: 1,070 shares.**

## XU PING

First elected to the Supervisory Board: 29 April 2014

Current term expires: 2018 (4-year term)

Chinese national

Born 20 January 1957

Business address:
Special No. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone Wuhan
Hubei Province
China

**Vice-Chairman of the Supervisory Board of Peugeot S.A. since 29 April 2014**
**Member of the Appointments, Compensation and Governance Committee**
**Member of the Strategy Committee**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Chairman of DONGFENG PEUGEOT CITROËN AUTOMOBILES COMPANY LTD | | √ |
| Chairman of DONGFENG MOTOR CORPORATION | | |
| Chairman of DONGFENG MOTOR GROUP CO. LTD | √ | |
| Chairman of DONGFENG MOTOR COMPANY. LTD | | |
| Chairman of DONGFENG HONDA AUTOMOBILE CO. LTD | | |
| Chairman of DONGFENG RENAULT AUTOMOBILE CO. LTD | | |

**Other directorships and positions in the past five years:** none.

**Relevant expertise and professional experience**

Xu Ping graduated from Hefei University of Technology with a major in electrical power systems in February 1982. He began his career as an engineer at the Thermal Plant of Second Automotive Works (the predecessor of Dongfeng Motor Corporation). He then went on to hold executive positions in the Thermal Plant, before being appointed Chairman of the Dongfeng Motor Corporation trade union in 1997. Xu Ping was later appointed as Deputy General Manager as well as Party Secretary of Dongfeng Motor Corporation in 2001 and was later promoted to General Manager in 2005. He has been Chairman of Dongfeng Motor Group Co. Ltd since August 2005 and Chairman of Dongfeng Motor Corporation since June 2010. Xu Ping currently also serves as Chairman of the following joint ventures: Dongfeng Motor Company Limited, Dongfeng Peugeot Citroën Automobiles Company Limited, Dongfeng Honda Automobile Co. Ltd and Dongfeng Renault Automobile Co. Ltd.

**Number of Peugeot S.A. securities owned as of 31 December 2014: 1,000 shares.**

## PATRICIA BARBIZET

First elected to the Supervisory Board: 24 April 2013

Current term expires: 2017 (4-year term)

French national

Born 17 April 1955

Business address:
Artémis
12 rue François-Ier
75008 Paris
France

**Member of the Supervisory Board of Peugeot S.A.**
**Chairman of the Finance and Audit Committee**
**Member of the Asia Business Development Committee**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Chief Executive (non-corporate officer) and member of the Supervisory Board of FINANCIÈRE PINAULT SCA* | | |
| Chief Executive Officer and Director of ARTÉMIS SA* | | |
| Vice-Chairman of the Board of Directors of KERING* | √ | |
| Chairman of the Board of Directors of CHRISTIE'S INTERNATIONAL PLC* | | |
| Director of FNAC SA | √ | |
| Permanent representative of Artémis on the Board of Directors of SEBDO LE POINT* | | |
| Non-executive Board member of KERING HOLLAND N.V.* | | |
| Director of Yves Saint-Laurent S.A.S.* | | |
| Permanent representative of Artémis on the Board of Directors of AGEFI* | | |
| Member of the Management Board of SC Vignoble Chateau Latour* | | |
| Director of SOCIÉTÉ NOUVELLE DU THÉÂTRE MARIGNY* | | |
| Director of PALAZZO GRASSI* | | |
| Director of TOTAL | √ | |

* *Kering Group companies, or companies belonging to the group owned by Kering's majority shareholder, Financière Pinault/Artémis.*

**Other directorships and positions in the past five years**

- Director of AIR FRANCE-KLM
- Director of FONDS STRATÉGIQUE D'INVESTISSEMENT
- Member of the Supervisory Board of GUCCI GROUP N.V.
- Director of BOUYGUES
- Director of TF1
- Non-Executive Director of TAWA PLC
- Chief Operating Officer and Director of SOCIÉTÉ NOUVELLE DU THÉÂTRE MARIGNY
- Director of FNAC SA

**Relevant expertise and professional experience**

After graduating from Ecole Supérieure de Commerce de Paris in 1976, Patricia Barbizet began her career with Renault as treasurer of Renault Véhicules Industriels and later as Chief Financial Officer of Renault Crédit International. She joined the Pinault Group in 1989 as Chief Financial Officer. In 1992, she became Chief Executive Officer of Artémis, and then, in 2004, Chief Executive Officer of Financière Pinault. She was Chairman of the Supervisory Board of the Pinault Printemps Redoute (PPR) Group up to May 2005, when she became Vice-Chairman of the Board of Directors of PPR (Kering). She is also a director of Total and FNAC. She has been Chairman and Chief Executive Officer of Christie's International Plc since January 2015.

**Number of Peugeot S.A. securities owned as of 31 December 2014: 1,000 shares.**

## PAMELA KNAPP

First elected to the Supervisory Board: 31 May 2011

Current term expires: 2017 (6-year term)

German national

Born 8 March 1958

Business address:
GfK SE
Nordwestring 101
90419 Nuremberg
Germany

**Member of the Supervisory Board of Peugeot S.A.**
**Member of the Appointments, Compensation and Governance Committee**
**Member of the Finance and Audit Committee**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Director of COMPAGNIE DE SAINT-GOBAIN | √ | |
| Director of HKP AG | | |

**Other directorships and positions in the past five years**

- Member of the Managing Board of GFK SE (2014)
- Director of MONIER HOLDINGS S.C.A.

**Relevant expertise and professional experience**

Pamela Knapp is a graduate of Harvard Business School's Advanced Management Programme and holds a Masters in Economics from the University of Berlin. She began her career at Deutsche Bank AG, 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 2014: 1,588 shares.**

## JEAN-FRANÇOIS KONDRATIUK

First elected to the Supervisory Board: 24 April 2013*

Current term expires: 2018 (4-year term)

French national

Born 24 March 1950

Business address:
PEUGEOT CITROËN AUTOMOBILES S.A.
45 rue J.-P.-Timbaud
78300 Poissy
France

**Member of the Supervisory Board of Peugeot S.A.**
**Member representing employees**
**Member of the Strategy Committee**
**Member of the Asia Business Development Committee**

**Positions held within the Group as of 31 December 2014**
- Methods engineer at the Poissy assembly unit
- Director of the PSA Peugeot Citroën corporate foundation

**Other directorships and positions in the past five years**
- Employee representative (2014)
- Union representative (Force Ouvrière) at the PCA Poissy plant (2014)
- Employee representative on the Health, Safety and Working Conditions Committee (2014)
- Secretary of the European Works Council (2014)

**Relevant expertise and professional experience**

Since joining the Group in 1970, Jean-François Kondratiuk, who holds a high school diploma in sciences, 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 units in the PSA Peugeot Citroën Employee Stock Ownership Fund as of 31 December 2014: none.**

* *Jean-François Kondratiuk was appointed in 2013 in response to the wishes of the Managing Board and Supervisory Board to involve employees more closely in defining the Group's strategy. He resigned in 2014 in order to allow his appointment by the process provided for in the amended by-laws approved by the Annual Shareholders' Meeting of 25 April 2014, in accordance with the Employment Protection Act. Mr Kondratiuk was appointed to represent employees on the Supervisory Board by the European Works Council on 18 June 2014, in line with the amended by-laws.*

## LIU WEIDONG

First elected to the Supervisory Board: 29 April 2014

Current term expires: 2018 (4-year term)

Chinese national

Born 13 October 1966

Business address:
Special No. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone Wuhan
Hubei Province
China

**Member of the Supervisory Board of Peugeot S.A. since 29 April 2014**
**Chairman of the Asia Business Development Committee**
**Member of the Finance and Audit Committee**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Director of DONGFENG PEUGEOT CITROËN AUTOMOBILES COMPANY LTD | | √ |
| Deputy General Manager of DONGFENG MOTOR CORPORATION | | |
| Non-executive director of Dongfeng Motor Group Co. Ltd | √ | |
| Chairman of DONGFENG ELECTRIC VEHICLE CO. LTD | | |
| Chairman of DONGFENG GETRAG TRANSMISSION CO. LTD | | |
| Chairman of DONGFENG HONGTAI HOLDINGS GROUP CO. LTD | | |
| Director of CHINA AUTO LIGHTWEIGHT TECHNOLOGY INSTITUTE CO. LTD | | |

**Other directorships and positions in the past five years**
- General Manager of Dongfeng Motor Group Co. Ltd Passenger Vehicle (2014)
- General Manager of Dongfeng Peugeot Citroën Automobiles Company Ltd

**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. From July 2011 to May 2014, he was General Manager of Dongfeng Passenger Vehicle Company. He has been a Director of Dongfeng Peugeot Citroën Automobile Company Limited and Deputy General Manager of Dongfeng Motor Corporation since July 2011. Liu Weidong is also currently Chairman of Dongfeng Electric Vehicle Co. Ltd, Dongfeng GETRAG Transmission Co. Ltd and Dongfeng Hongtai Holdings Group Co. Ltd. In addition, he sits on the Board of Directors of China Auto Lightweight Technology Institute Co. Ltd.

**Number of Peugeot S.A. securities owned as of 31 December 2014: 1,000 shares.**

## ROBERT PEUGEOT

First elected to the Supervisory Board: 6 February 2007

Current term expires: 2018 (4-year term)

French national

Born 25 April 1950

Business address:
FFP
66 avenue Charles de Gaulle
92200 Neuilly sur Seine
France

**Permanent representative of FFP on the Supervisory Board of Peugeot S.A. since 29 April 2014**
**Chairman of the Strategy Committee**
**Member of the Finance and Audit Committee**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Chairman and Chief Executive Officer of FFP | √ | |
| Member of the Supervisory Board of HERMÈS INTERNATIONAL | √ | |
| Permanent representative of FFP INVEST on the Supervisory Board of IDI EMERGING MARKETS S.A.* | | |
| Director of ETABLISSEMENTS PEUGEOT FRÈRES | | |
| Director of SOFINA | √ | |
| Director of IMERYS | √ | |
| Director of HOLDING REIGNIER S.A.S.* | | |
| Permanent representative of FFP INVEST on the Board of Directors of Sanef* | | |
| Director of FAURECIA | √ | √ |
| Director of DKSH AG* | √ | |
| 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 of the Supervisory Board of FINANCIÈRE GUIRAUD S.A.S.* | | |

* *Company included in the FFP investment portfolio (held through FFP Invest).*

**Other directorships and positions in the past five years**

- Member of the Supervisory Board of Peugeot S.A. (2014)
- Permanent representative of FFP INVEST on the Supervisory Board of ZODIAC AEROSPACE (2014)
- Director of SANEF
- Member of the Supervisory Board of IDI EMERGING MARKETS S.A.
- Chairman and Chief Executive Officer of SIMANTE, SL
- Director of LA FRANÇAISE DE PARTICIPATIONS FINANCIÈRES – LFPF
- Director of IMMEUBLES ET PARTICIPATIONS DE L'EST
- Director of ALPINE HOLDING
- Director of WRG – WASTE RECYCLING GROUP LIMITED
- Director of B-1998 SL
- Director of FCC CONSTRUCCIÓN S.A.

**Relevant expertise and professional experience**

After graduating from Ecole 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.

**Number of Peugeot S.A. securities owned as of 31 December 2014: 1,000 shares.**

## HENRI PHILIPPE REICHSTUL

First elected to the Supervisory Board: 23 May 2007

Current term expires: 2017 (4-year term)

Brazilian national

Born 12 April 1949

Business address:
Rua dos Pinheiros, 870
20° Andar – cjs. 201 –
CEP 05422-001
São Paolo
Brazil

**Member of the Supervisory Board of Peugeot S.A.**
**Member of the Strategy Committee**
**Member of the Asia Business Development Committee**

| Other directorships and positions as of 31 December 2014 | 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 | | |

**Other directorships and positions in the past five years**

- Director of FORSTER WHEELER (2014)
- Director of GAFISA S.A. (2014)
- Chairman and Chief Executive Officer of BRENCO
- Director of ASHMORE ENERGY INTERNATIONAL

**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 1999-2001.

**Number of Peugeot S.A. securities owned as of 31 December 2014: 325 shares.**

## DOMINIQUE REINICHE

First elected to the Supervisory Board: 25 April 2012

Current term expires: 2016 (4-year term)

French national

Born 13 July 1955

Business address:
7 avenue Bosquet
75007 Paris
France

**Member of the Supervisory Board of Peugeot S.A.**
**Member of the Appointments, Compensation and Governance Committee**
**Member of the Finance and Audit Committee**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Director of AXA | √ | |
| Director of CHR. HANSEN (Denmark) | | |

**Other directorships and positions in the past five years**
- President of the Europe Group, THE COCA-COLA COMPANY (2014)
- Vice-Chairman of FOODDRINKEUROPE (Belgium) (2014)
- Member of the Supervisory Board of AXA
- Member of the Advisory Board of ING DIRECT FRANCE

**Relevant expertise and professional experience**

Dominique Reiniche is a graduate of the ESSEC business school. She joined Procter & Gamble in 1978, becoming Associate Advertising Manager in 1983. In 1986, she was appointed Director of Marketing and Strategy at Kraft Jacobs Suchard. In 1992, she became Vice-President, Marketing with responsibility for key accounts at Coca-Cola Entreprise. She was appointed Chairman and Chief Executive Officer of Coca-Cola Entreprise in 1998 and Vice-President of Coca-Cola Enterprises - European Group in 2002. From January 2003 to May 2005, she was Chairman of Coca-Cola Enterprises - European Group. From May 2005 to March 2014, she was Chairman Europe of The Coca-Cola Company. She is a director of Axa and Chr. Hansen and Vice-Chairman of FoodDrinkEurope.

**Number of Peugeot S.A. securities owned as of 31 December 2014: 100 shares.**

## GEOFFROY ROUX DE BÉZIEUX

First elected to the Supervisory Board: 23 May 2007

Current term expires: 2017 (4-year term)

French national

Born 31 May 1962

Business address:
Omea Telecom
12 rue Belgrand
92300 Levallois-Perret
France

**Member of the Supervisory Board of Peugeot S.A.**
**Senior Independent Member since 29 April 2014**
**Chairman of the Appointments, Compensation and Governance Committee**
**Member of the Finance and Audit Committee**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Chairman of OMEA TELECOM (Virgin Mobile) | | |
| Director of PARROT S.A. | √ | |
| Chairman of FINANCOM | | |
| Vice-Chairman, Treasurer and member of the Bureau of MEDEF | | |

**Other directorships and positions in the past five years**
- Vice-Chairman of the Supervisory Board of SELOGER.COM
- Director of IMS – INTERNATIONAL METAL SERVICE

**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. Since 2006 he has been Founder-Chairman of Omea Telecom (Virgin Mobile).

**Number of Peugeot S.A. securities owned as of 31 December 2014: 1,000 shares.**

## ANNE VALLERON

First elected to the Supervisory Board: 24 April 2013

Current term expires: 2017 (4-year term)

French national

Born 1 July 1953

Business address:
PSA Peugeot Citroën
La Garenne Technical Centre
92250 La Garenne Colombes
France

**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 2014**
- Project leader in the Research & Development Department (DRD)
- Chairman of the Supervisory Board of the PSA Peugeot Citroën Employee Stock Ownership Fund
- Union representative (CFE-CGC) at the La Garenne facility
- Union representative (CFE-CGC) for Peugeot Citroën Automobiles

**Other positions held as of 31 December 2014**
- Vice-Chairman and Director of CETM (Centre d'Etudes des Techniques et Industries Mécaniques)
- Advisor to the Ile-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**
- Representative of the CFE CGC trade union on the La Garenne facility's Works Council and employee representative for this facility

**Relevant expertise and professional experience**

A graduate of the Ecole 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.

**Number of Peugeot S.A. securities owned as of 31 December 2014: 319 shares and 200 stock warrants.**
**Number of units in the PSA Peugeot Citroën Employee Stock Ownership Fund as of 31 December 2014: 2,169 units.**

## FLORENCE VERZELEN

First elected to the Supervisory Board: 29 April 2014

Current term expires: 2018 (4-year term)

French national

Born 28 February 1978

Business address:
GDF Suez
1 place Samuel-de-Champlain
92930 Paris La Défense
France

**Permanent representative of SOGEPA on the Supervisory Board of Peugeot S.A.**
**Member of the Finance and Audit Committee**
**Member of the Asia Business Development Committee**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Procurement Performance Plan Director and Deputy Procurement Director of GDF SUEZ | √ | |
| Director of STORENGY DEUTSCHLAND | | |

**Other directorships and positions in the past five years:** none.

**Relevant expertise and professional experience**

After graduating from Ecole Polytechnique and Ecole 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 GDF Suez Group in 2008. She was responsible for mergers and acquisitions from 2008 to 2010, and then headed the subsidiary in Qatar from 2010 to 2013. Since March 2013, she has been Procurement Performance Plan Director and Deputy Procurement Director.

**Number of Peugeot S.A. securities owned as of 31 December 2014: none.**

## FRÉDÉRIC BANZET

First elected as advisor to the Supervisory Board: 29 July 2014

Current term expires: 2018 (4-year term)

French national

Born 16 September 1958

Business address:
FFP
66 avenue Charles de Gaulle
92200 Neuilly sur Seine
France

**Advisor to the Supervisory Board of Peugeot S.A.**

| Other directorships and positions as of 31 December 2014 | Listed company | Group company |
|---|---|---|
| Director of FFP | √ | |
| Director of Etablissements Peugeot Frères | | |

**Other directorships and positions in the past five years**

- Director of AUTOMOVEIS CITROËN (2014)
- Director of CITROËN BELUX (2014)
- Permanent representative of AUTOMOBILES CITROËN as Chairman of AUTOMOVEIS CITROËN (2014)
- Chairman and Chief Executive Officer of AUTOMOBILES CITROËN (2014)
- Director of CHANGAN PSA AUTOMOBILES Co. Ltd (2014)
- Director of AUTOMOVILES CITROËN ESPANA S.A., (2014)
- Director of CITROËN UK Ltd (2014)
- Director of BERI ITALIA S.R.L. (2014)
- Member of the Supervisory Board of PEUGEOT CITROËN UKRAINE (2014)
- Permanent representative of AUTOMOBILES CITROËN ON THE BOARD OF BANQUE PSA FRANCE
- Member of the Supervisory Board of CITROËN NEDERLAND B.V.
- Director of Citroën SVERIGE AB
- Member of the Supervisory Board of CITROËN POLSKA SP ZOO
- Permanent representative of FFP on the Supervisory Board of IMMOBILIÈRE DASSAULT

**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.

**Number of Peugeot S.A. securities owned as of 31 December 2014: none.**

For more information about the membership and practices of the Supervisory Board, please refer to Section 3.2.

# SUPERVISORY BOARD MEMBERS WHO STEPPED DOWN IN 2014

## THIERRY PEUGEOT

First elected to the Supervisory Board: 19 December 2002.

Chairman of the Supervisory Board of Peugeot S.A. until 29 April 2014.

Vice-Chairman of the Supervisory Board of Peugeot S.A. until 3 July 2014.

## JEAN-PHILIPPE PEUGEOT

First elected to the Supervisory Board: 16 May 2001.

Vice-Chairman of the Supervisory Board of Peugeot S.A. until 29 April 2014.

Advisor to the Supervisory Board of Peugeot S.A. until 3 July 2014.

## JEAN-LOUIS SILVANT

First elected to the Supervisory Board: 24 May 2006.

Vice-Chairman of the Supervisory Board of Peugeot S.A. until 29 April 2014.

## JEAN-PAUL PARAYRE

First elected to the Supervisory Board: 11 December 1984.

Member of the Supervisory Board of Peugeot S.A. until 29 April 2014.

### THIERRY PILENKO

First elected to the Supervisory Board: 25 April 2012.

Member of the Supervisory Board of Peugeot S.A.

### MARC FRIEDEL

First elected as advisor to the Supervisory Board: 12 February 2013.

Advisor to the Supervisory Board of Peugeot S.A. until 29 April 2014.

### ROLAND PEUGEOT

First elected as advisor to the Supervisory Board: 16 May 2001.

Advisor to the Supervisory Board of Peugeot S.A. until 29 April 2014.

### FRANÇOIS MICHELIN

First elected as advisor to the Supervisory Board: 25 July 2006.

Advisor to the Supervisory Board of Peugeot S.A. until 29 April 2014.

## 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 INTERESTS

The corporate officers have declared that no conflict of interest arose during fiscal 2014 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 2015, 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 126).

The Company was informed that on 23 April 2014, certain Managing Board members (Jean-Baptiste 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 303). 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 Supervisory Board's internal rules were updated in 2014 to include rules designed to prevent conflicts of interest (for further details, please refer to Section 3.2, page 127).

### 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 and Article 223-22 of the AMF General Regulations, the following transactions in the Company's securities by corporate directors and officers and their close relatives were declared in 2014:

| Type of transaction | Name and position | Type of transaction | Securities concerned | Unit price | Transaction amount |
|---|---|---|---|---|---|
| 2 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of Etablissements Peugeot Frères (EPF) on the Supervisory Board) | Purchase | Shares | €10.30 | €1,030,550 |
| 5 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.76 | €975,870 |
| 5 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.79 | €978,990 |
| 5 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.99 | €990,000 |
| 6 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.4 | €940,000 |
| 8 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.1 | €910,000 |
| 8 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.22 | €922,250 |
| 9 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.46 | €945,740 |
| 12 May 2014 | Thierry Peugeot (permanent representative of EPF on the Supervisory Board) | Subscription | Shares | €6.77 | €3,506.86 |
| 12 May 2014 | Thierry Peugeot (permanent representative of EPF on the Supervisory Board) | Subscription | Shares | €6.77 | €6,302.87 |
| 12 May 2014 | Thierry Peugeot (permanent representative of EPF on the Supervisory Board) | Subscription | Shares | €6.77 | €3,317.3 |
| 12 May 2014 | Thierry Peugeot (permanent representative of EPF on the Supervisory Board) | Subscription | Shares | €6.77 | €1,090 |
| 13 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.55 | €954,920 |
| 14 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.59 | €958,430 |
| 14 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.71 | €1,941,340 |
| 14 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Subscription | Shares | €6.77 | €3,290,951 |
| 14 May 2014 | Relative of Grégoire Olivier (Managing Board member) | Subscription | Shares | €6.77 | €17,771.25 |
| 15 May 2014 | SAPAR, Thierry Peugeot (Chairman of SAPAR, permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €9.68 | €73,560 |
| 23 May 2014 | FFP (member of the Supervisory Board) | Subscription | Shares | €6.77 | €114,754,695.44 |
| 23 May 2014 | Geoffroy Roux de Bézieux (Independent Reference Member of the Supervisory Board) | Subscription | Shares | €6.77 | €6,018.35 |
| 23 May 2014 | Etablissements Peugeot Frères (member of the Supervisory Board) | Sale | Shares | €10.12 | €1,659.68 |
| 23 May 2014 | Etablissements Peugeot Frères (member of the Supervisory Board) | Subscription | Shares | €6.77 | €26,988,273.27 |
| 20 August 2014 | Carlos Gomes (Executive Vice-President, Operational Director Latin America, member of the Executive Committee) | Sale | Shares | €10.6 | €3,340 |
| 24 October 2014 | Liu Weidong (member of the Supervisory Board) | Purchase | Shares | €9.37 | €9,368 |
| 24 October 2014 | Xu Ping (Vice-Chairman of the Supervisory Board) | Purchase | Shares | €9.37 | €9,375 |
| 20 November 2014 | Carlos Tavares (Chairman of the Managing Board) | Purchase | Shares | €9.24 | €9,244 |
| 5 December 2014 | Marie-Hélène Peugeot Roncoroni (permanent representative of EPF on the Supervisory Board) | Purchase | Shares | €10.05 | €7,035.51 |
| 12 December 2014 | Robert Peugeot (Permanent representative of FFP on the Supervisory Board) | Acquisition | Equities | €10.47 | €6,892.55 |

# 3.2. REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE, INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT

In accordance with Article L. 225-68 of the French Commercial Code, this report is about the composition of the Supervisory Board and the application of the balanced gender representation principle, the conditions for preparing and organising the work of the Board and the internal control and risk management procedures. It was approved by the Supervisory Board on 17 February 2015.

## 3.2.1. CORPORATE GOVERNANCE

The Company refers to the AFEP-MEDEF Corporate Governance Code, which was revised in June 2013, 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/

A summary table in section 3.2.1.3 presents the few recommendations of the Code which were not implemented, along with the related explanations.

### 3.2.1.1. COMPOSITION OF THE SUPERVISORY BOARD

#### 3.2.1.1.1. A BALANCED COMPOSITION

After the capital increases completed in April 2014, the Company implemented a balanced membership of the Supervisory Board, with 14 members, including:

- six members appointed upon the proposal from each of the three main shareholders:

these members are currently: for the companies of the Peugeot family group, Marie-Hélène Peugeot Roncoroni (permanent representative of Établissements Peugeot Frères) and Robert Peugeot (permanent representative of FFP), for the French State, Bruno Bézard (appointed as representative of the French State pursuant to Article 139 of the "NRE" law of 15 May 2001) and Florence Verzelen (permanent representative of SOGEPA), and for the Dongfeng Motor Group Company (*via* Dongfeng Motor (Hong Kong) International Co., Limited), Xu Ping and Liu Weidong;

- six independent members (mentioned below);
- an employee representative and an employee shareholder representative (mentioned below).

The Board is chaired by an independent member. The Board has conferred the title of Vice-Chairman upon three members of the Board, on the proposal of each of the three main shareholders.

#### INDEPENDENT REFERENCE SUPERVISORY BOARD MEMBER

An Independent Reference 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 Annual Shareholders' Meeting.

In 2014, two meetings of the independent members of the Supervisory Board were held.

#### EMPLOYEE REPRESENTATIVES

The employee representative was appointed by the Group's European Committee pursuant to Article L. 225-79-2 of the French Commercial Code and the new provision of the by-laws (Article 10.I B) voted by the Annual Shareholders' Meeting of 25 April 2014 following the enactment of the job security law (*Loi relative à la sécurisation de l'emploi*).

The employee shareholder representative was appointed by the FCPE supervisory boards in accordance with the provisions of Article L. 225-71 of the French Commercial Code and the by-laws (Article 10.I C).

It was proposed to the employee representatives that they enroll in the *Institut Français des Administrateurs* training programme. Anne Valleron will take this training in 2015.

## CURRENT MEMBERSHIP

At 17 February 2015, the Supervisory Board had the following members:

| Members of the Supervisory Board | Title | Age | Date of first appointment | Term of office expiry date | Independent according to the criteria of the AFEP-MEDEF Code |
|---|---|---|---|---|---|
| **Louis Gallois** | Chairman | 71 | 02/12/2013 | 2018 AGM | √ |
| **Bruno Bézard** | Vice-Chairman | 51 | 04/29/2014 | 2018 AGM | |
| **Marie-Hélène Peugeot Roncoroni** | Vice-Chairman<br>Permanent representative of Établissements Peugeot Frères | 54 | 06/02/1999 | 2018 AGM | |
| **Xu Ping** | Vice-Chairman | 58 | 04/29/2014 | 2018 AGM | |
| **Patricia Barbizet** | Member | 60 | 04/24/2013 | 2017 AGM | √ |
| **Pamela Knapp** | Member | 57 | 05/31/2011 | 2017 AGM | √ |
| **Jean-François Kondratiuk** | Member<br>(Employee representative) | 65 | 04/24/2013 | 2018 AGM | |
| **Liu Weidong** | Member | 48 | 04/29/2014 | 2018 AGM | |
| **Robert Peugeot** | Permanent representative of FFP | 64 | 02/06/2007 | 2017 AGM | |
| **Henri Philippe Reichstul** | Member | 65 | 05/23/2007 | 2017 AGM | √ |
| **Dominique Reiniche** | Member | 59 | 04/25/2012 | 2016 AGM | √ |
| **Geoffroy Roux de Bézieux** | Independent Reference Supervisory Board Member | 52 | 05/23/2007 | 2017 AGM | √ |
| **Anne Valleron** | Member (representing employee shareholders) | 61 | 04/24/2013 | 2017 AGM | |
| **Florence Verzelen** | Permanent representative of SOGEPA | 37 | 04/29/2014 | 2018 AGM | |

*(AGM: Annual Shareholders' Meeting).*

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).

## ADVISOR TO THE SUPERVISORY BOARD

The Board's meetings are also attended by one non-voting advisor. According to the Internal Rules of the Supervisory Board, this advisor is appointed by the Supervisory Board for a term of four years. Pursuant to the shareholders' agreement to which the Company is party, each of the three main shareholders is entitled to request the appointment of an Advisor to the Supervisory Board. To date, Frédéric Banzet is an Advisor, appointed by the Supervisory Board at its meeting on 29 July 2014 at the request of the companies Établissements Peugeot Frères/FFP.

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.

## INCREASED REPRESENTATION OF WOMEN

Since July 2014, the Supervisory Board has had six female and eight male members; women account for 42.8% of the members (compared with 33.33% in 2013 and 21% in 2011). Thus, it satisfies both the legislation and the recommendations of the AFEP-MEDEF Code before their mandatory compliance dates.

## INCREASED INTERNATIONALISATION

The Supervisory Board has four members of foreign nationality (Pamela Knapp, Xu Ping, Henri Philippe Reichstul and Liu Weidong), and all non-employee members have experience within an international organisation.

This balanced membership ensures the quality of the debates and decisions taken by the Supervisory Board.

### 3.2.1.1.2. INDEPENDENCE OF BOARD MEMBERS

As stated in the Internal Regulations 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, Remuneration 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 9.4. of the AFEP-MEDEF Code) at its meeting on 17 February 2015:

- 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: Patricia Barbizet, Pamela Knapp, Louis Gallois (Chairman of the Supervisory Board), Dominique Reiniche, Geoffroy Roux de Bézieux (Independent Reference 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).

As part of its review, the Supervisory Board took into account the existence of business relations between the members of the Supervisory Board and the Group or its shareholders. It is considered that the director terms of office of Patricia Barbizet within the company Total, of Pamela Knapp within Saint Gobain and of Dominique Reiniche within AXA do not compromise their independence due to the non-significant nature (assessed on the revenue of the companies concerned) of the business relations between these companies and the Group.

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 2014, 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

New internal rules for the Supervisory Board were implemented on 29 July 2014, to reflect changes in the AFEP-MEDEF Code. It is available in full on the Group's website.

It defines the work of the Supervisory Board as follows:

The Supervisory Board appoints members of the Managing Board and can remove them from office. It determines their compensation packages. The Supervisory Board also sets the amount of compensation for its Chairman and Vice-Chairman or Vice-Chairmen and determines the procedures for allocating attendance fees among its members. In accordance with the AFEP-MEDEF Code, when allocating the attendance fees, the Supervisory Board considers, in line with its procedures, the actual attendance of members at the meetings of the Board.

In accordance with the law, the Supervisory Board acts as the oversight body of the Company, which is administered and managed by the Managing Board.

Therefore, the role of the Supervisory Board is:

- to permanently monitor the management of the Company by the Managing Board, making the checks it deems necessary;
- to perform periodic checks on the 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 share option or bonus share allocation plans,
  k) buy back shares under a programme authorised by the Annual 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).

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.

## STOCK MARKET CODE OF ETHICS

The Stock Market Code of Ethics was updated by the Supervisory Board in July 2014 to take into account certain recent changes to the regulations and the AFEP-MEDEF Code. It aims to define the preventive measures authorising members of the Supervisory Board, Managing Board and/or Advisors to the Supervisory Board to intervene on Peugeot S.A. and/or Faurecia securities, in line with market integrity rules (reminder of confidentiality obligations and the obligation to refrain from such activity in the event of access to insider information and the applicable penalties, reporting obligations, blackout periods, inclusion on the insiders' trading list, etc.). The new 2014 version 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. An identical Stock Market Code of Ethics applies to members of the Executive Committee.

## INTERNAL RULES

The Supervisory Board's Internal Rules set out the following:

- 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.

The 2014 update to the Internal Rules introduced new rules in terms of:

- minimum shareholding (1,000 shares), except for French government representatives, the employee representative and the employee shareholder representative, in accordance with the special legislative provisions applicable to them;
- management of 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 an item on its agenda once a year to a debate on its operating procedures and reports back on these evaluations in the minutes of the relevant meeting.*

*At least once every three years, a formal evaluation takes place. It is performed by the Appointments, Remuneration 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."*

The annual assessment of the performance of the Supervisory Board and its Committees was carried out in February 2013 by an external firm (Spencer Stuart). Given the change in membership of the Supervisory Board which took place in April 2014, no Board assessment took place in 2014. An external evaluation is scheduled for the second half of 2015.

### 3.2.1.2.2. SUPERVISORY BOARD MEETINGS IN 2014

The Supervisory Board met ten times in 2014, compared with twelve times in 2013. The attendance rate of its members at the meetings was 95%.

| Member | Attendance rate |
|---|---|
| Louis Gallois | 100% |
| Marie-Hélène Peugeot Roncoroni | 100% |
| Xu Ping | 100% |
| Bruno Bézard | 60% |
| Patricia Barbizet | 100% |
| Pamela Knapp | 90% |
| Jean-François Kondratiuk | 100% |
| Robert Peugeot | 100% |
| Henri Philippe Reichstul | 100% |
| Dominique Reiniche | 80% |
| Geoffroy Roux de Bézieux | 100% |
| Anne Valleron | 100% |
| Liu Weidong | 100% |
| Florence Verzelen | 100% |
| Frédéric Banzet (Advisor to the Supervisory Board) | 75% |

2014 was heavily affected by major transactions announced in February 2014 (capital increases of €3 billion, strategic partnerships with Dongfeng, partnership between Banque PSA Finance and Santander) and the “Back in the Race” plan to accelerate the Group’s recovery.

The Supervisory Board also ruled on:

- adopting the new regulations for the supplementary pension plan for directors;
- potential successors as Chairman of the Managing Board;
- presentation of the consolidated financial statements and the parent company financial statements of Peugeot S.A. for 2013 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; authorisation for a bond issue under the Euro Medium Term Notes (EMTN) programme;
- the preparation of the Annual Shareholders’ Meeting of 25 April 2014 and the approval of the Report of the Supervisory Board to the Annual Shareholders’ Meeting;
- publication of the quarterly revenues;
- the implementation of the new composition of the Supervisory Board, the amount of attendance fees (with the introduction in 2014 of a variable component in line with attendance at Board meetings) and compensation of the Chairman and Vice-Chairmen of the Supervisory Board and the authorisation for a capital increase reserved for employees;
- the results and financial statements from the first half of 2014, the half year financial report and related disclosure (hearing of the Statutory Auditors), the appointment of a Vice-Chairman and an Advisor to the Supervisory Board, a new distribution of tasks within the Managing Board;
- negotiations with the Mahindra & Mahindra (M&M) Group as part of a strategic partnership with Peugeot Motocycles (PMTC) and transactions resulting in M&M holding 51% of the PMTC capital;
- the 2015 budget, the medium-term plan, the optimisation of tertiary operations in the Paris region, the renewal of the annual authorisation to give sureties, endorsements and guarantees and the regulated agreements in effect during the year.

A strategic seminar was also held in September 2014.

Following the recommendations of the AMF, the Supervisory Board will examine in the first six months of 2015 the Group’s social and environmental responsibility policy.

### 3.2.1.2.3. SUPERVISORY BOARD COMMITTEES

The Supervisory Board draws on the preparatory work performed by its four Committees:

- the Finance and Audit Committee;
- the Strategy Committee;
- the Appointments, Remuneration and Governance 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.

As part of the implementation of a new governance structure in April 2014, the membership of the committees was changed on the advice of the Appointments, Remuneration and Governance Committee. The Asia Business Development Committee was set up. New internal regulations for the committees were adopted by the Supervisory Board.

The membership of the committees at 17 February 2015 was as follows:

| COMMITTEE | Chairman | Members | Independent according to the AFEP-MEDEF Code | Number of independent members and percentage according to the AFEP-MEDEF Code |
|---|---|---|---|---|
| **Strategy committee (6 members)** | Robert PEUGEOT | | | 2 independent members out of 5*, 40% |
| | | Bruno BÉZARD | | |
| | | Louis GALLOIS | √ | |
| | | Jean-François KONDRATIUK | | |
| | | Henri Philippe REICHSTUL | √ | |
| | | Xu PING | | |
| **Appointments, Remuneration and Governance Committee (8 members)** | Geoffroy ROUX de BÉZIEUX | | √ | 4 independent members out of 7*, 57% |
| | | Bruno BÉZARD | | |
| | | Louis GALLOIS | √ | |
| | | Pamela KNAPP | √ | |
| | | Marie-Hélène PEUGEOT RONCORONI | | |
| | | Dominique REINICHE | √ | |
| | | Anne VALLERON | | |
| | | Xu PING | | |
| **Finance and Audit Committee (8 members)** | Patricia BARBIZET | | √ | 4 independent members out of 7*, 57% |
| | | Pamela KNAPP | √ | |
| | | Liu WEIDONG | | |
| | | Robert PEUGEOT | | |
| | | Dominique REINICHE | √ | |
| | | Geoffroy ROUX de BÉZIEUX | √ | |
| | | Anne VALLERON | | |
| | | Florence VERZELEN | | |
| **Asia Business Development Committee (6 members)** | Liu WEIDONG | | | 2 independent members out of 5*, 40% |
| | | Patricia BARBIZET | √ | |
| | | Jean-François KONDRATIUK | | |
| | | Marie-Hélène PEUGEOT RONCORONI | | |
| | | Henri Philippe REICHSTUL | √ | |
| | | Florence VERZELEN | | |

* *The member representing employees and the member representing employee shareholders both sit on two committees; the first on the Strategy Committee and the Asia Business Development Committee, and the second on the Finance and Audit Committee and the Appointments, Remuneration and Governance Committee. They are not counted when determining the independence percentages according to the AFEP-MEDEF Code.*

For a discussion of the independence of Board members, see section 3.2.1.1.2 p. 125.

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.

### 3.2.1.2.3.1. THE STRATEGY COMMITTEE

#### ROLE

The role of the Strategy Committee is to look at the long-term future and potential avenues for growth, and suggest to the Supervisory Board the Group's general orientations. In this respect, it makes recommendations on the long-term strategic plans, the medium-term plan and the investment plan presented by the Managing Board. The Strategy Committee ensures that the strategy proposed and applied by the Managing Board fits with the long-term vision which the Supervisory Board has defined.

The Chairman of the Supervisory Board calls upon the Supervisory Board to examine any major project from an early stage. Therefore, it is kept informed of the projects' content, especially their business approach and development. In particular, it examines the product plans, capital expenditure policies, brand positioning strategy and the manufacturing and competitiveness strategy priorities.

The Strategy Committee meets when a project has to be authorised by the Supervisory Board, when the Managing Board wants to adopt or renege on any industrial or business agreement binding the Company's future with any other companies with a purpose similar or related to that of the Company and, more generally, perform all major operations which substantially change the scope of the business or the financial structure of the Company and the Group it controls, or which fall outside the strategy announced by the Group.

**ACTIVITY IN 2014**

The Strategy Committee met twice in 2014 with an attendance rate of 91%.

The Strategy Committee took note of the medium-term plan for 2015-2019 and the various assumptions used and formulated specific points for attention on these. It indicated that it would like to receive specific information on several matters and strategic areas. It examined the strategic partnership project with M&M concerning PMTC.

### 3.2.1.2.3.2 THE APPOINTMENTS, REMUNERATION AND GOVERNANCE COMMITTEE

**ROLE**

The powers of the Appointments, Remuneration and Governance Committee are as follows:

Appointments:

- Determining the criteria for selecting members of the Supervisory Board and the Managing Board, making proposals on the Independent Reference Member.

  For members of the Supervisory Board, the selection criteria relate mainly to the sought-after balanced membership of the Supervisory Board as regards the membership and the development of the Company's shareholder base and the distribution of men and women on the Board;
- Selection procedure for members of the Supervisory Board and Managing Board.

  The Committee organises a procedure for selecting future members and vetting out potential candidates before they are approached;
- Making appointment or renewal proposals;
- Monitoring succession plans for members of the Managing Board;

  The Committee formulates a succession plan for members of the Managing Board so that it can suggest to the Board succession solutions in the event of unforeseen departures.

  The Committee is also notified of the succession plan and appointments to the Executive Committee (for members who do not sit on the Managing Board) and for key director positions within the Group. On this occasion, the Committee appoints the Chairman of the Managing Board.

Governance:

The Committee monitors changes in French regulations on the governance of listed companies and ensures that any decisions to be taken comply with these regulations are brought before the Supervisory Board.

It takes into consideration all market recommendations and those of issuer representatives to submit opinions or make recommendations to the Supervisory Board in terms of governance.

It ensures regular evaluations by the Supervisory Board of its practices according to the procedures defined in the Supervisory Board's internal regulations.

After this evaluation, it suggests to the Board the improvements which it deems suitable.

It examines and gives its opinion to the Supervisory Board on any proposal to amend the Company's by-laws which require the advance permission of the Board.

Compensation:

The Committee proposes the compensation:

- for members of the Supervisory Board (Board and Committees);
- the Chairman of the Supervisory Board;
- the Chairman of the Managing Board and members of the Managing Board in all their components, as well as any benefits in kind and retirement plans which may be allocated to them.

The Board examines the general policy for allocating share purchase and subscription options, free shares and comparable benefits and makes proposals to the Supervisory Board both on this policy and on the allocations to corporate officers of share purchase or subscription options, free share allocations and comparable benefits.

To successfully fulfil this role, the Committee stays informed of the current and future market compensation practices, and the modes and levels of compensation of the Group's Executive Directors, excluding corporate officers, and the policy selected by the Managing Board to update this compensation.

**ACTIVITY IN 2014**

The Appointments, Remuneration and Governance Committee met ten times in 2014 and had an attendance rate of 91%.

During 2014, the Committee worked extensively on developing the Supervisory Board (new governance and employee representatives as a result of the job security law).

It issued recommendations on the succession procedure of the Chairman of the Managing Board, the implementation of the new supplementary retirement plan for directors and the setting of the fixed and variable compensation components for members of the Managing Board and the compensation for Supervisory Board members (introduction of a variable component to the attendance fees paid to Board members).

It examined the situation of each Board member as regards the independence criteria chosen by the AFEP-MEDEF Code.

It looked into draft resolutions at the Annual Shareholders' Meeting in its area of competence and was involved in preparing a chapter of the Registration Document on the compensation of corporate officers. Its work also involved the implementation of any long term discretionary profit-sharing plans for directors.

Finally, it took formal note of the new organisation of the Group's Executive Management and the new distribution of tasks on the Managing Board with a view to their implementation on 1 September and the Group's talent management policy.

### 3.2.1.2.3.3. THE FINANCE AND AUDIT COMMITTEE

**MEMBER EXPERTISE**

In accordance with the French Commercial Code and the AFEP-MEDEF Code, members of this 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. In April 2014, Patricia Barbizet was made Chairman of this Committee, and she has the required qualities, particularly as regards her role as Chief Executive Officer of the Artémis Group, CEO of Christie's International Plc, director of a CAC 40 company and corporate officer of major French and foreign companies.

**ROLE**

In accordance with Article L. 823-19 of the French Commercial Code, the Finance and Audit Committee monitors:

- preparation of financial information;
- the efficiency of internal control and risk management systems;
- statutory auditing of the Company's annual financial statements and the Group's consolidated financial statements by the Statutory Auditors;
- the independence of the Statutory Auditors.

It is, in particular, responsible for overseeing the selection procedure for renewing the Statutory Auditors.

Further, it examines and gives 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.

The Finance and Audit Committee must have sufficient time to examine the Group's consolidated annual and half yearly financial statements, as well as the yearly financial statements of the Company. This period 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. The Committee periodically examines the Group's financial position and financing.

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.

**ACTIVITY IN 2014**

The Finance and Audit Committee met nine times in 2014, with a 95% attendance rate.

The year began with the examination of major projected operations announced in February 2014 and the procedures for the "Back in the Race" plan, which the Committee then monitored.

Before the 2013 consolidated, company and half yearly financial statements were examined, the Chief Financial Officer presented the conclusions of the Statutory Auditors' work and discussed the selected accounting options with them.

The Committee regularly monitored the development of the Group's financial position and the financial rating of the Group's companies, which are reviewed every six months; the medium-term plan and the use of the yearly budget is reviewed quarterly and any differences analysed.

It looked into the Group's various financial communication methods, draft resolutions to the Annual 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.

During the year, it also took note of a report on the activity of the Audit and Risk Management Department and the corrective measures to be taken, and at the end of the year, it took note of the "Top Group risks" (as defined in paragraph 3.2.2.4.1 below) and the 2015 Audit plan.

It was also kept informed and gave its opinion on the progress of the partnership project between Banque PSA Finance and Santander and the negotiations with the Mahindra & Mahindra Group for a strategic partnership with Peugeot Motocycles.

### 3.2.1.2.3.4. THE ASIA BUSINESS DEVELOPMENT COMMITTEE

**ROLE**

The role of the Asia Business Development Committee is to consider 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. Therefore, the Committee makes 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.

The Committee ensures 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. It also monitors the implementation of the strategic and industrial partnership agreement between the PSA Peugeot-Citroën Group and the Dongfeng Group.

The Chairman of the Supervisory Board refers all major projects concerning the Asian market to the Committee from the outset. It stays informed of the projects' content, especially their business approach and their development.

The Committee meets when a project concerning the Asian market requires the advance authorisation of the Supervisory Board.

**ACTIVITY IN 2014**

In 2014, the Asia Business Development Committee met once and had an attendance rate of 100%. At this first meeting the operating procedures and expectations of the Committee were reviewed, and the medium-term plan for the ASEAN region and the growth strategy for this market was examined. The results of the Chinese joint ventures were also reviewed.

### 3.2.1.3. SUMMARY TABLE OF THE RECOMMENDATIONS OF THE AFEP-MEDEF CODE WHICH HAVE NOT BEEN APPLIED

The table below summarizes the recommendations of the AFEP-MEDEF Code which the Company has decided not to apply in light of its particular situation:

| Relevant recommendation | Explanation |
|---|---|
| Meeting of non-Executive Directors without the presence of Executive or Internal Directors to evaluate the Chairman's performance and reflect on future management (art. 10.4) | The implementation of this recommendation for a dual company requires some adjustments: on the one hand, a meeting of independent members of the Supervisory Board is held at least once a year, and on the other hand, the performance of the Chairman of the Managing Board is evaluated and the management future reflected upon at a Supervisory Board meeting at which Managing Board members are not present. |
| Term of office of Supervisory Board members (art. 14) | The term of office of Supervisory Board members is four years. The Annual Shareholders' Meeting of 25 April 2012 amended the articles of association, shortening the terms of office from 6 to 4 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) | More than half (57%) 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. |
| Opinion of Supervisory Board sought before an office is accepted in another listed company (for Managing Board members) (art. 19) | Pursuant to the internal rules, the members of the Supervisory Board must now notify the Company whenever any terms of office in other companies begin or end. When the Internal Rules are modified in future, it will be suggested that the Supervisory Board issues an opinion before any members of the Managing Board accepts a new term of office in a listed company. |
| Controlling variable part of attendance fees (art. 21.1) | A variable component was introduced to attendance fees in the second half of 2014 to acknowledge the diligence of members at Board meetings. It represents a maximum of 50% of the attendance fees allocated (for further details, refer to section 3.4. of the Registration Document). As this is a new system, the Board may alter the variable component in future, if it deems this necessary. |
| Obligation for members of the Managing Board to hold a significant number of shares (art. 23.2.1) | The Supervisory Board has considered implementing this recommendation but decided against doing so for the time being; as members of the Managing Board have not benefited from option or share allocation plans since 2008 (a share allocation process was only reintroduced in 2015). While the performance shares are available, the Board now requires members of the Managing Board to acquire 5% of shares on the market and keep 50% of the shares received. A requirement to keep a significant number of shares depending on their base compensation will be implemented for future allocation plans. |

### 3.2.1.4. SUPERVISORY BOARD AND MANAGING BOARD COMPENSATION

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 PSA PEUGEOT CITROËN GROUP

To prevent and limit the effect of internal and external risks, PSA Peugeot Citroën has implemented risk management and internal control systems to ensure:

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

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.

### 3.2.2.2. REFERENCE FRAMEWORK USED BY PSA PEUGEOT CITROËN

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)'s 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. In this respect, specific developments are accorded to the Company, as set out below.

### 3.2.2.3. INTERNAL CONTROL PRINCIPLES

The Group internal control system was designed with the following goals in mind:

- 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;
- comply with rules and regulations, set an example in terms of behaviour and ethics;
- to have each division manage all the risks inherent in its business through internal control processes geared to its specific challenges;
- identify and deal with 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.

### 3.2.2.4. PARTICIPANTS AND PROCESSES

#### 3.2.2.4.1. AT GROUP LEVEL AND IN THE AUTOMOTIVE DIVISION

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 with the highest impact and the most critical (impact x probability) are reported by every department each half year in a "Top Departmental Risks" report. This is sent to the General Secretary *via* its Audit and Risk Management Department.

In addition, the Audit and Risk Management Department identifies the Group's main crossover risks, once a year, at interviews conducted with a representative range of the Group's senior executives 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 was updated and expanded in 2010, and 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 Counsel 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.

The fraud-prevention system was enhanced in 2012 and made the responsibility of the Group Ethics Committee. The Committee delegates its management, investigations, incident follow-up and reporting to the Group's Security Department.

The Security Department, which reports to the General Counsel, 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 corporate 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 Senior 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 costings and price provision, selling price control, checking project profitability, financial monitoring of industrial cooperation with other carmakers, negotiations for mergers, acquisitions and disposals, etc., and drawing up formal management rules and standards.

**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 Senior 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 107 audits were carried out in 2014 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 Corporate 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. 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).

### 3.2.2.4.3. FAURECIA

The Faurecia Group's internal control system is based on a set of resources, behaviours, procedures and actions tailored both to the specific features of each company and to the Faurecia Group as a whole. The system:

- contributes to controlling its activities, the effectiveness of its operations and the efficient use of its resources; and
- enables Faurecia to deal effectively with significant operational, financial or compliance risks.

The Faurecia Group's internal control aims to ensure:

- compliance with laws and regulations;
- application of the instructions and strategic guidelines issued by Senior Management and/or the Board of Directors;
- efficient internal processes, particularly those that help to safeguard the Company's assets;
- reliable financial reporting;
- prevention of fraud.

The Faurecia Group follows the AMF's Reference Framework and application guide as updated on 22 July 2010. The Group's internal controls are implemented based on its operational organisation as well as its legal structure. It concerns all of the Group's fully consolidated subsidiaries.

Internal control is implemented by the management bodies and by all the employees of the Faurecia Group, who comply strictly with the Group's procedures in the course of their day-to-day tasks.

The internal bodies that are stakeholders in the internal control system include in particular:

- The Board of Directors, which sets broad guidelines for the business and determines the Group strategy. It also supervises their development;
- The Audit Committee, for which the responsibilities are defined by the Board of Directors, which plays a key role in monitoring (i) the process of preparing the financial information, (ii) the effectiveness of the internal control and risk management systems, and (iii) the statutory audit of the annual consolidated and parent company financial statements by the Statutory Auditors;
- the Internal Control Department and network at Group level and the financial department of certain regions, which aims to improve governance, procedures, processes and IT tools and train managers in internal control concepts and procedures;
- the Internal Audit Department, which evaluates, using a systematic and methodical approach, risk management, internal control and corporate governance processes, ensures that the Group's policies are consistent with legislation and market recommendations and constantly ensures that procedures are adhered to *via* test and checking work. If there are shortcomings, it ensures that corrective action plans are properly implemented and assesses the effectiveness of the internal control. Its work is approved and directed by the Chairman and reviewed by the Audit Committee. It may, where necessary, audit any Group process anywhere in the world. It conducts its audits entirely independently and supports its findings with detailed and quantified evidence that has been fully verified. All its work is open to the Executive Management and it reports regularly on the progress of the audits and on compliance with its objectives. Internal Audit follows up its recommendations to the audited sites with (i) an analysis by questionnaire three, six and twelve months after the final report, (ii) a follow-up by the Operations Committee, (iii) a subsequent on-site audit, if this is considered necessary. Every six months, it presents

the planned audit agenda, the completed reports, and the objectives achieved to the Group's Executive Vice-President, Finance and at least once a year to the Audit Committee.

It reports at least annually to the Audit Committee. Programmes are subject to specific internal control procedures, and are bounded by control procedures and systems throughout their life cycle. The Programme Management System (PMS) closely defines the programme's successive stages. Each programme is marked by milestones, from managing the invitation to tender until the end of the product's life. As part of the control system, programmes are reviewed by the businesses concerned every month. The reviews are formally recorded and must comprise a certain number of documents. The purpose of this process is to identify on an on-going basis both the risks in the programme and the necessary action plans, and to implement those plans.

Quality risks are managed separately. They are assessed using clearly defined indicators, *via* monthly reports that generate improvement plans. Actions to prevent major risks are applied across business boundaries, at all levels in the organisation. There is also an Alert Management System (AMS) which relays problems to management as they arise. This system ensures both that the response will be rapid and organised so that the problem is resolved, and that the Company can capitalise on the solution. Lastly, the Group's Quality Department has a team of auditors independent of operational units to carry out audits at both the production sites and in the research and development centres.

As regards the accounting and financial information, the internal control procedures necessary to produce reliable information are implemented locally. They include physical inventories, a separation of tasks and reconciliations with independent information sources.

At all Group levels, the principles implemented to prepare the financial statements are:

- the processing of all transactions;
- the compliance of the transactions with the applicable accounting principles;
- periodic review of assets.

Good communication between the financial reporting and the Group's operational systems is the bedrock for producing the financial and accounting information. Since 2008, Faurecia has been implementing Group ERP based on the SAP software, which has now been rolled out on most of the Group's accounting platforms and is gradually being rolled out at the Group's various manufacturing sites.

Preparing complete monthly financial statements significantly reduces the risks when establishing half-yearly or annual financial statements, notably as regards deadlines. This allows any problems to be anticipated, the reciprocal accounts are reconciled every month, special transactions are processed without waiting for year end, justifying the tax calculation has become a regular exercise.

## 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 Peugeot Citroën Group.

### 3.2.2.5.1. ACCOUNTING AND FINANCIAL ORGANISATION

The Finance Department uses a technical and organisational framework called "Nordic" 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 (IFRSs) 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 Peugeot Citroën 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. It also prepares the parent company and restated accounts for Peugeot S.A. It 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 income statement, 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 income statement, balance sheet and cash flow statement items is communicated each month to Senior 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 Magnitude system, which has been set up at all consolidated subsidiaries to guarantee data security and traceability.

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

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. 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 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 31 December 2014.

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 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 20, 2015

The Statutory Auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Marc Stoessel |

# 3.4. MANAGEMENT COMPENSATION

This chapter was drawn up with the support of the Appointments, Remuneration and Governance Committee.

The compensation paid to members of the Managing Board and Supervisory Board is determined by the Supervisory Board on the proposal of the Appointments, Remuneration and Governance Committee. In its analysis and proposals to the Board, the Committee takes care to adhere to the recommendations of the AFEP-MEDEF Code according to its version of June 2013.

## 3.4.1. MANAGING BOARD COMPENSATION

The compensation policy is decided upon by the Supervisory Board on the proposal of the Appointments, Remuneration and Governance Committee. It takes into account principles of completeness, balance, consistency, readability and measurement.

All compensation components of each member of the Managing Board are reviewed each year to assess the overall compensation of each one (fixed compensation, variable compensation, allocation of performance shares, supplementary pension plan, company car).

### COMPENSATION POLICY

Up to 31 December 2014, the compensation components of the members of the Managing Board were made up of:

- an annual fixed part;
- an annual variable part;
- supplementary pension plan.

2014 compensation is shown in table 2 below.

### 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.

In 2014, the annual fixed compensation paid to the Chairman of the Managing Board was €1,300,000. The other members of the Managing Board were paid €618,000. Grégoire Olivier, a Managing Board member based in China, also received a distance allowance corresponding in 2014 to half of his base salary on an annualised basis.

### 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.

#### CHAIRMAN OF THE MANAGING BOARD

The Chairman of the Managing Board is entitled to an annual variable compensation representing up to 150% of his annual base salary.

#### OTHER MEMBERS OF THE MANAGING BOARD

Other members of the Managing Board are entitled to an annual variable compensation representing up to 110% of their annual base salary.

#### PRECISE, PRE-ESTABLISHED, AMBITIOUS OBJECTIVES

On the proposal of the Appointments, Remuneration and Governance Committee, the Supervisory Board determines at the beginning of the year the specific, ambitious qualitative and quantitative objectives for the year.

Targets for the Managing Board as a whole and individual objectives are assigned to them.

### 2014 TARGETS

As for all Group employees benefiting from bonus payments, it was decided to implement a trigger condition and a gradient ratio depending on the free operating cash flow. Therefore, if the free operating cash flow in 2014 for the manufacturing and commercial companies (excluding restructuring plans and non-recurring items) is:

- below 0, no bonus is paid;
- €0 to €400 million, only the individual targets are paid at 50% and collective targets are not paid;
- over €400 million, targets are normally paid to the extent they are met.

#### CHAIRMAN OF THE MANAGING BOARD

On a target of 150% of salary:

- 80% of the target bonuses (*i.e.* 120% of the base salary) of the Chairman of the Managing Board corresponded to the overall Group target being achieved concerning the operating free cash flow of the manufacturing and commercial companies (excluding restructuring plans and non-recurring items).
- 20% of his target bonus (*i.e.* 30% of the salary) was represented by an annual and individual performance target according to a qualitative evaluation by the Supervisory Board of his performance of his role in 2014, assessed according to managerial success and shareholder relations criteria.

### OTHER MEMBERS OF THE MANAGING BOARD

On a target of 110% of salary:

- The overall Group targets represented 75% of the target bonus (*i.e.* 82.5% of the salary) of the other members of the Managing Board and were made up of:
  - the Group's level of recurring operating income (excluding Faurecia) (representing 70% of collective Group targets);
  - the safety level of personnel (representing 10%);
  - the level of service quality and average Group vehicle failure rate (representing 20%).

  The required achievement levels were determined precisely, in relation to the corresponding budget items.
- The annual individual performance targets represented 25% of the target bonus (*i.e.* 27.5% of the salary) of the other Managing Board members. There were one or two individual targets, in relation with the respective executive roles of the other members of the Managing Board, which included quantitative targets, such as free operating cash flow and management of capital expenditure.

The figures are not made public for confidentiality reasons.

## TARGET ATTAINMENT IN 2014

The variable compensation of the past financial year was set by the Supervisory Board meeting of 17 February 2015 in line with the degree of attainment of the targets that had been set.

Given the level of 2014 operating free cash flow in the manufacturing and sales companies, and that Carlos Tavares, Chairman of the Managing Board, achieved all of his objectives and the other members of the Managing Board achieved 9/10ths of theirs, the Supervisory Board has set Mr Tavares' variable compensation for 2014 at €1,615,919 (gross) and that of every other member of the Managing Board – Jean-Baptiste de Chatillon, Grégoire Olivier and Jean-Christophe Quémard – at €621,473 (gross).

## DEFINED BENEFIT PENSION PLAN

At the end of the work by the Appointments, Remuneration and Governance Committee, a new rule approved by the Supervisory Board was applied to the defined benefit pension plan, applicable to members of the Managing Board and to employees who are not corporate officers. The change took effect on 1 January 2014. It fully replaces the previous rules.

Under the new rule, members of the Managing Board and the other beneficiaries (employees who are not corporate officers), benefit from a collective, random and additive plan.

To benefit from the plan, employees must have been a plan beneficiary for at least eight years (five years if they immediately precede retirement) and be present at the time of retirement. The pensions paid are limited to 30% of the reference compensation equal to the average of the last three years' salary and the last eight years of bonuses.

The additional pension amount is calculated as follows:

- 3.5% of the reference compensation per year in the plan, this percentage being reduced to 2.5% for each year the performance conditions linked to the Group's results are not met;
- 1% per year at the Group during which the person did not benefit from the plan;
- capped at 30% of the reference compensation.

Called upon by the Appointments, Remuneration and Governance Committee before implementation of the new plan, the AFEP-MEDEF High Committee of Corporate Governance considered, in an opinion of 16 December 2013, that this plan complied with the AFEP-MEDEF Code recommendations revised in June 2013.

Table 10 below shows the commitments made in respect of each member of the Managing Board, under this supplementary pension plan. Total compensation for the members of the Managing Board was determined by taking into consideration the benefit that this supplementary pension scheme represents.

## OTHER BENEFITS

The only benefits in kind provided to Managing Board members are a company car and medical insurance.

No other commitments have been given to past or present Managing Board members concerning any other benefits to be paid when they cease to be a member.

Details of the different types of compensation, commitments and benefits granted to Managing Board members in respect of their office in 2014 are presented in tables 1, 2 and 10 below.

## STOCK OPTIONS/PERFORMANCE SHARE GRANTS

From 2008 to 2014, the members of the Managing Board were not allocated any options or performance shares.

The Managing Board members who benefited from stock option allocation plans in 2007 and 2008 were subject to lock-up rules[1] and were prohibited from using hedging instruments.

Details of stock option plans in effect at 31 December 2014 are presented in Note 11 to the Peugeot S.A. Financial Statements in Section 6 of this Registration Document. Table 5 below shows that no options were exercised by corporate officers during 2014.

## EMPLOYMENT CONTRACT

No member of the Managing Board has a salaried position within the Group; the employment contracts of Jean-Baptiste de Chatillon, Grégoire Olivier and Jean-Christophe Quémard have been suspended. This suspension was justified by their considerable length of service as employees. Mr Carlos Tavares does not hold an employment contract.

(1) *Obligation to keep in registered form and until the end of their term of office, as many shares from the exercise of awarded stock options as will equal in value to 15% of the theoretical gross realisable capital gain on them.*

## CHANGES IN THE COMPENSATION POLICY IN 2015

In 2015, the compensation structure changed to encourage 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 is made up of three parts:

- an annual fixed part;
- an annual variable part;
- a long-term compensation plan (performance shares).

The benchmark studies of comparable companies listed on the CAC 40 were prepared by two independent companies concerning the fixed compensation, variable compensation and long-term performance plan.

The annual fixed compensation and the annual variable compensation (150% of its fixed compensation for the Chairman of the Managing Board and 110% for that of the other Managing Board members) have remained the same for the fifth consecutive year.

The location allowance received by Grégoire Olivier, a member of the Managing Board who is based in China, will be scaled back to a 35% bonus on fixed compensation as of 2015 and then to 10.5% as of 2018.

As in 2014, variable annual compensation is based on the degree to which pre-defined targets are met.

For 2015, the collective Group targets represent 80% of the variable part of the target for the Chairman of the Managing Board and the other members of the Managing Board and concern the Group's cumulative free operational cash flow and PSA's recurring operating income (respectively 40% each). The annual and individual performance targets represent 20% of their target bonus linked to the targets and mainly relate to the frequency rate of lost-time incidents, the average Group vehicle failure rate, the recurring operating income of some regions or functions of one of the members of the Managing Board.

As with all employees eligible for a bonus, a double trigger threshold will be applied according to the Group's operational free cash flow and the recurring operating income for the Automotive Division.

To encourage their involvement over the long term, the Supervisory Board decided on 17 February 2015 to allocate performance shares to members of the Managing Board, as part of an overall plan encompassing several hundreds of senior managers and executives, in accordance with the authorisations of the Annual Shareholders' Meeting on 24 April 2013.

The Chairman of the Managing Board was allocated 130,000 performance shares, and the other members of the Managing Board were allocated 65,000 performance shares.

The shares have a two-year vesting period. Once the shares have been allocated, they must be kept by the members of the Managing Board for two years from the date of their allocation.

Acquisition of the shares is subject to performance conditions in terms of free cumulative operational cash flow of the manufacturing and sales companies 2014-2016, the net financial position of the manufacturing and sales companies in 2016 and the recurring operating income for the Automotive Division in 2016. The system is additive (33% for FCF + 33% for debt + 33% for automotive ROC).

This allocation brings with it:

- an obligation for members of the Managing Board 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) at the end of the vesting period;
- an obligation for members of the Managing Board 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) at the end of the vesting period, and
- a commitment by members of the Managing Board to not 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.

Under the protocol concluded with the French State in relation to the support granted to Banque PSA Finance in the form of a bond issue guarantee, the allocation of bonuses and the vesting of shares by members of the Managing Board requires the prior agreement of the State in the event that Banque PSA Finance does not attain certain solvency and liquidity ratios[1].

## CONSULTATION OF SHAREHOLDERS ON THE COMPENSATION OF EXECUTIVE DIRECTORS

Information regarding compensation packages for Managing Board members, which will be submitted to advisory vote during the Shareholders' Meeting of 29 April 2015 pursuant to the recommendations of the AFEP-MEDEF Corporate Governance Code applicable to listed companies (paragraph 24.3), is presented in section 8.1.

*(1) Ratios presented in section 5.6 of the Registration Document (Note 13.5.A to the Consolidated Financial Statements p. 240)*

## 3.4.2. COMPENSATION OF MEMBERS OF THE SUPERVISORY BOARD

Supervisory Board members and the Advisor are paid annual attendance fees of an overall amount determined in advance by the Annual Shareholders' Meeting. Pursuant to the decision of Peugeot S.A.'s Annual Shareholders' Meeting of 31 May 2011, this amount has been set at €1,000,000 until further notice.

On the proposal of the Appointments, Remuneration and Governance Committee, the Supervisory Board meeting of 29 April 2014 introduced a variable part in the allocation of attendance fees, in line with member attendance:

- a fixed part of €20,000 per year;
- a bonus of €4,000 each time they attend a Board meeting (including by audio-conference or video conference), this variable part being limited to €20,000 per year.

It decided not to make any changes to the compensation arrangements for members of the Board Committees: €15,000 per year for sitting on a committee, rising to €30,000 per year for the Chair of the Finance and Audit Committee and €20,000 per year for the Chairs of the other Committees.

A variable element in the compensation paid to Advisors to the Supervisory Board was also introduced in 2014: the fraction of attendance fees which will be allocated to them will henceforth be made up of a fixed payment of €10,000 per year with a variable part of €2,000 each time they attend a Board meeting (including by audio-conference or video-conference), this variable part being limited to a maximum of €10,000 per year.

These new principles for allocating attendance fees entered into force in the second half of 2014; the compensation to be paid to members of the Board for the first half of 2014 having been calculated according to the applicable rules up to then, on a *prorata* basis.

The compensation paid to the Chairman of the Supervisory Board was reduced from €425,000 to €300,000 gross per year (in addition to attendance fees). The compensation of the Vice-Chairmen of the Supervisory Board was kept at €40,000 gross per year (in addition to attendance fees).

In 2014, Louis Gallois waived his compensation as Chairman of the Supervisory Board and the attendance fees due to him, as he did in 2013. Anne Valleron (employee shareholder representative) also waived her attendance fees, as she did in 2013.

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. Details of the different types of compensation granted to Supervisory Board members in respect of 2014 are presented in table 3 below.

## 3.4.3. COMPENSATION AND BENEFITS

### TABLE 1: COMPENSATION, OPTIONS AND PERFORMANCE SHARES ALLOCATED TO EACH EXECUTIVE DIRECTOR

| **Carlos TAVARES**<br>**Chairman of the Managing Board as of 31 March 2014**<br>**Member of the Managing Board from 1 January to 30 March 2014.** | **2013** | **2014** |
|---|---|---|
| Compensation due for the year as member of the Managing Board (01/01/2014-30/03/2014) (detailed in Table 2) | | 308,812 |
| Compensation due for the year as Chairman of the Managing Board (31/03/2014 – 31/12/2014) | | 2,442,124 |
| (detailed in Table 2) | | |
| Value of options allocated during the financial year (details in Table 4) | | |
| Value of performance shares granted during the year (details in Table 6) | | |
| **TOTAL** | **0** | **2,750,936** |

| **Philippe VARIN**<br>**Chairman of the Managing Board until 30 March 2014** | **2013** | **2014 from 01/01/2014 to 30/03/2014** |
|---|---|---|
| Compensation due for the year (detailed in Table 2) | 1,302,904 | 323,998 |
| Value of options allocated during the financial year (details in Table 4) | | |
| Value of performance shares granted during the year (details in Table 6) | | |
| **TOTAL** | **1,302,904** | **323,998** |

| Jean-Baptiste CHASSELOUP de CHATILLON<br>Member of the Managing Board<br>Chief Financial Officer<br>Director of IT systems | 2013 | 2014 |
|---|---|---|
| Compensation due for the year (detailed in Table 2) | 620,904 | 1,243,096 |
| Value of options allocated during the financial year (details in Table 4) | | |
| Value of performance shares granted during the year (details in Table 6) | | |
| **TOTAL** | **620,904** | **1,243,096** |

| Grégoire OLIVIER<br>Member of the Managing Board<br>China and ASEAN Director | 2013 | 2014 |
|---|---|---|
| Compensation due for the year (detailed in Table 2) | 929,904 | 1,552,096 |
| Value of options allocated during the financial year (details in Table 4) | | |
| Value of performance shares granted during the year (details in Table 6) | | |
| **TOTAL** | **929,904** | **1,552,096** |

| Jean-Christophe QUÉMARD<br>Member of the Managing Board<br>Middle East and Africa Director | 2013 | 2014 |
|---|---|---|
| Compensation due for the year (detailed in Table 2) | 620,904 | 1,243,096 |
| Value of options allocated during the financial year (details in Table 4) | | |
| Value of performance shares granted during the year (details in Table 6) | | |
| **TOTAL** | **620,904** | **1,243,096** |

## TABLE 2: SUMMARY TABLE – COMPENSATION OF MEMBERS OF THE MANAGING BOARD

| Carlos TAVARES<br>Chairman of the Managing Board as of 31 March 2014<br>Member of the Managing Board from 1 January to 30 March 2014 | Payments for 2013 | | Payments for 2014 | |
|---|---|---|---|---|
| | Due | Paid in 2013 | Due | Paid in 2014 |
| Salary as member of the Managing Board (01/01/2014-30/03/2014) | | | 154,500 | 154,500 |
| Salary as Chairman of the Managing Board (31/03/2014-31/12/2014) | | | 976,894 | 976,894 |
| Variable compensation as member of the Managing Board (01/01/2014-31/03/2014) | | | 153,419 | |
| Variable compensation as Chairman of the Managing Board (31/03/2014-31/12/2014) | | | 1,462,500 | |
| Exceptional compensation | | | | |
| Company car | | | 2,880 | 2,880 |
| Medical insurance benefit | | | 743* | 743* |
| **TOTAL** | **0** | **0** | **2,750,936** | **1,135,017** |

* *Employer contributions included in gross compensation pursuant to law No. 2013-1278 of 20 December 2013.*

| Philippe VARIN<br>Chairman of the Managing Board until 30 March 2014 | Payments for 2013 | | Payments for 2014<br>from 01/01/2014 to 30/03/2014 | |
|---|---|---|---|---|
| | Due | Paid in 2013 | Due | Paid in 2014 |
| Salary | 1,300,000 | 1,300,000 | 323,106 | 323,106 |
| Variable compensation | | | | |
| Exceptional compensation | | | | |
| Company car | 2,904 | 2,904 | 720 | 720 |
| Medical insurance benefit | | | 173* | 173* |
| **TOTAL** | **1,302,904** | **1,302,904** | **323,998** | **323,998** |

* *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>Director of IT systems | Payments for 2013 | | Payments for 2014 | |
|---|---|---|---|---|
| | Due | Paid in 2013 | Due | Paid in 2014 |
| Salary | 618,000 | 618,000 | 618,000 | 618,000 |
| Variable compensation | | | 621,473 | |
| Miscellaneous compensation | | | | |
| Company car | 2,904 | 2,904 | 2,880 | 2,880 |
| Medical insurance benefit | | | 743* | 743* |
| **TOTAL** | **620,904** | **620,904** | **1,243,096** | **621,623** |

* *Employer contributions included in gross compensation pursuant to law No. 2013-1278 of 20 December 2013.*

| Grégoire OLIVIER<br>Member of the Managing Board<br>China and ASEAN Director | Payments for 2013 | | Payments for 2014 | |
|---|---|---|---|---|
| | Due | Paid in 2013 | Due | Paid in 2014 |
| Salary | 618,000 | 618,000 | 618,000 | 618,000 |
| Variable compensation | | | 621,473 | |
| Exceptional compensation | | | | |
| Distance allowance | 309,000 | 309,000 | 309,000 | 309,000 |
| Company car | 2,904 | 2,904 | 2,880 | 2,880 |
| Medical insurance benefit | | | 743* | 743* |
| **TOTAL** | **929,904** | **929,904** | **1,552,096** | **930,623** |

* *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 | Payments for 2013 | | Payments for 2014 | |
|---|---|---|---|---|
| | Due | Paid in 2013 | Due | Paid in 2014 |
| Salary | 618,000 | 618,000 | 618,000 | 618,000 |
| Variable compensation | | | 621,473 | |
| Miscellaneous compensation | | | | |
| Company car | 2,904 | 2,904 | 2,880 | 2,880 |
| Medical insurance benefit | | | 743* | 743* |
| **TOTAL** | **620,904** | **620,904** | **1,243,096** | **621,623** |

* *Employer contributions included in gross compensation pursuant to law No. 2013-1278 of 20 December 2013.*

Carlos Tavares and Jean-Baptiste Chasseloup de Chatillon did not receive attendance fees for their terms as directors of Faurecia.

## TABLE 3: ATTENDANCE FEES AND OTHER COMPENSATION PAID TO NON-EXECUTIVE DIRECTORS

| Non-Executive Corporate Directors | Amount paid in 2013 | Amount paid in 2014 – first half | Amount paid in 2014 – second half | Amount paid in 2014 |
|---|---|---|---|---|
| **Louis GALLOIS**<br>Member of the Supervisory Board<br>Chairman of the Supervisory Board since 29 April 2014 | | | | |
| Attendance fees, other compensation | 0* | 0* | 0* | 0* |
| **Thierry PEUGEOT****<br>Chairman of the Supervisory Board until 29 April 2014<br>Vice-Chairman and permanent representative of EPF on the Supervisory Board from 29 April to 3 July 2014 | | | | |
| Attendance fees | 40,000 | 20,000 | | 20,000 |
| Attendance fees for members of Board Committees | 32,500 | 10,000 | | 10,000 |
| Other compensation (as Chairman of the Supervisory Board) | 425,000 | 141,600 | | 141,600 |
| Other compensation (as Vice-Chairman of the Supervisory Board) | | 6,667 | | 6,667 |
| **Bruno BÉZARD**<br>Vice-Chairman and member of the Supervisory Board since 29 April 2014 | | | | |
| Attendance fees | | 6,667 | 18,000 | 24,667 |
| Attendance fees for members of Board Committees | | 5,000 | 15,000 | 20,000 |
| Other compensation (as Vice-Chairman of the Supervisory Board) | | 6,667 | 20,000 | 26,667 |
| **Marie-Hélène PEUGEOT RONCORONI**<br>Member of the Supervisory Board until 29 April 2014<br>Vice-Chairwoman and permanent representative of EPF on the Supervisory Board since July 2014 | | | | |
| Attendance fees | 40,000 | 13,333 | 20,000 | 33,333 |
| Attendance fees for members of Board Committees | 15,000 | 5,000 | 15,000 | 20,000 |
| Other compensation (as Vice-Chairwoman of the Supervisory Board) | | | 20,000 | 20,000 |
| **XU Ping**<br>Vice-Chairman and member of the Supervisory Board since 29 April 2014 | | | | |
| Attendance fees | | 6,667 | 20,000 | 26,667 |
| Attendance fees for members of Board Committees | | 5,000 | 15,000 | 20,000 |
| Other compensation (as Vice-Chairman of the Supervisory Board) | | 6,667 | 20,000 | 26,667 |
| **Jean-Philippe PEUGEOT**<br>Vice-Chairman and member of the Supervisory Board until 29 April 2014<br>Advisor to the Supervisory Board from 29 April to 3 July 2014 | | | | |
| Attendance fees | 40,000 | 13,333 | | 13,333 |
| Attendance fees for members of Board Committees | 40,000 | 10,000 | | 10,000 |
| Other compensation (as Vice-Chairman of the Supervisory Board) | 40,000 | 13,333 | | 13,333 |
| Attendance fees (Advisor) | | 3,333 | | 3,333 |
| **Jean-Louis SILVANT**<br>Vice-Chairman and member of the Supervisory Board until 29 April 2014 | | | | |
| Attendance fees | 40,000 | 13,333 | | 13,333 |
| Attendance fees for members of Board Committees | 37,500 | 10,000 | | 10,000 |
| Other compensation (as Vice-Chairman of the Supervisory Board) | 40,000 | 13,333 | | 13,333 |
| **Patricia BARBIZET**<br>Member of the Supervisory Board | | | | |
| Attendance fees | 20,000 | 20,000 | 20,000 | 40,000 |
| Attendance fees for members of Board Committees | 7,500 | 12,500 | 22,500 | 35,000 |
| **Pamela KNAPP**<br>Member of the Supervisory Board | | | | |
| Attendance fees | 40,000 | 20,000 | 20,000 | 40,000 |
| Attendance fees for members of Board Committees | 15,000 | 10,000 | 15,000 | 25,000 |
| **Jean-François KONDRATIUK**<br>Member of the Supervisory Board | | | | |
| Attendance fees | 0*** | 20,000 | 20,000 | 40,000 |
| Attendance fees for members of Board Committees | | 5,000 | 15,000 | 20,000 |

| Non-Executive Corporate Directors | Amount paid in 2013 | Amount paid in 2014 – first half | Amount paid in 2014 – second half | Amount paid in 2014 |
|---|---|---|---|---|
| **LIU Weidong**<br>Member of the Supervisory Board since 29 April 2014 | | | | |
| Attendance fees | | 6,667 | 20,000 | 26,667 |
| Attendance fees for members of Board Committees | | 5,833 | 17,500 | 23,333 |
| **Robert PEUGEOT****<br>Member of the Supervisory Board until 29 April 2014 and permanent representative of FFP on the Supervisory Board since 29 April 2014 | | | | |
| Attendance fees | 40,000 | 20,000 | 20,000 | 40,000 |
| Attendance fees for members of Board Committees | 42,500 | 17,500 | 17,500 | 35,000 |
| **Henri Philippe REICHSTUL**<br>Member of the Supervisory Board | | | | |
| Attendance fees | 40,000 | 20,000 | 20,000 | 40,000 |
| Attendance fees for members of Board Committees | 15,000 | 10,000 | 15,000 | 25,000 |
| **Dominique REINICHE**<br>Member of the Supervisory Board | | | | |
| Attendance fees | 40,000 | 20,000 | 20,000 | 40,000 |
| Attendance fees for members of Board Committees | 22,500 | 15,000 | 15,000 | 30,000 |
| **Geoffroy ROUX DE BÉZIEUX**<br>Member of the Supervisory Board | | | | |
| Attendance fees | 0*** | 20,000 | 20,000 | 40,000 |
| Attendance fees for members of Board Committees | 0*** | 12,500 | 17,500 | 30,000 |
| **Anne VALLERON** | | | | |
| Member of the Supervisory Board<br>Attendance fees | 0* | 0* | 0* | 0* |
| **Florence VERZELEN**<br>Permanent representative of SOGEPA on the Supervisory Board since 29 April 2014 | | | | |
| Attendance fees | | 6,667 | 20,000 | 26,667 |
| Attendance fees for members of Board Committees | | 5,000 | 15,000 | 20,000 |
| **Mr Marc FRIEDEL**<br>Advisor to the Supervisory Board until 29 April 2014 | | | | |
| Attendance fees | 20,000 | | | |
| Attendance fees for members of Board Committees | 7,500 | | | |
| Attendance fees (Advisor) | 10,000 | 6,667 | | 6,667 |
| **Jean-Paul PARAYRE**<br>Member of the Supervisory Board until 29 April 2014 | | | | |
| Attendance fees | 40,000 | 13,333 | | 13,333 |
| Attendance fees for members of Board Committees | 45,000 | 15,000 | | 15,000 |
| **Thierry PILENKO**<br>Member of the Supervisory Board until 29 April 2014 | | | | |
| Attendance fees | 40,000 | 13,333 | | 13,333 |
| Attendance fees for members of Board Committees | 15,000 | 5,000 | | 5,000 |
| **Frédéric BANZET**<br>Advisor since 29 July 2014 | | | | |
| Attendance fees | | | 10,000 | 10,000 |
| **François MICHELIN**<br>Advisor to the Supervisory Board until 29 April 2014 | | | | |
| Attendance fees | 20,000 | 6,667 | | 6,667 |
| **Roland PEUGEOT**<br>Advisor to the Supervisory Board until 29 April 2014 | | | | |
| Attendance fees | 20,000 | 6,667 | | 6,667 |
| **TOTAL** | **1,290,000******** | **623,267** | **503,000** | **1,126,267** |

* *Louis Gallois waived his compensation as Chairman of the Supervisory Board and the attendance fees due to him, as he did in 2013. Anne Valleron (employee shareholder representative) also wanted to waive her attendance fees, as she did in 2013.*

** *Thierry Peugeot and Robert Peugeot also received €17,700 and €30,233 respectively for 2014 and €0 and €26,400 for 2013 as directors of Faurecia.*

*** *Jean-François Kondratiuk (employee representative) and Geoffroy Roux de Bézieux waived their attendance fees in 2013.*

**** *The total amount paid in 2013 to non-Executive Directors was €1,360,000 including Ernest-Antoine Seillière and Joseph F. Toot, whose term of office ended in 2013 and who did not receive attendance fees in 2014.*

## TABLE 4: SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED DURING THE FINANCIAL YEAR TO EACH EXECUTIVE DIRECTOR

| Name of Executive Director | No. and date of the 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 | | | |

## TABLE 5: SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH EXECUTIVE DIRECTOR

No options were exercised by corporate officers in 2014.

## TABLE 6: PERFORMANCE SHARES GRANTED TO EXECUTIVE DIRECTORS

None.

## TABLE 7: PERFORMANCE SHARES VESTING DURING THE YEAR FOR EACH EXECUTIVE DIRECTOR

None.

## TABLE 8: RECORD OF GRANTED STOCK OPTIONS INFORMATION ON THE STOCK OPTIONS

| Managing Board meeting date | 24/08/2004 | 23/08/2005 | 23/08/2006 | 22/08/2007 | 20/08/2008 |
|---|---|---|---|---|---|
| Total number of shares that may be subscribed to or purchased, including the number available for subscription or purchase by: | 1,159,040 | 1,100,050 | 1,439,487 | 1,629,993 | 1,916,820 |
| Mr Jean-Baptiste Chasseloup de Chatillon<br>Member of the Managing Board<br>Chief Financial Officer<br>Director of IT systems | | | | 6,131 | 9,197 |
| Grégoire Olivier<br>Member of the Managing Board<br>China and ASEAN Director | | | | 91,962 | 91,962 |
| Jean-Christophe Quemard<br>Member of the Managing Board<br>Middle East and Africa Director | | | | 6,131 | 45,981 |
| Start date for exercising options | 24/08/2007 | 23/08/2008 | 23/08/2009 | 22/08/2010 | 20/08/2011 |
| Last exercise date | 24/08/2012 | 23/08/2013 | 23/08/2014 | 22/08/2015 | 20/08/2016 |
| Exercise price | 40.68 | 44.76 | 26.84 | 39.43 | 21.58 |
| Exercise terms (applicable to plans comprising several tranches) | | | | | |
| Number of shares issued on exercise of options as at 31/12/2014 | 12,000 | 10,000 | 15,000 | 0 | 0 |
| Number of options cancelled, expired or forfeited | 1,147,040 | 1,080,050 | 1,424,487 | 288,801 | 315,051 |
| Number of options outstanding at year-end | 0 | 0 | 0 | 1,341,192 | 1,601,769 |

## TABLE 9: STOCK OPTIONS GRANTED TO/EXERCISED BY THE TEN EMPLOYEES (NON-CORPORATE OFFICERS) WHO RECEIVED THE HIGHEST NUMBER OF OPTIONS

| | Total number of options granted/ shares subscribed or purchased | Exercise Price |
|---|---|---|
| Options granted during the year by the Company and any company included in the plan to the ten employees (other than corporate officers) of these companies to whom the most options were granted | 0 | |
| Options granted by the Company and any companies included in the plan and exercised during the year by the ten employees (other than corporate officers) of these companies having exercised the most options | 0 | |

## TABLE 10: 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 | | No-compete indemnity | | Commitments under the Executive pension plan at 31/12/2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Executive Directors | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No |
| Philippe VARIN<br>*Chairman of the Managing Board until 30 March 2014* | | √ | √ | | | √ | | √ | √ | |
| Carlos TAVARES<br>*Chairman of the Managing Board since 31 March 2014* | | √ | √ | | | √ | | √ | √ | |
| Grégoire OLIVIER<br>Member of the Managing Board since 16 February 2007 | √ (1) | | √ | | | √ | | √ | √ | |
| Jean-Baptiste CHASSELOUP de CHATILLON<br>Member of the Managing Board since 13 March 2012 | √ (1) | | √ | | | √ | | √ | √ | |
| Jean-Christophe QUÉMARD,<br>Member of the Managing Board since 13 March 2012 | √ (1) | | √ | | | √ | | √ | √ | |

*(1) Suspended employment contract at the time of their appointment.*

As far as the Managing Board members are concerned, the total amount of commitments towards the pension plan as at 31 December 2014 was €14 million excluding taxes (*versus* €16 million for 2013). At the end of 2014, given their respective years in the plan and the Group results, the potential interest accumulated by each of the members of the Managing Board represented: 3.5% of his base salary[1] for Carlos Tavares, 30% of said salary for Jean-Baptiste de Chatillon, 28% for Grégoire Olivier and 30% for Jean-Christophe Quémard, subject to their being present in the Group at the time of their leave for retirement (for a further explanation of potential accumulated interests, please refer to section 8.1. beginning on page 308).

Philippe Varin waived the provisions of his entitlements and now benefits from the plan resulting from the new arrangements which took effect on 1 January 2014 which complies with the applicable recommendations of the AFEP-MEDEF Code which was approved by the AFEP-MEDEF High Committee of Corporate Governance, according to its opinion of 16 December 2013. He claimed his pension entitlements in 2014. Therefore, he benefits from a pension of €299,000 (gross) per year.

*(1) Last three years of salary and last eight years of bonuses projected to retirement.*

# 4

# GROUP EARNINGS IN 2014 AND OUTLOOK

# 4.1. ANALYSIS OF CONSOLIDATED OPERATING RESULTS

The Group's financial statements at 31 December 2013, presented comparatively, have been restated relative to the financial statements previously reported. The financial statements are in particular impacted by the reclassification of the businesses Banque PSA Finance has contributed as part of the partnership.

For more details, please refer to Note 3.4 in the notes to the consolidated financial statements at 31 December 2014.

## 4.1.1. 2014 GROUP OPERATING RESULTS

### 4.1.1.1. REVENUE

The Group's operations are organised around three main 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, Automotive Exteriors and Emissions Control Technologies;
- 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 two brands' dealer networks. Banque PSA Finance is classified as a financial institution.

The table below shows consolidated revenue by business:

| *(in million euros)* | 2014 | 2013 | Change |
|---|---|---|---|
| Automotive | 36,085 | 36,415 | -0.9% |
| Faurecia | 18,829 | 18,029 | 4.4% |
| Banque PSA Finance | 1,703 | 1,773 | -3.9% |
| Banque PSA Finance – Reconciliation* | (752) | (843) | - |
| Eliminations and other businesses | (2,258) | (2,295) | - |
| **TOTAL** | **53,607** | **53,079** | **1%** |

* *Reconciliation includes the IFRS 5 impacts and provides a link with the presentation given in the consolidated income statement.*

Consolidated revenue does not include the contribution of the Chinese companies Dongfeng Peugeot Citroën Automobile (DPCA), Dongfeng Peugeot Citroën Automobiles Sales (DPCS) and Changan PSA Automobile (CAPSA) that are jointly controlled on a 50/50 basis with our local partners and are therefore accounted for by the equity method.

In 2014, PSA Peugeot Citroën consolidated revenue was up 1% to €53,607 million from €53,079 million in 2013.

The Automotive Division saw its revenue fall by €330 million, Faurecia increased its revenue by €800 million and Banque PSA Finance saw its revenue fall by €70 million. The performances of each business are commented on in section 4.1.1.3.

The table below shows consolidated revenue by region, based on the location of the customer.

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Consolidated revenue | 53,607 | 53,079 |
| **Net contribution to consolidated revenue by region** | | |
| Europe | 70.0% | 66.1% |
| Eurasia | 1.6% | 2.5% |
| China and South-East Asia | 7.1% | 6.1% |
| Indo-Pacific | 2.1% | 1.9% |
| Latin America | 7.4% | 10.3% |
| Middle East and Africa | 4.4% | 5.3% |
| North America | 7.4% | 7.8% |
| **TOTAL** | **100%** | **100%** |

## 4.1.1.2. RECURRING OPERATING INCOME

The following table shows recurring operating income (loss) by business:

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Automotive | 63 | (1,039) |
| Faurecia | 673 | 538 |
| Banque PSA Finance | 337 | 369 |
| Banque PSA Finance – Reconciliation* | (211) | (217) |
| Eliminations and other businesses | 43 | (15) |
| **TOTAL** | **905** | **(364)** |

* *Reconciliation includes the IFRS 5 impacts and provides a link with the presentation given in the consolidated income statement.*

The Group reported recurring operating income of €905 million in 2014, compared with a loss of €364 million in 2013. This increase essentially comes from the Automotive Division which saw its recurring operating income improve by €1,102 million.

## 4.1.1.3. ANALYSIS OF REVENUE AND RECURRING OPERATING INCOME BY DIVISION

AUTOMOTIVE DIVISION

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Revenue | 36,085 | 36,415 |
| Recurring operating income (loss) | 63 | (1,039) |
| *As a % of revenue* | *0.2%* | *-2.9%* |

### REVENUE

Automotive Division revenue was €36,085 million in 2014, slightly down by 0.9% compared with 2013.

New vehicle revenue declined by 1.8% to €25,235 million in 2014, down from €25,710 million in 2013. The product mix continues to be favourable at +3%; the price effect was also favourable over the year at +1.2%. These two effects are not sufficient to compensate for the contraction in volumes (-2.5%) or the exchange rate effect (-2.7%), reflecting in particular the unfavourable trend in the Argentinian peso. The "Other" effect amounted to -0.7%.

### RECURRING OPERATING INCOME (LOSS)

The recurring operating income of the Automotive Division stood at €63 million in 2014 as against a loss of €1,039 million in 2013. The €1,102 million difference is associated with an unfavourable environment, for €(500) million, and with the Group's performance, for +€1,602 million.

The change in the Automotive Division's reported performance was due to the following factors:

#### OPERATING ENVIRONMENT

The deteriorating operating environment had a negative impact of €500 million on the recurring operating income.

- "Exchange rates and other" had a negative impact of €351 million, including €364 million in negative foreign currency impact, mainly due to the Argentinian peso and the rouble;
- The shrinking market demand had a negative impact of €97 million;
- Higher raw material costs and other external costs had a negative impact of €52 million.(1)

#### UNDERLYING AUTOMOTIVE DIVISION PERFORMANCE

The Automotive Division's underlying performance contributed positively to the recurring operating income, at €1,602 million over the 2014 financial year.

- The improvement in production and other costs continued with savings of €331 million, as well as a reduction in research and development expenditure of €94 million;(1)
- The improvement in the product mix continued, resulting in a gain of €500 million;
- The price and product enrichment effect proved positive, at €458 million;
- The market share-country mix effect was negative by €48 million;
- Fixed costs, marketing and other costs improved by €266 million.

*(1) These effects include the positive impact of €122 million, resulting from the exceptional write-downs of Automotive Division assets recorded in 2012 and 2013 (IAS 36).*

FAURECIA

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Revenue | 18,829 | 18,029 |
| Recurring operating income (loss) | 673 | 538 |
| *As a % of revenue* | *+3.6%* | *+3.0%* |

Net income of €166 million, up 89%;

Net cash flow of €216 million;

Net financial debt of €1.39 billion, down €131 million.

### REVENUE

Faurecia's total sales for the 2014 financial year stood at €18,829 million, up 4.4% (+5.5% at constant exchange rates and scope) over 2013 sales of €18,029 million.

### RECURRING OPERATING INCOME (LOSS)

Recurring operating income stood at €673 million, or 3.6% of total sales, compared with €538 million (3.0% of sales) in 2013. The "guidance" for 2014, adjusted upwards on 29 July 2014, was an operating margin of between 3.3% and 3.6%.

*More detailed information about Faurecia is provided in its Annual Report, which can be downloaded from its website at www.faurecia.com*

BANQUE PSA FINANCE

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Revenue | 1,703 | 1,773 |
| Net banking revenue | 851 | 891 |
| Recurring operating income (loss) | 337 | 369 |
| *As a % of revenue* | *19.8%* | *20.8%* |

### REVENUE

Banque PSA Finance's revenue for 2014 totalled €1,703 million, down 3.9% from the €1,773 million recorded in 2013.

Banque PSA Finance kept financing penetration at a high level, 28.7%, despite very elevated refinancing conditions.

In 2014, as vehicle registration levels experienced different trends depending on the zones, Banque PSA Finance recorded a fall of 4.1% in financing volumes to final customers, dropping from 731,003 to 700,855 contracts.

### RECURRING OPERATING INCOME (LOSS)

Banque PSA Finance reported recurring operating income of €337 million at 31 December 2014, versus €369 million the previous year. This deterioration is mainly due to the fall in net banking revenue, partially offset by an improvement in the cost of risk.

*More detailed information about Banque PSA Finance is provided in its Annual Report, which can be downloaded from its website at www.banquepsafinance.com*

## 4.1.2. OTHER INCOME STATEMENT ITEMS

### 4.1.2.1. OPERATING INCOME (LOSS)

Non-recurring operating expenses amounted to €910 million in 2014, versus €1,578 million in 2013.

- impairment losses on CGUs, provisions for onerous contracts and other Automotive Division assets totalled €134 million. They include in particular an impairment loss on Latin America and Russia CGU assets of €88 million (see Note 8.3 to the consolidated financial statements at 31 December 2014);
- restructuring costs amounted to €761 million in 2014, including €682 million concerning the Automotive Division and €76 million related to Faurecia. Expenses for the Automotive Division mainly concerned recognition of restructuring plans relating to manufacturing sites in Europe for €452 million and the commercial reorganisation of the Group in Europe for €111 million. Other restructuring costs related in particular to the Group's subsidiaries in Latin America for €59 million. Rationalisation costs for the Faurecia Group included €71 million for restructuring (see Note 5.4 to the consolidated financial statements at 31 December 2014).

Non-recurring operating income totalled €228 million versus €413 million in 2013 and included €119 million in net gains on disposals of real estate assets and €101 million in reversals on CGU impairment losses, onerous contracts and other Automotive Division products.

For more details, please refer to Note 5.4 in the notes to the consolidated financial statements at 31 December 2014.

As a result of these factors, the Group ended 2014 with a consolidated operating income of €223 million, compared with an operating loss of €1,529 million in 2013.

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Automotive | (533) | (2,104) |
| Faurecia | 587 | 431 |
| Banque PSA Finance | 335 | 369 |
| Banking PSA Finance – Reconciliation* | (212) | (217) |
| Eliminations and other businesses | 46 | (8) |
| **TOTAL PSA PEUGEOT CITROËN** | **223** | **(1,529)** |

* *The reconciliation includes IFRS 5 impacts and provides a link with the presentation given in the consolidated income statement.*

### 4.1.2.2. NET FINANCIAL INCOME (EXPENSE)

Net financial expense came to €763 million in 2014 compared with €664 million the previous year. This amount includes interest income from loans and on cash and cash equivalents, finance costs and other financial income and expense.

For more details, please refer to Note 12.2 to the consolidated financial statements at 31 December 2014.

### 4.1.2.3. INCOME TAXES EXPENSE

Income tax expense stands at €313 million in 2014 compared to €306 million in 2013.

For more details, please refer to Note 14 to the consolidated financial statements at 31 December 2014.

### 4.1.2.4. SHARE IN NET EARNINGS OF COMPANIES AT EQUITY

The net income of companies accounted at equity was €282 million for the 2014 financial year, compared to €173 million in 2013. The companies accounted at equity mainly include Dongfeng Peugeot Citroën Automobile (DPCA), Dongfeng Peugeot Citroën Automobile Sales (DPCS) and Changan PSA Automotive (CAPSA).

DPCA contributed €230 million to income in 2014, compared with €187 million in 2013. The contribution of DPCS was €53 million, while that of CAPSA was negative by €20 million in 2014, compared with €(49) million in 2013.

For more information about the Group's share in the net earnings of companies at equity, please refer to the Note 11 to the consolidated financial statements at 31 December 2014.

### 4.1.2.5. OTHER EXPENSES RELATED TO THE NON-TRANSFERRED FINANCING OF OPERATIONS TO BE CONTINUED IN PARTNERSHIP

Other expenses related to the non-transferred financing of operations to be continued in partnership stood at €251 million in 2014 versus €248 million in 2013.

For more details, please refer to Note 3.3 to the consolidated financial statements at 31 December 2014.

### 4.1.2.6. CONSOLIDATED PROFIT (LOSS) FROM CONTINUING OPERATIONS

The Group ended the year with a consolidated loss on continuing operations of €822 million, compared with a loss of €2,574 million in 2013.

### 4.1.2.7. PROFIT (LOSS) FROM OPERATIONS TO BE CONTINUED IN PARTNERSHIP

The net income from operations to be continued in partnership was €267 million in 2014 compared with a profit of €347 million in 2013.

### 4.1.2.8. CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD

The Group ended the year with a consolidated loss of €555 million compared with a loss of €2,227 million in 2013.

### 4.1.2.9. CONSOLIDATED PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to the parent company's equity holders was €706 million in 2014 versus a loss of €2,327 million in 2013.

### 4.1.2.10. EARNINGS PER SHARE

Earnings per share from continuing operations attributable to the parent company's equity holders amounted to a loss of €1.59 in 2014, compared with a loss per share of €7.82 in 2013. Consolidated earnings per share attributable to the parent company's equity holders was €(1.15) in 2014 *versus* a loss of €6.80 in 2013.

Diluted earnings per share were respectively €(1.59) and €(1.15) *versus* €(7.82) and €(6.80) in 2013.

Please refer to Note 15.2 to the Consolidated Financial Statements at 31 December 2014.

# 4.2. FINANCIAL POSITION AND CASH

## 4.2.1. EQUITY

Consolidated equity amounted to €10,418 million at 31 December 2014, up on the €7,837 million recorded at the previous year-end. The difference comes mainly from Group share issues and reserve increases.

At 31 December 2014, the share capital comprised 783,088,675 shares with a par value of one euro each. The Group holds 12,788,339 treasury shares, enabling it to cover its requirements under its current stock option plans, the share issue of 29 January 2015 reserved for employees, and part of the OCEANE bond issue of June 2009. No treasury shares were bought back in 2014.

For more details, please refer to Note 15 to the consolidated financial statements at 31 December 2014.

## 4.2.2. NET DEBT OF MANUFACTURING AND SALES COMPANIES AND NET DEBT-TO-EQUITY RATIO

The current and non-current financial liabilities of the manufacturing and sales companies totalled, at 31 December 2014, €9,296 million (versus €11,148 million at 31 December 2013). Manufacturing and sales company financial assets stood at €9,844 million at 31 December 2014 versus €6,967 million at 31 December 2013. (See Note 12.3 in the notes to the consolidated financial statements at 31 December 2014).

The net financial position of the manufacturing and sales companies thus stands at €548 million at 31 December 2014, versus a net debt of €4,181 million at the end of December 2013. This substantial reduction in the net debt was mainly due to capital increases and cash flows related to operations. Faurecia's net debt represents €1,483 million, compared with €1,629 million in 2013. The net financial position of the Automotive Division (manufacturing and sales companies excluding Faurecia) grew by €4,583 million over the period to €2,031 million.

## 4.2.3. ORIGIN, AMOUNT AND DESCRIPTION OF CONSOLIDATED CASH FLOWS

### 4.2.3.1. CONSOLIDATED CASH FLOWS

For more information, please refer to the consolidated financial statements – consolidated statements of cash flows for the year ended 31 December 2014.

### 4.2.3.2. CASH FLOWS FOR MANUFACTURING AND SALES COMPANIES

The following table presents the manufacturing and sales companies' cash flows for 2014 and 2013:

| | Manufacturing and sales companies | |
|---|---|---|
| *(in millions of euros)* | **2014** | **2013** |
| Consolidated loss from continuing operations | (611) | (2,446) |
| Funds from operations | 2,126 | 804 |
| Change in working capital | 1,752 | 440 |
| **Net cash from (used in) operating activities of continuing operations** | **3,878** | **1,244** |
| **Net cash used in investing activities of continuing operations** | **(2,314)** | **(2,474)** |
| **Net cash from/(used in) financing activities of continuing operations** | **675** | **2,058** |
| Net cash from/(used by) changes in assets and liabilities of finance operations intended to be transferred to new joint ventures | (20) | (72) |
| Effect of changes in exchange rates | 47 | (91) |
| **INCREASE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS AND OPERATIONS INTENDED TO BE TRANSFERRED TO NEW JOINT VENTURES** | **2,226** | **665** |
| Net cash and cash equivalents at beginning of year | 6,161 | 5,496 |
| Net cash and cash equivalents at end of period | 8,427 | 6,161 |

### CASH FLOWS FROM OPERATING ACTIVITIES OF MANUFACTURING AND SALES COMPANIES

Funds from operations of the manufacturing and sales companies amounted to €2,126 million in 2014 versus €804 million in 2013. This represents 4% of revenue for the manufacturing and sales companies, compared with 1.5% the previous year. Funds from operations includes cash related to restructuring plans, totalling €583 million.

The €1,752 million change in working capital requirements mainly reflects good inventory management for €1,329 million. Trade receivables rose by €405 million and trade payables fell by €27 million compared with 31 December 2014. “Change in income taxes” increased by €47 million, while “other changes” fell by €2 million, compared with 31 December 2013.

Consequently, funds from manufacturing and sales companies present a positive balance of €3,878 million, compared to €1,244 million in 2013.

The table below shows new vehicle inventory levels for the Group and in the independent dealer network:

| *(in thousands of new vehicles)* | 2014 | 2013 | 2012 |
|---|---|---|---|
| The Group | 107 | 169 | 184 |
| Independent dealer network | 232 | 215 | 232 |
| **TOTAL** | **339** | **384** | **416** |

New vehicle inventory levels at 31 December 2014 amounted to 339,000 new vehicles, compared with 384,000 at 31 December 2013.

### CASH FLOWS FROM MANUFACTURING AND SALES COMPANY INVESTMENT ACTIVITIES

Cash flows related to the investment activities of manufacturing and sales companies stood at €2,314 million at the end of 2014, compared with €2,474 million at the end of 2013.

### CASH FLOWS FROM FINANCING ACTIVITIES OF MANUFACTURING AND SALES COMPANIES

Cash flows from financing activities of manufacturing and sales companies amounted to €675 million, compared with €2,058 million at 31 December 2013.

Capital increases generated a cash injection of €2,961 million. Payment of Group subsidiary dividends totalled €228 million in 2014, including €224 million from Banque PSA Finance.

Changes in other financial assets and liabilities in the amount of €(2,480) million, include in particular the repayment of borrowings and conversion of bonds for €1,883 million.

### NET CASH AND CASH EQUIVALENTS AT END OF YEAR – MANUFACTURING AND SALES COMPANIES

Given the cash flows from operating activities, cash flows from investment activities and cash flows from financing activities as detailed above, and after taking into account the effect of changes in exchange rates amounting to €47 million, and flows from the transferred assets and liabilities of operations to be continued in partnership for €(20) million, net cash and cash equivalents at end of year amounted to €8,427 million, compared with €6,161 million at 31 December 2013.

### FINANCIAL SECURITY

Liquidity reserves for the manufacturing and sales companies amounted to €13,463 million at end-2014, versus €10,140 million at end-2013, with €9,263 million in cash and current & non-current financial assets, and €4,200 million in undrawn lines of credit (see Note 12.4 to the consolidated financial statements at 31 December 2014).

## 4.2.3.3. NET CASH AND CASH EQUIVALENTS AT END OF PERIOD FINANCE COMPANIES

At the end of 2014, Banque PSA Finance cash stood at €2,603 million versus €1,804 million at the end of 2013 (see Note 13.3 in the notes to the consolidated financial statements at 31 December 2014).

Net cash and cash equivalents of manufacturing and sales companies are predominantly denominated in euros.

For more detailed information, please refer to Note 12.4 to the consolidated financial statements at 31 December 2014, Section 5.6 below.

## 4.2.4. LIQUIDITY AND FUNDING

### 4.2.4.1. MANUFACTURING AND SALES COMPANIES

In 2014, the Group actively managed its debt by carrying out a partial redemption of bonds in the amount of €374 million.

Peugeot Citroën do Brasil subscribed new loans during the year, primarily from Banco Nacional Do Desinvolvimento (BNDES) and Banco Do Brasil, in a total amount of €139 million.

In addition, following the renegotiation which took place in April 2014, Peugeot S.A. and GIE PSA Trésorerie have a confirmed credit facility amounting to €2 billion, maturing in April 2019, with the balance of €1 billion maturing in April 2017 and having two optional one-year extensions. This facility was not drawn at 31 December 2014 (see Note 12.4). Faurecia has undrawn confirmed lines of credit amounting to €1,200 million at 31 December 2014, maturing in December 2019.

For more details, please refer to Note 12 to the Consolidated Financial Statements at 31 December 2014.

### 4.2.4.2. BANQUE PSA FINANCE

As of 31 December 2014, 27% of the financing came from drawn bank loans, 27% from capital markets, 28% from securitization operations on the markets, 8% from "other" financing (including 7% of public origin such as the ECB), and 10% from the bank deposit business started in March 2013. At 31 December 2013, these sources provided 22%, 38%, 25%, 10% (of public origin) and 5% of our financing, respectively.

On 6 February 2015, Banque PSA Finance announced the establishment of a new syndicated loan in the amount of €700 million maturing in five years. This credit facility is part of the launch of the partnership between Banque PSA Finance and Santander Consumer Finance in France and the UK, resulting in a sharp reduction in Banque PSA Finance's financing needs and associated financial securities.

Following the announcement that it would no longer use the French State's guarantee for its future bond issues, on 11 March 2015 Banque PSA Finance launched a tender offer on several outstanding bond lines representing a total of €2,750 million. The total amount of bonds tendered was €1,852.6 million, or 67.37% of those bonds eligible for repurchase. As a result, the amount of Banque PSA Finance's French State's guaranteed bonds was reduced to €297 million, from an initial €1,500 million.

For more details, please refer to Note 13 to the 2014 consolidated financial statements.

*More detailed information about Banque PSA Finance is provided in its Annual Report, which can be downloaded from its website at www.banquepsafinance.com.*

## 4.2.5. PROVISIONS FOR WARRANTIES

Please refer to Note 10.3 to the consolidated financial statements at 31 December 2014.

## 4.2.6. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Please refer to Note 7.1 to the consolidated financial statements at 31 December 2014.

## 4.2.7. INFORMATION REGARDING ANY RESTRICTIONS ON THE USE OF CAPITAL RESOURCES THAT HAVE MATERIALLY AFFECTED, OR COULD MATERIALLY THE ISSUER'S OPERATIONS

Please refer to Note 15.1 to the consolidated financial statements at 31 December 2014.

## 4.2.8. INFORMATION REGARDING THE ANTICIPATED SOURCES OF FUNDS NEEDED TO FULFIL CERTAIN COMMITMENTS

Please refer to Section 4.2.4 above.

The Group has a €5 billion EMTN program, to be renewed in 2015. The Group will continue to ensure it is in a position to seize market opportunities, with a view to optimising its financial security and related costs. These transactions are intended to improve the Group's financial structure and liquidity position.

# 4.3. PARENT COMPANY RESULTS

Peugeot S.A. performs senior management, oversight and supervisory functions and provides services for which it receives a flat fee.

Peugeot S.A.'s assets mainly correspond to:

- equity investments in direct subsidiaries;
- 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.

In accordance with the final paragraph of Article L. 225-102-1 of the French Commercial Code, the following agreements were entered into in 2014 between a subsidiary owned by Peugeot S.A. and a shareholder owning more than 10% of its voting rights:

Agreements entered into by Group subsidiaries Dongfeng Motor Group Company Ltd:

- Technical cooperation agreements (with PCA, PCAT and DPCA);
- Agreement on joint R&D center (with PCA);
- Joint venture commercial agreement (with PCA, AP and AC: sales development of Group brands and DFG vehicles in Asia – outside China).

## RESULTS

### OPERATING RESULTS

Operating income – which primarily comprises management fees received from the main subsidiaries as well as rental income – amounted to €143 million in 2014, *versus* €132 million in 2013.

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 €99 million *versus* €93 million in 2013. These fees are invoiced to direct Peugeot S.A. subsidiaries based on the consolidated revenue of the division concerned.

Operating expenses amounted to €221 million in 2014, *versus* €142 million in 2013, and mainly corresponded to payroll costs and other purchases and external charges.

Thus, the Company ended the year with negative net operating income of €78 million, compared with a negative net operating income of €10 million in 2013.

### NET FINANCIAL INCOME (EXPENSE)

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 amounted to €581 million, *versus* €657 million in 2013. The figure includes mainly the dividends of Peugeot S.A. subsidiaries.

Other Financial Income was €11 million *versus* €9 million in 2013, due to interest rates on short-term investments. Financial provision reversals and reversals on provisions on treasury shares totalled €155 million *versus* €110 million in 2013.

Financial expense for depreciation, amortisation and provisions amounted to €201 million *versus* €83 million in 2013. These consisted largely of impairment loss on shares, which is detailed in Note 5.B. to the yearly financial statements.

Interest expense amounted to €327 million *versus* €345 million in 2013.

After taking these items into account, net financial income for the year was positive at €219 million *versus* a gain of €348 million in 2013.

### NON-RECURRING EXPENSE

In 2014, the Company reported net non-recurring income of €(0.5) million (see Note 22), essentially from the reversal of provisions for tax risks and from the disposal of preferential subscription rights.

### PROFIT OF THE PERIOD

Taking into account the net income tax benefit of €160 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 €300 million in net profit, compared with €454 million for 2013.

## BALANCE SHEETS – ASSETS

### ASSETS

Shares in and advances to subsidiaries and affiliates make up the majority of the Company's non-current assets.

After deducting provisions, the gross value of shares in subsidiaries and affiliates was €12,637 million at 31 December 2014, down from 2013. Impairments of investments in subsidiaries and affiliates totalled €3,936 million at 31 December 2014 *versus* €3,769 million in 2013.

These movements are described in Note 5.B to the Company Financial Statements.

After deducting provisions, the net value of shares in subsidiaries and affiliates was €8,701 million at 31 December 2014 (€9,017 million at 31 December 2013).

Advances to subsidiaries and affiliates amounted to €4,077 million net of provisions at 31 December 2014 (€5,117 million at 31 December 2013). (see Note 6).

Current assets primarily correspond to (i) cash equivalents for €4,450 million at 31 December 2014 against €936 million at 31 December 2013 (see Note 12 to the Company Financial Statements) and (ii) marketable securities (including treasury shares) which totalled €113 million net of provisions at 31 December 2014 (see Note 10). The 12,788,339 treasury shares in the portfolio at 31 December 2014 include 8,636,181 shares to cover the issue of the convertible bond issue (OCEANE) of 23 June 2009, 2,942,961 shares reserved for stock option plans. 1,200,000 shares to cover the capital increase reserved for employees and 9,197 unallocated surplus shares.

### LIABILITIES AND EQUITY

Shareholders' equity at 31 December 2014 was €13,407 million *versus* €10,173 million at 31 December 2013. The difference is due primarily to capital increases. As the rebuilding of the Group's financial fundamentals has not been completed, the Supervisory Board approved the Managing Board's proposal not to pay a dividend for the financial year 2014.

During 2014, Peugeot S.A. did not buy back any of its own shares. No stock options were granted in 2014 and no options were exercised (see Note 11.C). Similarly, no performance shares were granted during the year (see Note 11.B.). Provisions for contingencies and charges totalled €118 million at 31 December 2014 *versus* €223 million in 2013. More detailed information can be found in Note 13 to the Financial Statements.

Long- and short-term debt came to €4,077 million *versus* €5,123 million in 2013. 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. Peugeot S.A. and GIE PSA Trésorerie have, from 8 April 2014 forward, a new syndicated credit facility in the amount of €3 billion. It comprises a €2.0 billion five-year tranche and a €1.0 billion three-year tranche with two optional one-year extensions. On 15 July 2014 Peugeot S.A. redeemed the maturing July 2009 bond of €750 million. On 17 September 2014 Peugeot S.A. effected a partial buyback of bonds for €374 million (see Note 16).

Of the €79 million due to suppliers of fixed assets, €74 million corresponds to the uncalled portion of the commitment to the FMEA 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 €30 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.

### BREAKDOWN BY AGENDA OF PAYMENTS TO SUPPLIERS

At 31 December 2014, payments due to suppliers represented €30.0 million and broke down as follows in the financial statements:

- trade payables and related accounts recorded under liabilities: €30.0 million;
- less: deferred expenses included in this item: €28.9 million;

*i.e.*: €1.1 million.

This amount is payable according to the following agenda:

| | Due | | 0 to 30 days | | 30 to 60 days | | over 60 days | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | 31/12/2014 | 31/12/2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Supplier invoices** | | | | | | | | | | |
| From third parties | 77 | 9 | 2 | 3 | - | - | 277 | 1 | 356 | 13 |
| The Group | 741 | 1,858 | - | - | - | | - | - | 741 | 1,858 |
| **TOTAL PEUGEOT S.A.** | **818** | **1,867** | **2** | **3** | **-** | **-** | **277** | **1** | **1,097** | **1,871** |

# 4.4. MAJOR CONTRACTS

## STRENGTHENING OF THE INDUSTRIAL AND COMMERCIAL PARTNERSHIP WITH DONGFENG MOTOR GROUP COMPANY LIMITED ("DFG")

On 26 March 2014, the Company and DFG signed a Framework Agreement whose primary purpose is to strengthen and deepen the industrial and commercial cooperation between the Company and DFG in Dongfeng Peugeot Citroën Automobile Company Ltd (DPCA), the joint venture in which they each hold 50% of the capital.

The industrial plan defined by the parties within the Framework Agreement, on the basis of the partnership created more than 20 years ago, has three major pillars:

**(i)** A joint commitment to propel (Dongfeng Peugeot Citroën Automobile) DPCA into a new phase of growth, with the objective to 1.5 million vehicles *per annum* by the early 2020s, with the three brands: Peugeot, Citroën and the brand manufactured by the joint venture (Fengshen), thanks to a reinforced product plan underpinned by:

- licensing of technologies developed by PSA Peugeot Citroën,
- the launch of two to three new models a year globally for the three brands (Peugeot, Citroën and DPCA's own brand);

**(ii)** The creation of a joint R&D centre, dedicated to the development of products and technologies for fast growing countries, including China:

- the R&D centre will complete PSA Peugeot Citroën's R&D footprint in Europe and Latin America,
- this agreement includes measures relating to the management of intellectual property, allowing PSA Peugeot Citroën to freely pursue the development of cooperation ventures with other carmakers. The licences granted by the Company to DFG and DPCA relate to intellectual property for technologies (i) past and future held entirely by the Company and its subsidiaries or jointly developed with a supplier (excluding any technology developed in cooperation with another carmaker) and (ii) that have a sufficient level of maturity (ready for mass production). In addition, the Framework Agreement governs how DFG and DPCA can use them;

**(iii)** The creation of a joint commercial venture to drive the sales of PSA Peugeot Citroën and DFG vehicles in Asia (excluding China) and possibly in other emerging markets. This is aimed at capturing the strong growth opportunities in the ASEAN economies and leveraging the similarities between the model line-ups marketed there and in China.

This reinforced partnership represents, under its current form, synergies estimated at around €400 million per year for PSA Peugeot Citroën by 2020 and could later be extended to other areas of collaboration. About two thirds of these synergies are related to an increase in volumes and increased royalties charged by the Group, and the dividend from DPCA. A third of the synergies are related to savings and sharing of costs in research and development.

This agreement has no impact on the DS development plan in China, jointly owned with Changan through the joint venture CAPSA.

The Framework Agreement stipulates that the articles relating to strategic cooperation are applicable for a period of ten years, which is renewable for the same period, unless terminated by either party upon six months' notice. However, each party may terminate the Framework Agreement in the event of a material breach of the terms of the Framework Agreement by the other party.

## BANQUE PSA FINANCE, SIGNING A FRAMEWORK AGREEMENT WITH SANTANDER CONSUMER FINANCE TO CREATE A EUROPEAN PARTNERSHIP THAT WILL REINFORCE ITS COMPETITIVENESS

Following the start of exclusive talks on 19 February 2014, PSA Peugeot Citroën and Banque PSA Finance announced on 10 July 2014 the signing of a framework agreement with Santander Consumer Finance (Santander CF), the division of Banco Santander specialising in consumer loans. This agreement will create a partnership between the two groups in 11 countries[1]. The partnership has received the approval of the Works Councils of PSA Peugeot Citroën and Banque PSA Finance.

This partnership between Banque PSA Finance, the automotive finance company of PSA Peugeot Citroën, and Santander CF will take the form of joint ventures in most countries, or commercial agreements.

On 2 February 2015, the first two joint ventures obtained approval from regulatory authorities to operate jointly henceforth in France and the UK and started their activities.

For more details, please refer to section 1.4.1.3 below on page 19.

*(1) Germany, Austria, Belgium, Spain, France, Italy, Netherlands, Poland, Portugal, United Kingdom and Switzerland.*

# 4.5. CAPITAL EXPENDITURE AND RESEARCH AND DEVELOPMENT

## Automotive expertise to deliver useful technologies

Innovation, research and development are powerful levers for addressing such major auto industry challenges as changing standards and legislation, rising environmental awareness, emerging mobility and networking needs and meeting customer expectations for product appeal, and thus for developing competitive advantages.

Every year PSA Peugeot Citroën invests in research and development to stay ahead, technologically, of regulatory and market changes.

## 4.5.1. REGULATORY AND MARKET CHALLENGES

### 4.5.1.1. ENVIRONMENTAL REGULATIONS

The transportation industry has a direct impact on the control of greenhouse gases and air quality. For this reason, regulations require carmakers to market vehicles of ever greater environmental friendliness.

To limit emissions of greenhouse gases, Europe has set an especially ambitious objective of 95 kg $CO_2$/km by 2020, a requirement that carmakers worldwide are rushing to meet. By 2025 the fuel consumption of cars will be half of what it was in 2010.

In terms of air quality, European regulations are among the most stringent in the world and set limits on emissions of atmospheric pollutants (HC, CO, $No_x$ and particles). Among the things they have made possible:

- cutting down to a tenth the average total emissions of pollutants since the EU antipollution standards were introduced in 1992 ( Euro 1);
- cutting down to one six-hundredth the emissions of diesel particles between 1992 (Euro 1) and 2011 (Euro 5), at something less than 1 mg/km;
- achieving equal emissions levels for petrol and diesel engines since the application of Euro 6 standards starting 1 September 2014.

PSA Peugeot Citroën is also developing its engines to make them compliant with international regulatory standards. In this respect, the engines sold in the larger cities of China will need to comply with the new Beijing VI Step 1 standards in 2017, and then Step 2 in 2020. This last step is a combination of the strictest US and European standards and will certainly represent the toughest standard in the world at that point.

Beyond the regulatory constraints, PSA Peugeot Citroën strives to contribute to sustainable development (see section 2.2). For this reason the Group has made the “clean car” a major strategic thrust of its R&D and has been seen for many years as one of the European leaders in terms of $CO_2$.

- in 2013, with a weighted average emission of 115.9 g $CO_2$/km, the Group had already surpassed the objectives set by Brussels for 2015.
- in 2014, at a level of 110.3 g $CO_2$/km, PSA Peugeot Citroën holds the top spot among European carmakers in limiting greenhouse gases.

### 4.5.1.2. CHANGES IN CUSTOMER EXPECTATIONS

Just as society has changed, so has what customers demand. Today’s world is an interconnected one. PSA Peugeot Citroën R&D has therefore developed vehicles that meet these new demands:

- a car today is more about mobility than possession;
- the car has become a connected device, in which the HMI (human-machine interface) brings together smartphones and internet services;
- the car is supposed to relieve the driver of certain chores through the use of an ADAS (Advanced Driving Assistance System).

### 4.5.1.3. SAFETY ISSUES

Safety has become a fact of life in all markets. Following the example of Euro-NCAP, there are now such protocols all over the world (China-NCAP, Latin-NCAP, etc.) and people have come to expect a lot in this area.

The way the Group has performed in this regard is presented in section 2.3.2, page 71.

# 4.5.2. PSA PEUGEOT CITROËN R&D STRATEGY

## 4.5.2.1. THE GROUP'S R&D IN FIGURES

### 4.5.2.1.1. THE R&D BUDGET

In 2014, investments and capitalised R&D expenses amounted to €2,507 million, including €857 million for Faurecia, compared to €2,397 million in 2013, including €802 million for Faurecia. The level of investments and capitalised R&D expenses related to the Automotive Division was stable compared with 2013 and will be maintained throughout the Group's reconstruction period. PSA Peugeot Citroën has launched a plan to optimise and improve the efficiency of its R&D and investment expenses, which will enable it to maintain them at a level representing 7 to 8% of Automotive Division revenue. For additional information, please refer to Note 5.3 to the 2014 Consolidated Financial Statements, Section 5.6 below.

The year saw R&D activity on the rise, undertaking and expanding major projects and introducing a fair number of new products:

- in Europe:
  - Three vehicle styles: Peugeot 308SW, Peugeot 108/Citroën C1 and Citroën C4 Cactus,
  - two engines: the Blue HDI Euro 6.1 diesel engine and the 1.2L Pure Tech petrol engine,
  - and the AX6III gearbox.

As part of the New Social Contract, the Group announced an investment plan of €1.5 billion, which will enable to launch a new model in each assembly plant over the period and modernise manufacturing sites.

- in China:
  - Five vehicle styles: Peugeot 2008, DS5 LS, Peugeot 408 II, DS6 and Citroën C3-XR
  - Two power assemblies: the petrol engine 1.6 THP Euro 5 (CAPSA), the petrol engines 1.6 THP Euro 6.1 and the 1.8L Euro 6.1 dedicated to China (DCPA).
  - One base: the EMP2 modular platform
- in Latin America:
  - One power assembly: the Monde 1.6 THP Euro 6.1 Flex Fuel petrol engine

### 4.5.2.1.2. WORKFORCE AND R&D CENTRES

R&D assists the globalisation of the Group through three principal research and development centres in the world, which develop and adapt PSA Peugeot Citroën styles and technologies to the special needs of each region.

The majority of R&D staff are located in Europe (largely in France):

- this was 78% of the Group's R&D work in 2014;
- 11,722 employees (end 2014);
- four technical centres: Vélizy, Sochaux, La Garenne-Colombes and Carrières-sous-Poissy;
- two testing centres in France: Belchamp and La Ferté-Vidame.

In China, R&D supports the Group's sustained growth through activities undertaken as part of two joint ventures (see section 4.5.2.4) Dongfeng Peugeot Citroën Automobile and Changan PSA Automobiles:

- 2,660 people, of which 2,000 work in the two joint ventures;
- three R&D centres, whose work is aimed at local manufacturing and local content: Shanghai (the Group's China Tech Centre), Wuhan and Shenzhen (CAPSA R&D centre, opened in December 2014).

In Latin America R&D involves:

- 850 people;
- one R&D centre São Paulo.

## 4.5.2.2. INNOVATION

### 4.5.2.2.1. PATENT POLICY

According to the ranking released by National Intellectual Property Institute (INPI) in April 2014, PSA Peugeot Citroën was once again France's leading patent filer for the seventh consecutive year, with 1,378 patent applications published in France in 2013.

An assertive patent policy was launched in the early 2000s with the establishment of initiatives such as an incentive system of bonuses paid to inventors when a patent application was filed, the implementation of a ranking of inventors and the creation of a network of patent facilitators that efficiently relayed patent information within the various Group departments. In 2011, this policy underwent significant changes to further strengthen protections for strategic technological developments and innovations embedded in vehicle and sub-assembly projects or implemented in factories. PSA Peugeot Citroën thus consolidated a high-value portfolio.

This creative energy, which is the Group's great strength, shows itself in the production of especially high-performing vehicles and mechanical assemblies. Testimony to this is the excellent reception accorded to the new Peugeot 308, voted 2014 Car of the Year, the new EP Turbo Pure Tech 3-cylinder petrol engine, holder of the latest fuel consumption record at 2.85 litres of fuel per 100 km in a Peugeot 308, and the original Citroën C4 Cactus.

Among thousands of patented inventions, we might cite a few examples.

- Emblematic innovations embedded in the Citroën C4 Cactus, such as:
  - Magic Wash, a clever innovation that eliminates the visual obstacle when washing the windscreen.
  - The Airbump® system, equipped with flexible protective panels chiefly for the doors, whose originality lies both in the product itself and the original, complex way in which it is made. Doors so equipped are unscathed by ordinary scrapes and bumps, while also giving the passengers superior protection in case of accident.
  - Moving the passenger air bag to the roof (Airbag in Roof), where it deploys vertically to free up space, and rearranging the vehicle's instrument panel.
- Innovations illustrating the great amount of research that has gone into connectivity (such as multimedia devices, networks, connections, electronics, Human-Machine interfaces) and driving tools that foreshadow the self-driving car of tomorrow (see section 4.5.3.3): the driver assistance pack, collision alert, and automatic emergency braking on the new Peugeot 308.
- Patents demonstrating the Group's constant efforts to reduce fuel consumption and emissions on Peugeot and Citroën vehicles. The new Blue HDi exhaust system (see section 4.5.3.2), to eliminate 99.9% of particles and 90% of nitrogen oxides emitted by the engine. This technology alone represents over 100 patents.

This active policy of patent application gives PSA Peugeot Citroën competitive advantages, by allowing it keep to itself the use of its own innovations. It is also a major factor in the Group's cooperation with other carmakers, particularly with its Chinese partners, for whom PSA technology is a valuable advantage for growing in the markets.

### 4.5.2.2.2. OPEN INNOVATION

An outward-facing strategy is the key to successful innovation at a time when the automotive industry is facing many technological, environmental and social challenges and the ability to swiftly identify and develop technologies at less cost has become essential to sustaining competitive advantage. It also plays a critical role in identifying the breakthrough technologies that will enable the design of the vehicle of the future. Convinced that the only way forward is Open Innovation, PSA Peugeot Citroën structures its work around this inwardly and outwardly focused approach, offering as it does a wide range of opportunities (reduction of development costs, detection of new trends and Time to Market acceleration).

The Group has formally defined its vision of Open Innovation: a policy of expanded relationships driven by the shared creation of value, in which relationships with various ecosystems are built and managed.

Making Open Innovation happen means bringing together the stakeholders from each ecosystem in the innovation process to create more value for everyone. Four ecosystems have been identified:

- individuals (employees, users, customers);
- companies (small, medium and large);
- academia (universities, laboratories);
- institutions (Local authorities, Public authorities, Competitiveness clusters, Regions, Cities).

#### THE INDIVIDUALS' ECOSYSTEM FOR IDENTIFYING NEW HABITS

Since 2008, the Group has launched initiatives targeting the "individuals" ecosystem made up of employees, users and customers in particular to identify new uses, meet needs, gather and evaluate ideas.

To do this, PSA Peugeot Citroën is developing collaborative and participatory approaches to allow it to collect, analyse, use and transform the resulting ideas into technologies and services. Based on past success, the idea challenges have been developed inside and outside the Company since 2008. These initiatives focusing on participatory and collaborative innovation were recognised for the second time running at the Participatory Innovation Awards organised in 2012 and 2013 by the association Innov'Acteurs, with a special mention awarded in the Audacity and Perseverance category.

In 2014, the Group began several challenges. A few examples:

- "Data Odyssey", an internal idea challenge on the subject of "imagining customer services with Big Data";
- "Car Easy Apps," proposed to 23 outside teams of developers based in France, Spain, Brazil, China, Switzerland, Argentina and Tunisia to develop Smartphone applications connected to PSA vehicles;
- "Gamification", an in-company idea challenge in China on the subject, "making automobile driving in China enjoyable, safe and environmentally friendly".

#### THE ENTERPRISES ECOSYSTEM FOR WORKING WITH NEW PARTNERS

The Group is developing its innovation policy by engaging in active and balanced dialogue with its partners.

- Framework Partnerships have been forged with the Group's strategic suppliers;
- Active partnerships with non-automotive manufacturing players such as EADS and EDF have been developed in which work is done on common interest issues such as the implementation of structural components made of composites and the storage of electrical energy.

The Group also developed its capacity to forge partnerships with SOHOs and start-ups, again in an adapted and balanced framework. It was within this expanded concept of collaboration that a partners' portal dedicated to innovation was created in 2014. Accessible from the PSA Peugeot Citroën website, it presents a regularly updated selection of the Group's needs in terms of technology or service innovations. The SMEs, SOHOs and start-ups can then upload their proposal and be put in touch easily and quickly with the right experts in the Group.

#### THE ACADEMIC ECOSYSTEM FOR BROADENING EXPERTISE

To remain at the forefront of automotive products and services, the Group forges close partnerships in Europe and internationally with the academic world. Universities and the most advanced laboratories in their field are targeted to benefit from their expertise and explore ways to branch out into new research.

In 2010, PSA Peugeot Citroën announced the creation of the StelLab (Science & Technologies Exploratory Lean Laboratory) to lead its scientific partnerships. Its mission is to foster interdisciplinary discussion and dialogue between the Group and outside partners in academia through academic chairs and OpenLabs (joint research structures that pool the Group's research and experimental facilities teams and those of partner laboratories).

Today the network consists of 16 OpenLabs in France, Brazil and China and 9 academic chairs on Campuses of Excellence.

**OPENLABS**

##### France

- Automotive Motion Lab, in Marseilles
- Electronics and Systems for Automotive, in Bordeaux
- Energetics, in Orléans
- Materials and Processes, in Metz
- Fluidics, in Poitiers
- Computational Mechanics, in Palaiseau
- Vibro-Acoustic-Tribology, in Lyon
- Competitive Intelligence, in Bordeaux
- OpenLab Design, in Paris and Nantes
- Biology-Chemistry-Physics, in Paris

##### In Brazil

- Efficient Omnivorous Engines and Biofuels, at Pontifical Catholic University of Rio de Janeiro

##### China

- Multimodal perception and smart vehicles, at the University of Beijing
- Vibrations-Acoustics-Vibrations, at Beihang University of Beijing
- Energy Storage, at JiaoTong Shanghai University
- Human Machine Interfaces, at TongJi Shanghai University
- Optoelectronic Devices, at HUST University of Wuhan

**ACADEMIC CHAIRS**

- Otherness, with the University of Paris-Diderot and the *Fondation des Sciences de l'Homme*
- Biofuels, with the IFP School and the Tuck Foundation
- Optoelectronics and Photonics, with the University of Paris-Sud
- the Armand Peugeot Chair on hybrid technologies and the economics of electromobility, with the *École Centrale* Paris (ECP), ESSEC Business School and Supélec
- Robotics and Virtual Reality, with the *École des Mines* ParisTech
- and the André Citroën Chair on mechanical and multi-physical modeling, with the *École Polytechnique*

To these were added contributions to multi-industry chairs in 2014

- "Mobility and Quality of life in an urban Setting," with UPMC and Renault (April)
- "Automated Driving – Drive for You" with *École des Mines* ParisTech, Valeo and Safran (October)
- "ELS – Embedded Lighting Systems" with three elite schools, Estaca (Transportation Engineering), *Institut d'Optique* (optical sciences) and STRATE (design) and three other industrial partners: Renault, Valeo and Automotive Lighting (November)

The StelLab network also has a presence in Switzerland, with the StelLab@EPFL innovation cell.

Thanks to these partnerships, the Group will be able to explore major issues concerning tomorrow's automotive industry around the world.

To date, 23% of the Group's scientific research activity is carried out within OpenLabs and more than 25 technological gems have already been produced there with our university partners.

### THE INSTITUTIONAL ECOSYSTEM FOR COLLABORATIVE RESEARCH

As part of its Open Innovation effort, the Group also works with institutions such as Ministries, local governments, the French National Research Agency (ANR), the Agency for the Environment and Energy Management (ADEME), competitiveness clusters and the European Commission.

The Open Innovation thrust reinforces the importance of networks and the necessity of cooperating with various parties. Also, PSA Peugeot Citroën is an active member of automotive industry competitiveness clusters (Mov'eo, Vehicle of the Future, ID4Car), which foster collaborative projects, close relationships with start-ups and SMEs and meeting new potential partners.

This dialogue enables it to share with its partners research work on future technologies through grants and subsidies and have experimental sites to address the societal challenges of sustainable mobility. It should be noted that participating in public-private partnerships provides access to all project results, including those conducted by partners.

Collaborative projects are mostly upstream research projects. Still, several projects resulted in promising, drivable demonstrators such as HYDOLE (*HYbride à DOminante éLEctrique*, or Majority Electric Hybrid, a research project subsidized by ADEME and completed in late 2012), OPENER (Optimal Energy Consumption and Recovery, a research project intended to increase the autonomy of future hybrid and electric vehicles) and made it possible to break down technological barriers, leading the way to future innovations.

In the Routier section of the Transports programme of the Investments for the Future Programme, PSA Peugeot Citroën is involved in several projects either on its own or *via* GIE RE PSA Renault or *via* the *Groupement Scientifique Moteur* (GSM).

In the FASTLITE programme coordinated by Renault and PSA Peugeot Citroën the two carmakers support the introduction of materials & process industries that will meet the challenges of producing lighter-weight automotive products by 2018-2020. The projects are organised around materials segments (composites, metals) and automotive applications (bodywork elements, mechanical parts, equipment).

The Group also participates in:

- the "Promotion of Research" programme in the Institutes for Technological Research (IRTs): "M2P" Metallurgy and Process Materials; SystemX Digital Systems Engineering; and Jules Verne Composite Materials;
- "Energy" with VEDECOM, the institute for low-carbon communicating vehicles and their mobility, one of the ITE (energy transition institutes) created in February 2014.

PSA Peugeot Citroën is a key player in the PFA platform, set up to define and lead initiatives to boost the French automotive industry. PFA is currently leading two key programmes that will help unify and structure the industry in which the Group is heavily involved:

The 2L/100 km vehicle, which aims to develop technological building blocks, available from 2018-2020, and capable of reducing $CO_2$ emissions at an acceptable cost for customers (see section 2);

- VALdriv PLM, which aims to develop a system to manage technical information and related processes and skills, enabling all players involved in the life cycle of a product or service to instantly access the right data at the right time and place, depending on their rights and business lines, to create maximum value.

PSA Peugeot Citroën is also a founding partner in Exelcar, an excellence cluster for vehicle bodies in the Brittany region. Starting in 2015 this association will carry out a set of projects to leverage performance, attractiveness and differentiation by improving expertise in certain chosen areas, including weight reduction and upscaling, through a collaborative effort by its members, manufacturers, laboratories and institutes.

## 4.5.2.3. R&D IN SUPPORT OF THE CORE MODEL STRATEGY

As part if its "Back in the Race" plan, Peugeot Citroën Group decided to limit the number of body styles developed by refocusing and targeting its product range on the main global "profit pools" and to rationalise its portfolio of platforms and the number of vehicle projects around general programmes.

To rationalise the number of platforms and meet the marketing needs of all regions where a vehicle could turn out to be profitable, the organisation of passenger car projects was reviewed. It entails five programmes based on two platforms and needing to meet the interests of all the brands and all the regions for a given segment.

Today the Group works with seven platforms: PF N (formerly C Elysée China), PF T (206+/207 Latin America and China), BVH1, BVH2, BVH3, BVHU and EMP2. The aim is to evolve into two worldwide modular platforms that will make it possible to develop our entire range of products and meet the challenges in terms of mass, the environment (as to $CO_2$) and customer expectations as to features.

- EMP2 used specially for the C&D segments was launched in Europe, in Sochaux, in September 2013 with the new Citroën C4 Picasso and the new Peugeot 308 and later in China, in Wuhan, in 2014. It makes it possible to offer a diverse product offering: sedans, coupés, minivans, SUVs and LCVs, by managing the technical variety using plug and play modules (powertrain, high/low driver's area, etc.) Associated benefits are:
  - a weight reduction of 70 to 80 kg by using lighter, innovative materials (steel, aluminium, composites), reducing the environmental impact of the vehicles. In this way the vehicles developed on EMP2 will show a 22% reduction in fuel consumption and $CO_2$ emissions as compared to the vehicle of the previous generation,

- reduced development and manufacturing costs for each new product introduction, owing to versatile facilities that are identical from one site to another,
- an upscaling visible to the customer with new stylistic trends such as big wheels at the four corners, low-slung body designs, a lowered bonnet, etc;

- EMP1, used specifically for the B and C segments will be operational in 2018. The development of this small platform is the kaïzen of the current BVH1. It will provide significant improvement in weight (about 50 kg), in $CO_2$ emissions (by -20%) and will make the body design more appealing. It will let us reach the required level of performance in terms of safety (Euroncap/Chinancap), cost in use (TCO – Total Cost of Ownership), emissions of pollutants (Euro 6.2 and forward) and vibration, while providing a considerable manufacturing carry-over.

Similarly, the Group is making changes as it develops all the body designs of the Peugeot, Citroën and DS brands, as well as those of Fengshen and Opel, through five major programmes: Global B, Global C, Global C-CUV, Global D, and the coming Global D-SUV.

Combining families of body designs, all brands, all regions, produced on the same technical stem for vehicles enables the introduction of "Reskin" concepts. Besides the use elsewhere of basic parts and modules (Carry over), this make possible the use elsewhere of structural parts among cars of the same programme (Carry Across) and changing only the parts visible to the customer. In this way, with an unchanged vehicle architecture, we create one-time cost savings of 10 to 20% in R&D and 30% in CAPEX as compared to an entirely new body design.

### 4.5.2.4. INTERNATIONAL GROWTH

It is the goal of PSA Peugeot Citroën to speed up its international growth, particularly in the Group's priority expansion areas: Asia, Latin America and Russia.

On 19 February 2014, PSA Peugeot Citroën announced the strengthening of the industrial and commercial partnership with Dongfeng Motor Group (DFG), China's second biggest automobile manufacturer.

In 2014, while the Group's main R&D centre remains in Europe – and particularly in France, where around 78% of our work is based, the deployment and growing expertise of our development centres in São Paulo and Shanghai are helping to drive our expansion in the global marketplace. They play a critical role in helping the Group to:

- address the specific expectations of local customers in terms of body styles, architecture, comfort and other factors;
- align our vehicles with local driving conditions, usage patterns and other needs;
- leverage local content opportunities consistent with our modular strategy.

These international development facilities will also be home to certain advanced research and engineering operations with local units specialised in such areas as biofuels, green materials and flexfuels in São Paulo.

Among other benefits, this organisation contributes to project success, eliminates overlap, improves reactivity and optimises management of R&D activities worldwide, while ensuring competitive development costs and time-to-market cycles.

#### 4.5.2.4.1. CHINA

PSA Peugeot Citroën has been expanding its business in China under two joint ventures: DPCA (Dongfeng Peugeot Citroën Automobile) and CAPSA (Changan PSA Automobiles).

##### DPCA

Continuing the cooperation they began over 20 years ago, PSA Peugeot Citroën and the Dongfeng Motors Group (DFG) reached a new stage in March 2014 when they signed a strategic partnership agreement reinforcing and deepening their manufacturing and marketing partnership within DPCA.

This strategic partnership covers three aspects:

- increasing output at DPCA, with the objective of producing and selling 1.5 million vehicles per year by 2020;
- creating a joint R&D centre in China, dedicated to the development of products and technologies for fast-growing markets, including China;
- creating a new joint venture to drive sales of vehicles branded Peugeot, Citroën and Fengshen (DPCA's own brand) in Southeast Asia and possibly in other emerging markets.

Thanks to this partnership, PSA Peugeot Citroën and DFG estimate that they will each be able to generate around €400 million in manufacturing synergies a year in 2020.

In terms of manufacturing capacity at end 2014 the DPCA joint venture had three plants in Wuhan. They currently operate on two shifts, for a total potential capacity of 750,000 units per year. Furthermore, in July 2014, an agreement was signed between DPCA and the City of Chengdu for the construction of a fourth factory in China. With total capacity eventually reaching 360,000 vehicles a year, DPCA's fourth plant will build Dongfeng Citroën, Dongfeng Peugeot and Fengshen-badged SUVs and MPVs. With the fourth plant, production capacity will be lifted to 1 million units a year in 2016.

The DCPA product plan is also strengthened. The broader partnership plans to launch at least one new vehicle per year and per brand. This ambitious product plan not only refreshes extensively the current model line-up, but also expands the Peugeot and Citroën brands' local market coverage.

- in 2014 the Peugeot 408, 2008 and the Citroën C3 XR, C4L were launched in China. These launches complete the success of Peugeot 301, 3008, 308, of the Citroën C-Élysée and the previous C4L and C4. These successes also reflect the work done by the China Tech Centre, the Group's R&D centre in Shanghai, which designed the Citroën C4L and adapted the Peugeot 3008 to meet the specific needs of Chinese consumers;
- the renewed product and engine offerings aim to reduce $CO_2$ emissions by 50% by the year 2020 in the ranges that the Group markets in China. At the same time, DPCA is moving forward in hybrid technology with its Stop & Start-enabled models.

On 2 March 2015, DCPA started production of the Dongfeng Fengshen L60 at its Wuhan 1 plant. The Dongfeng Fengshen L60, a C-segment sedan, is the first car to carry the DPCA brand and will be marketed in China in 2015 through the Fengshen brand network. DPCA is speeding up its international expansion by creating a new company, Dongfeng Peugeot Citroën International (DPCI), which will take charge of distribution and services for the Peugeot, Citroën and Fengshen brands in the ASEAN countries.

The product offering coupled with the deployment of dealerships is expected to enable DPCA to meet its production and sales goals of 1.5 million vehicles per year by 2020.

## CAPSA

In 2014, CAPSA, a joint venture created in 2010 by PSA Peugeot Citroën and China Changan Automobile Group, continues to expand.

The Shenzen plant, opened in September 2013, now produces three vehicles, two of which were introduced in 2014, the DS 5 LS and the DS 6.

Since the brand's "DS World" flagship showroom opened its doors in Shanghai in March 2013, the retail network includes 71 DS Stores as of the end of December 2014. The Group aims to open more DS Stores in 2015.

The joint venture has had since December 2014 its own R&D centre – construction started in July 2013 – in which CAPSA invested RMB 500 million. The centre's engineers will work closely with the China Tech Centre, the European R&D centres, as well as the styling centre in Vélizy.

### 4.5.2.4.2. LATIN AMERICA

In Brazil, PSA Peugeot Citroën has had two production centres in Porto Real in place for over ten years: an engine plant and a final assembly plant.

The Porto Real engine plant produces engines for the Group's vehicles assembled in Brazil and Argentina and intended for Latin American markets. Considered worldwide as a model plant in the PSA Peugeot Citroën Group, in 2012 it began production of a new generation of engines, developed in Brazil and adapted to local needs, particularly flex fuel. The manufacturing facility has already produced nearly 1.6 million engines and its current capacity is 190,000 engines a year.

The final assembly plant in Porto Real, has rolled over 1 million vehicles off the line and presently has a production capacity of 150,000 vehicles per year. The Peugeot 2008 was introduced on 17 March 2015 and the Peugeot 208, the Citroën C3, C3 Aircross and C3 Picasso round out the plant's output. The Peugeot 2008 was the first vehicle to achieve the targeted product strategy globally.

In São Paulo, the engineers and stylists at the Group's local R&D centre adapt the vehicles to local driving conditions.

PSA Peugeot Citroën also has a final assembly plant, near Buenos Aires, with annual capacity of 170,000 vehicles. This is where the Peugeot 207, Partner, 308 and 408, and the Citroën Berlingo and C4 Lounge are produced.

The Group's production facilities also include a mechanical component plant in Jeppener, which produces a 2.0L engine and has capacity for 75,000 engines a year.

With a heavy exposure to currency fluctuations, the Group seeks to attain profitability in the region by increasing local content and locally adapting the vehicles produced in the region's factories (+ 3 points in 2014) by reducing fixed costs (-34% in 2014) and working on the positioning and pricing of our brands.

### 4.5.2.4.3. RUSSIA

PCMA Russia, an assembly plant joint operation between PSA Peugeot Citroën (70%) and Mitsubishi Motors Corporation (30%), in Kaluga, started production in mid-2012.

In 2014 the plant produced the Peugeot 408 and Citroën C4 sedan. Its production capacity is 125,000 vehicles per year.

After a year of growth in 2012, the Russian market has been in retreat for two years. In 2014 it was down 11.5% and, in conjunction with the deterioration of the rouble *versus* the euro, generated a significant drop in the Group's sale volume. Group sales in Russia fell 41% to 44,000 units in 2014.

The Group has undertaken a major action plan involving a reduction of fixed costs (-50% in 2014) and production costs, along with the development of solutions to increase its local content (+1 point in 2014), which will allow it to limit the foreign exchange effects.

In 2014 the Group also sought opportunities for profitable growth in Ukraine, Kazakhstan and Belarus.

## 4.5.2.5. PERFORMANCE

Improvement in the effectiveness of PSA Peugeot Citroën's R&D depends on two key factors:

- R&D performance;
- Skills.

### IMPROVING THE R&D PERFORMANCE

R&D has committed to show a performance gain of €1.5 billion over five years, or an average annual gain of €300 million.

The key factors identified to achieve this objective are:

- improving our design and systems Engineering processes and our operational development programmes, and developing new projects in a process that optimises time to market and reduces development costs. By this means there can be an average gain of 20% in development costs and of ten weeks in the development of a vehicle;
- making use of PLM (Product Lifecycle Management), a tool involving all out operating processes and work methods, to create, manage, share and capitalise on all the information concerning the product throughout its life cycle;
- improving prototype costs by using effective digital tools;
- arranging R&D subcontracting around four major suppliers of engineering services and undertaking cost improvement measures with each of them aimed at 20% reductions;
- continue our joint efforts with:
  - General Motors,
  - Toyota: in the A and D-LCV segments,
  - Fiat: utility vehicles,
  - Ford: diesel engines;
- strengthen our strategic partnership with Dongfeng Motors.

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.

### PRESERVATION OF OUR CORE COMPETENCIES

In terms of employment, PSA Peugeot Citroën is aiming for a total payroll equal to 12% of revenues (the benchmark being 11%) by 2016 and, in keeping with the New Social Contract, agrees to maintain 75% of the R&D work in France and limit outsourcing to 20%.

To meet this objective, the Group is refocusing its R&D resources and skills on its core business and its value added.

- an expertise network put in place in 2010 today includes 20 senior experts, 140 experts and 560 specialists who are key competencies to the Group;
- a skills management tool so-called nine cell strategic matrix is systematically applied to quickly identify those that add the most value.

An internal reconversion programme which allows employees to reposition themselves along competencies that are highly valuable for the Group's R&D.

## 4.5.3. TECHNOLOGICAL RESPONSE PSA PEUGEOT CITROËN

### 4.5.3.1. IMPROVING FUEL EFFICIENCY AND REDUCING CARBON EMISSIONS

As part of our sustainable development commitment, half of our R&D efforts are dedicated to clean technologies that help to shrink our vehicles' environmental footprint.

In terms of $CO_2$, the Group's R&D efforts concern the five key factors that will significantly reduce vehicles' fuel consumption:

- engine efficiency and hybridisation ;
- vehicle mass ;
- aerodynamics ;
- rolling resistance ;
- energy management.

**THE ORDERS OF MAGNITUDE OF $CO_2$ GAIN FROM EACH OF THESE FACTORS ARE AS FOLLOWS:**

| Physical size | $CO_2$ gain (on NEDC cycle) |
|---|---|
| Energy efficiency of powertrain | +10% η → - 10 g |
| Mass | - 100 kg → - 8 g |
| Rolling resistance | - 1 kg/t → - 2 g |
| Electricity usage | - 100 W → - 2.5 g |
| Aerodynamics | - 0.05 m² SCx → - 2 g |

Our technological innovations for combating greenhouse gas emissions are described in section 2.2.1.1.1, page 40.

### 4.5.3.2. REDUCTION OF POLLUTING EMISSIONS

Due to European regulations, which are among the most stringent in the world, petrol and diesel engines have equivalent emissions per the Euro 6 standard, applicable since September 2014 for new vehicles.

Our R&D work aims to equip all the Group's vehicles with increasingly effective anti-pollution systems, whether for eliminating particles, reducing nitrogen oxides ($No_x$) from diesel engines or for the pollutants from petrol engines (see section 2.2.1.2.1, page 44).

### 4.5.3.3. THE AUTONOMOUS CONNECTED VEHICLE

To meet changes in the habits and expectations of customers, PSA Peugeot Citroën is developing vehicles connected to the surroundings and having on board automation technologies that will gradually introduce self-driving.

#### 4.5.3.3.1. THE CONNECTED OR COMMUNICATING CAR

A connected or communicating car is one linked to its environment: it begins with radio reception, moves up to smart phone links (Wi-Fi, Bluetooth, NFC or Near Field Communication) with infrastructures (GPS location, GSM mobile phone, etc.) and finishes with Car2X (conversation vehicle to vehicle or with infrastructures.) The car interacts with its environment (*e.g.*, emergency calls, hands-free kits, etc.). It fits easily into an ecosystem where all objects have the ability to communicate with each other. It marks the passage from a closed-off vehicle to an extended vehicle, with extensions in the cloud and in mobile devices.

The Group is taking a position in this market by developing mobile services and onboard intelligence for its customers (see section 2.2.1.4, p 49).

#### 4.5.3.3.2. THE AUTONOMOUS OR SELF-DRIVING CAR

The automation of driving is gradually arriving for vehicles, in three main phases: assisted driving/automatic driving/autonomous vehicle.

- Assisted driving: This involves systems that handle either the longitudinal or the lateral control of the vehicle on the road (*e.g.*, ACC Automatic Cruise Control, Lane Keeping or Traffic Jam Assist). These technologies require the driver to keep hold of the steering wheel.
- Automatic or automated driving: This involves systems that handle both the longitudinal and lateral control of the vehicle without calling for the driver to do anything with the steering wheel (hands off is all right) or with the pedals. However, the driver does have to keep an eye on the system in real time and must not do any other tasks than those related to driving.
- Autonomous vehicle: In this driving mode, the driver is no longer required to oversee the system, at least during some phases. He or she may temporarily turn to other tasks than driving.

PSA Peugeot Citroën will be in a position to offer affordable, automatic driving to our customers by 2020. The Group is working at the same time to introduce an autonomous vehicle. This involves using proven, advanced technologies and guaranteeing maximum operating safety.

The goal of the PSA Peugeot Citroën strategy is to make these technologies accessible to the greatest number of people: "Safety for all". Thus the implementation of ADAS (Advanced Driving Assistance Systems) is planned to occur in side-waves, affecting all the vehicles of the Group:

PSA Peugeot Citroën will also gradually introduce the autonomous vehicle, with an option for the driver to be temporarily "out of the loop" and do tasks not related to driving. In this mode, the system completely takes over the responsibility for driving and for safety, and should manual control need to be resumed, the driver is given sufficient advance warning.

The benefits to the customer of the increasing automation of driving are of three kinds:

- improving safety on the road: in dangerous situations like emergency braking or avoiding a collision;
- making driving more pleasant by taking over tedious tasks like monotonous motorway driving, traffic jams and parking manoeuvres;
- freeing up the driver's time, particularly when the vehicle becomes autonomous, since he or she will be able to pursue other activities during the trip. The driver will also be able to let the car go off and park itself. Lastly, automating driving will make it possible to manage congestion better and to reduce travel times.

#### 4.5.3.3.3. HUMAN-MACHINE INTERFACES (HMI)

Human Machine Interfaces (HMIs) provide the driver with comfort and driving safety. Today, besides driving features, drivers want access to their digital environment on the screen of their vehicle, and in complete safety.

To meet these expectations PSA Peugeot Citroën has developed among other things the i-cockpit, appearing on all Peugeot vehicles since 2012. The driver is seated in the heart of a truly intuitive techno-cockpit: the driver's position has a small steering wheel for easy handling, a heads-up console for comfort and driving safety and a large easy-to-use 9.7" touchscreen with fewer buttons.

HMI, which became a major feature, is characterised today by its rich style that, especially thanks to its harmonious Agora styling, brings a modern and ergonomic look to the product *via* coverflow animation.

Furthermore, the increase in complex connective devices and automatic functions which interact with the driver requires developing HMIs of great quality ergonomically, that add to the safety of the car and that are compatible with the act of driving.

The HMIs therefore must be explicit and meet the three needs of the three driving modes:

- for assisted driving: keep the driver informed about the operation of the system, allowing activations and adjustments, function by function;
- for automatic driving: as the driver has become the system supervisor, he or she must be able to give instructions and make high level adjustments: position in the lane, movements by the vehicle following behind, speed of parking manoeuvres, etc. The driver is informed in real time of what the system is doing and is about to do. He or she must be able to take over whenever he or she wishes. The system continuously monitors the driver's attention and might take back control at any point;
- for autonomous driving: interactions with the vehicle occur primarily when transitioning between modes. When the driver becomes a passenger, the interfaces may turn into something to toy with or be useful as a way for him or her to take on other activities. Human-Machine cooperation in autonomous mode is comparable to that of a customer and taxi driver.

The PSA Peugeot Citroën HMIs will combine all the ways that the driver and the vehicle interact: word, touch, gesture, look – and do so in interaction with the vehicle's connected devices.

#### 4.5.3.3.4. CHALLENGES SURROUNDING THE AUTONOMOUS CONNECTED CAR

The communicating autonomous vehicle certainly faces considerable technological issues. Mass producing a safe autonomous vehicle calls for profound changes in the way we design onboard automotive systems.

Connection services also generate a new market where the position of participants from the auto industry and from consumer electronics has yet to be established.

But beyond these business or technological issues, there remains a social one as well. The acceptance of various degrees of vehicle automation by customers and governmental authorities will come about in stages as well. Assisted-driving vehicles are already on the street and their use by customers is growing. With respect to automatic driving and autonomous vehicles, the Vienna Convention as interpreted by EU member States does not authorise such machines. Discussions are under way among the carmakers, through OICA, to renegotiate the Convention so that it will authorise them. Meetings with government authorities are held regularly to determine the best way to introduce these systems, taking into account all the parameters such as, for instance, communications with customers, delivery of the vehicles and training customers in this sort of technology.

### 4.5.3.4. TECHNOLOGY IN SUPPORT OF MAKING THE BRANDS APPEALING

The PSA Peugeot Citroën portfolio of innovations is implemented in the Group's vehicles according to the brand image strategy of Peugeot, Citroën and DS.

Innovations which we intend to keep accessible to all our customers, are implemented across the board on Peugeot, Citroën and DS cars:

- Clean technologies (power train improvements, weight reduction, air quality);
- ADAS (Advanced Driving Assistance Systems);
- Comfort features like arms-full entry.

Some across the board innovations may be customised by brand. Examples include:

- the polysensory pack can be tailored to the interior feeling the brand wishes to convey;
- the Magic Light technology, a light pattern printed on the inside surface of the car's sun roof, can form part of the brand's signature, depending on the design chosen;
- active suspension systems.

And obviously, some innovations are part and parcel of a brand's image. Examples that come to mind:

- for Peugeot – the i-cockpit and Newspaper Wood, illustrating the Responsible Elite;
- for Citroën – the Airbumps and the straight instrument panel, strong markers of the brand;
- for DS – «watchband» seats.

# 4.6. RECENT EVENTS AND OUTLOOK

## 4.6.1. TREND INFORMATION

2014 was the first stage of the Group's plan to reconstruct its economic fundamentals. The results have proven that the four operating objectives of the Back in the Race plan, presented in paragraph 1.4.2.1 above, do indeed work. Each one had a positive outcome.

1. **Brand differentiation**

   The three brands are complementary. Peugeot combines fine engineering with Latin flair and elegance. Citroën represents creativity and technology harnessed for the customer's comfort and ease of body and mind. DS is the expression of French-style refinement and luxury along with technology.

2. **A product strategy targeted globally**

   The Group will be able to meet its objective by moving from a product strategy set by region to a global range of products, by carrying out a dynamic ongoing sales strategy in the coming years, with an average number of sales events worldwide depending on the major product events, and the introduction of new vehicles, and by having a product line younger than 3.3 years (3.1 years in Europe in 2014). In this connection, the Group has kept the R&D effort at the same level of between 7 and 8% of revenue and striven for greater efficiency in capital spending and in R&D. This would save €600 million, primarily from a targeted product strategy, partnerships and both in-sourced and out-sourced production.

3. **Ensuring profitable growth internationally**

   **In Europe**, to attain the goal of improved margins per same share of market the four levers are price-competitive financing (made more possible with the Santander partnership), greater pricing power, lower production costs (for the Group and its suppliers) and a reduction in fixed costs.

   **In China and SE Asia**, the goal for DPCA is to consolidate profitable growth and for CAPSA to break even in 2016. To this end, the levers are purchasing (using local suppliers in support of profitable growth), the R&D centre with the new joint venture that will be operational in 2015, operating efficiency and pursuing profitable growth in the ASEAN countries, which means expanding into BRIC with vehicles made in China.

   **In Latin America** the ways to achieve breakeven in 2017 are improved unit margins from higher prices and stable volumes of about 200,000 units to use local plants, a halving of fixed costs as compared to 2012, and efficiently paving the way to a future with a locally made platform and engine.

   **In Eurasia**, to cope with the collapse of the rouble and prepare a return to breakeven in 2017, the levers are focusing on models produced locally, accelerating the reduction in fixed costs down to a minimal cost structure, greater local content with a goal of 50% in 2018, and improving the business by developing local partners.

   **In India-Pacific**, the Group's regional objective is to focus on profitable growth and study medium term growth opportunities. Doing this will call for a targeted product range (a price-competitive automatic transmission, and the Peugeot 308 in Japan, Korea and Australia) and to study the possibilities of competitive sourcing and the growth opportunities in India.

   As for the **Middle East and Africa**, the goal is to leverage the image of the brands and foster profitable growth mainly by restarting business in Iran, exploring new manufacturing opportunities in the region and developing the DS brand.

   For detail on financial performance by region in 2014, please also refer to sections 1.4.1.1.2 and 4.5.2.5 above.

4. **Increased competitiveness**

   In 2014 the breakeven point, as calculated on operating income from recurring operations, improved by 500,000 vehicles (excluding China). It went from 2.6 million vehicles in 2013 to 2.1 million in 2014, which comes very close to the target level of 2 million vehicles.

   The means for reaching this goal are (i) reducing fixed costs to the level targeted for 2016 of 12% of wage costs, from the 2014 level of 13.4% and secondly, improving direct manufacturing costs and factory utilisation rates, with objective for 2015-2018 being the continuation of efforts to save €500 per vehicle, truly a challenge when integrating technical improvements mandated by new regulations (€6).

   As of today, all the Back in the Race levers in this respect are in operation:

   - Differentiated brands and price positioning in line with our objectives;
   - Regions given their instructions for developing profitable growth;
   - Europe and China the principal engines of growth;
   - Breakeven point lower by 500,000 vehicles ;
   - Optimised financing costs.

### OUTLOOK

In 2015, PSA Peugeot Citroën expects to see automotive demand increase by a modest 1% in Europe and by approximately 7% in China, but decline by some 10% in Latin America and by around 30% in Russia.

The Group aims to generate operating free cash flow of around €2 billion over the period 2015-2017. It is also targeting an operating margin[1] of 2% in 2018 for the Automotive Division, with the objective of reaching 5% over the period of the next medium-term plan, covering 2019-2023.

## 4.6.2. PROFIT FORECASTS OR ESTIMATES

The Group has not made any profit forecasts or estimates.

*(1) Recurring operating income relating to the Automotive Division's revenues.*

# 5 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

The consolidated financial statements of the Group are presented for the years ended 31 December 2014 and 2013. The 2012 consolidated financial statements are included in the Registration Document that was filed with the French securities regulator (*Autorité des Marchés Financiers*) on 28 March 2013 under no. D. 13-0239.

# 5.1. CONSOLIDATED STATEMENTS OF INCOME

| *(in million euros)* | Notes | 2014 Manufacturing and sales companies | 2014 Finance companies | 2014 Eliminations | 2014 Total |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Sales and revenue** | *5.1* | **53,019** | **628** | **(40)** | **53,607** |
| Cost of goods and services sold | | (44,445) | (358) | 40 | (44,763) |
| Selling, general and administrative expenses | | (5,770) | (144) | - | (5,914) |
| Research and development expenses | *5.3* | (2,025) | - | - | (2,025) |
| **Recurring operating income (loss)** | | **779** | **126** | **-** | **905** |
| Non-recurring operating income | *5.4 - 8.3* | 228 | - | - | 228 |
| Non-recurring operating expenses | *5.4 - 8.3* | (907) | (3) | - | (910) |
| **Operating income (loss)** | | **100** | **123** | **-** | **223** |
| Financial income | | 205 | - | - | 205 |
| Fiancial expenses | | (960) | (8) | - | (968) |
| **Net financial income (expense)** | *12.2* | **(755)** | **(8)** | **-** | **(763)** |
| **Income (loss) before tax of fully consolidated companies** | | **(655)** | **115** | **-** | **(540)** |
| Current taxes | | (255) | (34) | - | (289) |
| Deferred taxes | | 29 | (53) | - | (24) |
| **Income taxes** | *14* | **(226)** | **(87)** | **-** | **(313)** |
| Share in net earnings of companies at equity | *11.3* | 270 | 12 | - | 282 |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | *3.3* | - | (251) | - | (251) |
| **Consolidated profit (loss) from continuing operations** | | **(611)** | **(211)** | **-** | **(822)** |
| *Attributable to equity holders of the parent* | | *(753)* | *(215)* | *(5)* | *(973)* |
| **Operations to be continued in partnership** | | | | | |
| **Profit (loss) from operations to be continued in partnership** | | **(34)** | **301** | **-** | **267** |
| **CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD** | | **(645)** | **90** | **-** | **(555)** |
| *Attributable to equity holders of the parent* | | *(787)* | *86* | *(5)* | *(706)* |
| *Attributable to minority interests* | | *142* | *4* | *5* | *151* |

| *(in euros)* | |
|---|---|
| Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2) | (1.59) |
| Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2) | (1.15) |
| Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2) | (1.59) |
| Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2) | (1.15) |

| *(in million euros)* | Notes | 2013 Manufacturing and sales companies | 2013 Finance companies | 2013 Eliminations | 2013 Total |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Sales and revenue** | *5.1* | **52,459** | **668** | **(48)** | **53,079** |
| Cost of goods and services sold | | (45,096) | (375) | 48 | (45,423) |
| Selling, general and administrative expenses | | (5,731) | (141) | - | (5,872) |
| Research and development expenses | *5.3* | (2,148) | - | - | (2,148) |
| **Recurring operating income (loss)** | | **(516)** | **152** | **-** | **(364)** |
| Non-recurring operating income | *5.4 - 8.3* | 413 | - | - | 413 |
| Non-recurring operating expenses | *5.4 - 8.3* | (1,578) | - | - | (1,578) |
| **Operating income (loss)** | | **(1,681)** | **152** | **-** | **(1,529)** |
| Financial income | | 202 | - | - | 202 |
| Fiancial expenses | | (866) | - | - | (866) |
| **Net financial income (expense)** | *12.2* | **(664)** | **-** | **-** | **(664)** |
| **Income (loss) before tax of fully consolidated companies** | | **(2,345)** | **152** | **-** | **(2,193)** |
| Current taxes | | (205) | (56) | - | (261) |
| Deferred taxes | | (61) | 16 | - | (45) |
| **Income taxes** | *14* | **(266)** | **(40)** | **-** | **(306)** |
| Share in net earnings of companies at equity | *11.3* | 165 | 8 | - | 173 |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | *3.3* | - | (248) | - | (248) |
| **Consolidated profit (loss) from continuing operations** | | **(2,446)** | **(128)** | **-** | **(2,574)** |
| *Attributable to equity holders of the parent* | | *(2,538)* | *(143)* | *6* | *(2,675)* |
| **Operations to be continued in partnership** | | | | | |
| **Profit (loss) from operations to be continued in partnership** | | **(19)** | **366** | **-** | **347** |
| **CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD** | | **(2,465)** | **238** | **-** | **(2,227)** |
| *Attributable to equity holders of the parent* | | *(2,556)* | *223* | *6* | *(2,327)* |
| *Attributable to minority interests* | | *91* | *15* | *(6)* | *100* |

| *(in euros)* | |
|---|---|
| Basic earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2) | (7.82) |
| Basic earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2) | (6.80) |
| Diluted earnings per €1 par value share of continuing operations - attributable to equity holders of the parent (Note 15.2) | (7.82) |
| Diluted earnings per €1 par value share - attributable to equity holders of the parent (Note 15.2) | (6.80) |

# 5.2. CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES RECOGNISED IN EQUITY

| *(in million euros)* | 2014 | | |
|---|---|---|---|
| | Before tax | Income tax benefit (expense) | After tax |
| **Consolidated profit (loss) for the period** | **(242)** | **(313)** | **(555)** |
| **Items that may be recycled through profit or loss** | | | |
| Fair value adjustments to cash flow hedges | 112 | (33) | 79 |
| › of which, reclassified to the income statement | (129) | 19 | (110) |
| › of which, recognised in equity during the period | 241 | (52) | 189 |
| Gains and losses from remeasurement at fair value of available-for-sale financial assets | 2 | - | 2 |
| › of which, reclassified to the income statement | 2 | - | 2 |
| › of which, recognised in equity during the period | - | - | - |
| Exchange differences on translating foreign operations | 215 | - | 215 |
| **TOTAL** | **329** | **(33)** | **296** |
| **Items that may not be recycled through profit or loss** | | | |
| Actuarial gains and losses on pension obligations | (132) | 46 | (86) |
| **Income and expenses recognised directly in equity, net** | **197** | **13** | **210** |
| › of which, companies at equity | 125 | - | 125 |
| **TOTAL RECOGNISED INCOME AND EXPENSES, NET** | **(45)** | **(300)** | **(345)** |
| › of which, attributable to equity holders of the parent | | | (534) |
| › of which, attributable to minority interests | | | 189 |

Income and expenses recognised in equity correspond to all changes in equity resulting from transactions with third parties other than shareholders.

| | 2013 | | |
|---|---|---|---|
| *(in million euros)* | **Before tax** | **Income tax benefit (expense)** | **After tax** |
| **Consolidated profit (loss) for the period** | **(1,921)** | **(306)** | **(2,227)** |
| **Items that may be recycled through profit or loss** | | | |
| Fair value adjustments to cash flow hedges | (48) | 18 | (30) |
| › of which, reclassified to the income statement | (49) | 13 | (36) |
| › of which, recognised in equity during the period | 1 | 5 | 6 |
| Gains and losses from remeasurement at fair value of available-for-sale financial assets | (83) | 3 | (80) |
| › of which, reclassified to the income statement | - | - | - |
| › of which, recognised in equity during the period | (83) | 3 | (80) |
| Exchange differences on translating foreign operations | (365) | - | (365) |
| **TOTAL** | **(496)** | **21** | **(475)** |
| **Items that may not be recycled through profit or loss** | | | |
| Actuarial gains and losses on pension obligations | 204 | (51) | 153 |
| **Income and expenses recognised directly in equity, net** | **(292)** | **(30)** | **(322)** |
| › of which, companies at equity | 22 | - | 22 |
| **TOTAL RECOGNISED INCOME AND EXPENSES, NET** | **(2,213)** | **(336)** | **(2,549)** |
| › of which, attributable to equity holders of the parent | | | (2,630) |
| › of which, attributable to minority interests | | | 81 |

# 5.3. CONSOLIDATED BALANCE SHEETS

## ASSETS

| *(in million euros)* | Notes | 31 December 2014 Manufacturing and sales companies | Finance companies | Eliminations | Total |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Goodwill | 8.1 | 1,505 | 1 | - | 1,506 |
| Intangible assets | 8.1 | 4,285 | 63 | - | 4,348 |
| Property, plant and equipment | 8.2 | 10,826 | 5 | - | 10,831 |
| Investments in companies at equity | 11 | 1,562 | 104 | - | 1,666 |
| Other non-current financial assets | 12.5.A | 696 | 31 | (4) | 723 |
| Other non-current assets | 9.1 | 928 | 14 | (1) | 941 |
| Deferred tax assets | 14 | 529 | 61 | - | 590 |
| **Total non-current assets** | | **20,331** | **279** | **(5)** | **20,605** |
| **Operating assets** | | | | | |
| Loans and receivables - finance companies | 13.3.A | - | 4,078 | (4) | 4,074 |
| Short-term investments - finance companies | 13.3.B | - | 192 | - | 192 |
| Inventories | 6.1 | 4,194 | - | - | 4,194 |
| Trade receivables - manufacturing and sales companies | 6.2 | 1,375 | - | (157) | 1,218 |
| Current taxes | 14 | 147 | 9 | (62) | 94 |
| Other receivables | 6.3.A | 1,662 | 320 | (52) | 1,930 |
| | | **7,378** | **4,599** | **(275)** | **11,702** |
| **Current financial assets** | 12.5.A | **405** | **-** | **(301)** | **104** |
| **Financial investments** | 12.5.B | **266** | **-** | **-** | **266** |
| **Cash and cash equivalents** | 12.5.C & 13.3.C | **8,477** | **1,610** | **(128)** | **9,959** |
| **Total current assets** | | **16,526** | **6,209** | **(704)** | **22,031** |
| **Total assets of continuing operations** | | **36,857** | **6,488** | **(709)** | **42,636** |
| **Total assets of operations to be continued in partnership** | | **167** | **18,529** | **(120)** | **18,576** |
| **TOTAL ASSETS** | | **37,024** | **25,017** | **(829)** | **61,212** |

## EQUITY AND LIABILITIES

| *(in million euros)* | Notes | 31 December 2014 Manufacturing and sales companies | Finance companies | Eliminations | Total |
|---|---|---|---|---|---|
| **Equity** | 15 | | | | |
| Share capital | | | | | 783 |
| Treasury shares | | | | | (296) |
| Retained earnings and other accumulated equity, excluding minority interests | | | | | 8,784 |
| Minority interests | | | | | 1,147 |
| **Total equity** | | | | | **10,418** |
| **Continuing operations** | | | | | |
| Non-current financial liabilities | 12.6 | 6,463 | - | - | 6,463 |
| Other non-current liabilities | 9.2 | 2,993 | - | (1) | 2,992 |
| Non-current provisions | 10.2 | 1,541 | 2 | - | 1,543 |
| Deferred tax liabilities | 14 | 640 | - | - | 640 |
| **Total non-current liabilities** | | **11,637** | **2** | **(1)** | **11,638** |
| **Operating liabilities** | | | | | |
| Financing liabilities | 13.4 | - | 4,331 | (363) | 3,968 |
| Non-transferred financing liabilities of operations to be continued in partnership | 13.4 | - | 8,677 | - | 8,677 |
| Current provisions | 10.3 | 2,790 | 98 | - | 2,888 |
| Trade payables | | 8,177 | - | (13) | 8,164 |
| Current taxes | 14 | 157 | 8 | (1) | 164 |
| Other payables | 6.3.B | 4,114 | 254 | (140) | 4,228 |
| | | **15,238** | **13,368** | **(517)** | **28,089** |
| **Current financial liabilities** | 12.6 | **2,833** | **-** | **(19)** | **2,814** |
| **Total current liabilities** | | **18,071** | **13,368** | **(536)** | **30,903** |
| **Total liabilities of continuing operations** (1) | | **29,708** | **13,370** | **(537)** | **42,541** |
| **Total transferred liabilities of operations to be continued in partnership** | | **37** | **8,508** | **(292)** | **8,253** |
| **TOTAL EQUITY AND LIABILITIES** | | | | | **61,212** |

*(1) Excluding equity.*

## ASSETS

| *(in million euros)* | Notes | 31 December 2013 Manufacturing and sales companies | Finance companies | Eliminations | Total |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Goodwill | *8.1* | 1,484 | 77 | - | 1,561 |
| Intangible assets | *8.1* | 3,958 | 70 | - | 4,028 |
| Property, plant and equipment | *8.2* | 11,236 | 17 | - | 11,253 |
| Investments in companies at equity | *11* | 1,292 | 83 | - | 1,375 |
| Other non-current financial assets | *12.5.A* | 641 | 53 | - | 694 |
| Other non-current assets | *9.1* | 620 | 15 | (1) | 634 |
| Deferred tax assets | *14* | 478 | 74 | - | 552 |
| **Total non-current assets** | | **19,709** | **389** | **(1)** | **20,097** |
| **Operating assets** | | | | | |
| Loans and receivables - finance companies | *13.3.A* | - | 21,335 | (55) | 21,280 |
| Short-term investments - finance companies | *13.3.B* | - | 829 | - | 829 |
| Inventories | *6.1* | 5,588 | - | - | 5,588 |
| Trade receivables - manufacturing and sales companies | *6.2* | 1,790 | - | (156) | 1,634 |
| Current taxes | *14* | 161 | 43 | (16) | 188 |
| Other receivables | *6.3.A* | 1,659 | 657 | (131) | 2,185 |
| | | **9,198** | **22,864** | **(358)** | **31,704** |
| **Current financial assets** | *12.5.A* | **141** | **-** | **-** | **141** |
| **Financial investments** | *12.5.B* | **-** | **-** | **-** | **-** |
| **Cash and cash equivalents** | *12.5.C & 13.3.C* | **6,185** | **1,804** | **(210)** | **7,779** |
| **Total current assets** | | **15,524** | **24,668** | **(568)** | **39,624** |
| **Total assets of continuing operations** | | **35,233** | **25,057** | **(569)** | **59,721** |
| **Total assets of operations to be continued in partnership** | | **43** | **-** | **-** | **43** |
| **TOTAL ASSETS** | | **35,276** | **25,057** | **(569)** | **59,764** |

## EQUITY AND LIABILITIES

| *(in million euros)* | Notes | 31 December 2013 Manufacturing and sales companies | Finance companies | Eliminations | Total |
|---|---|---|---|---|---|
| **Equity** | 15 | | | | |
| Share capital | | | | | 355 |
| Treasury shares | | | | | (351) |
| Retained earnings and other accumulated equity, excluding minority interests | | | | | 6,823 |
| Minority interests | | | | | 1,010 |
| **Total equity** | | | | | **7,837** |
| **Continuing operations** | | | | | |
| Non-current financial liabilities | *12.6* | 7,956 | - | - | 7,956 |
| Other non-current liabilities | *9.2* | 3,045 | - | (1) | 3,044 |
| Non-current provisions | *10.2* | 1,128 | 16 | - | 1,144 |
| Deferred tax liabilities | *14* | 493 | 348 | - | 841 |
| **Total non-current liabilities** | | **12,622** | **364** | **(1)** | **12,985** |
| **Operating liabilities** | | | | | |
| Financing liabilities | *13.4* | - | 20,444 | (216) | 20,228 |
| Non-transferred financing liabilities of operations to be continued in partnership | *13.4* | - | - | - | - |
| Current provisions | *10.3* | 2,568 | 89 | - | 2,657 |
| Trade payables | | 8,108 | - | (12) | 8,096 |
| Current taxes | *14* | 117 | 44 | (16) | 145 |
| Other payables | *6.3.B* | 4,124 | 824 | (281) | 4,667 |
| | | **14,917** | **21,401** | **(525)** | **35,793** |
| **Current financial liabilities** | *12.6* | **3,192** | **-** | **(43)** | **3,149** |
| **Total current liabilities** | | **18,109** | **21,401** | **(568)** | **38,942** |
| **Total liabilities of continuing operations** (1) | | **30,731** | **21,765** | **(569)** | **51,927** |
| **Total transferred liabilities of operations to be continued in partnership** | | **-** | **-** | **-** | **-** |
| **TOTAL EQUITY AND LIABILITIES** | | | | | **59,764** |

*(1) Excluding equity.*

# 5.4. CONSOLIDATED STATEMENTS OF CASH FLOWS

| *(in million euros)* | Notes | 2014 | | | |
|---|---|---|---|---|---|
| | | Manufacturing and sales companies | Finance companies | Eliminations | Total |
| **Consolidated profit (loss) from continuing operations** | | **(611)** | **(211)** | **-** | **(822)** |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | | - | 251 | - | 251 |
| Adjustments for non-cash items: | | | | | |
| › Depreciation, amortisation and impairment | 16.2 | 2,506 | 24 | - | 2,530 |
| › Provisions | | 275 | 41 | - | 316 |
| › Changes in deferred tax | | (37) | (80) | - | (117) |
| › (Gains) losses on disposals and other | | 42 | - | - | 42 |
| Share in net (earnings) losses of companies at equity, net of dividends received | | (120) | (12) | - | (132) |
| Revaluation adjustments taken to equity and hedges of debt | | 81 | - | - | 81 |
| Change in carrying amount of leased vehicles | | (10) | - | - | (10) |
| **Funds from operations (1)** | | **2,126** | **13** | **-** | **2,139** |
| Changes in working capital | 6.4.A | 1,752 | 435 | (262) | 1,925 |
| **Net cash from (used in) operating activities of continuing operations (2)** | | **3,878** | **448** | **(262)** | **4,064** |
| Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies | | - | - | - | - |
| Capital increase and acquisitions of consolidated companies and equity interests (3) | | (61) | (10) | - | (71) |
| Proceeds from disposals of property, plant and equipment and of intangible assets | | 204 | 2 | - | 206 |
| Investments in property, plant and equipment | | (1,294) | (3) | - | (1,297) |
| Investments in intangible assets | | (1,119) | (12) | - | (1,131) |
| Change in amounts payable on fixed assets | | (69) | - | - | (69) |
| Other | | 25 | 1 | - | 26 |
| **Net cash from (used in) investing activities of continuing operations** | | **(2,314)** | **(22)** | **-** | **(2,336)** |
| Dividends paid: | | | | | |
| › Intragroup | | 228 | (228) | - | - |
| › Net amounts received from (paid to) operations to be continued in partnership | | - | 231 | - | 231 |
| › To minority shareholders of subsidiaries | | (58) | - | - | (58) |
| Proceeds from issuance of shares | | 2,961 | - | - | 2,961 |
| (Purchases) sales of treasury shares | | 24 | - | - | 24 |
| Changes in other financial assets and liabilities | 12.3.B | (2,480) | - | 334 | (2,146) |
| **Net cash from (used in) financing activities of continuing operations** | | **675** | **3** | **334** | **1,012** |
| **Net cash related to the non-transferred debt of finance companies to be continued in partnership (4)** | | **-** | **(1,448)** | **-** | **(1,448)** |
| **Net cash from the transferred assets and liabilities of operations to be continued in partnership (4)** | | **(20)** | **1,817** | **10** | **1,807** |
| Effect of changes in exchange rates | | 47 | 1 | - | 48 |
| **Increase (decrease) in cash from continuing operations to be continued in partnership** | | **2,266** | **799** | **82** | **3,147** |
| **Net cash and cash equivalents at beginning of period** | | **6,161** | **1,804** | **(210)** | **7,755** |
| **NET CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS AT END OF PERIOD** | **16.1** | **8,427** | **2,603** | **(128)** | **10,902** |

*(1) Interest received and paid by the manufacturing and sales companies is presented in Note 16.3 Income tax paid (net of refunds) during the year is presented in Note 14.3.B.*
*(2) Excluding flows related to the non-transferred debt of finance companies to be continued in partnership.*
*(3) Of which €1 million in acquisitions in 2014 (€17 million in 2013).*
*(4) Details of cash flows from operations to be continued in partnership are disclosed in Note 16.4.*

| *(in million euros)* | Notes | 2013<br>Manufacturing and sales companies | <br>Finance companies | <br>Eliminations | <br>Total |
|---|---|---|---|---|---|
| **Consolidated profit (loss) from continuing operations** | | **(2,446)** | **(128)** | **-** | **(2,574)** |
| Other expenses related to the non-transferred financing of operations to be continued in partnershipt | | - | 248 | - | 248 |
| Adjustments for non-cash items: | | | | | |
| › Depreciation, amortisation and impairment | *16.2* | 3,534 | 9 | - | 3,543 |
| › Provisions | | (354) | 17 | - | (337) |
| › Changes in deferred tax | | 57 | (159) | - | (102) |
| › (Gains) losses on disposals and other | | (36) | - | - | (36) |
| Share in net (earnings) losses of companies at equity, net of dividends received | | (33) | (8) | - | (41) |
| Revaluation adjustments taken to equity and hedges of debt | | 119 | - | - | 119 |
| Change in carrying amount of leased vehicles | | (37) | - | - | (37) |
| **Funds from operations** (1) | | **804** | **(21)** | **-** | **783** |
| Changes in working capital | *6.4.A* | 440 | (457) | (9) | (26) |
| **Net cash from (used in) operating activities of continuing operations** (2) | | **1,244** | **(478)** | **(9)** | **757** |
| Proceeds from disposals of shares in consolidated companies and of investments in non-consolidated companies | | (9) | - | - | (9) |
| Capital increase and acquisitions of consolidated companies and equity interests (3) | | (90) | (30) | - | (120) |
| Proceeds from disposals of property, plant and equipment and of intangible assets | | 182 | 4 | - | 186 |
| Investments in property, plant and equipment | | (1,478) | (3) | - | (1,481) |
| Investments in intangible assets | | (1,002) | (4) | - | (1,006) |
| Change in amounts payable on fixed assets | | (123) | - | - | (123) |
| Other | | 46 | - | - | 46 |
| **Net cash from (used in) investing activities of continuing operations** | | **(2,474)** | **(33)** | **-** | **(2,507)** |
| Dividends paid: | | | | | |
| › Intragroup | | 286 | (286) | - | - |
| › Net amounts received from (paid to) operations to be continued in partnership | | - | 133 | - | 133 |
| › To minority shareholders of subsidiaries | | (48) | - | - | (48) |
| Proceeds from issuance of shares | | 10 | - | - | 10 |
| (Purchases) sales of treasury shares | | - | - | - | - |
| Changes in other financial assets and liabilities | *12.3.B* | 1,810 | - | - | 1,810 |
| **Net cash from (used in) financing activities of continuing operations** | | **2,058** | **(153)** | **-** | **1,905** |
| **Net cash related to the non-transferred debt of finance companies to be continued in partnership** (4) | | **-** | **(2,294)** | **-** | **(2,294)** |
| **Net cash from the transferred assets and liabilities of operations to be continued in partnership** (4) | | **(72)** | **3,099** | **74** | **3,101** |
| Effect of changes in exchange rates | | (91) | (6) | 4 | (93) |
| **Increase (decrease) in cash from continuing operations to be continued in partnership** | | **665** | **135** | **69** | **869** |
| **Net cash and cash equivalents at beginning of period** | | **5,496** | **1,669** | **(279)** | **6,886** |
| **NET CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS AT END OF PERIOD** | **16.1** | **6,161** | **1,804** | **(210)** | **7,755** |

*(1) Interest received and paid by the manufacturing and sales companies is presented in Note 16.3 Income tax paid (net of refunds) during the year is presented in Note 14.3.B.*
*(2) Excluding flows related to the non-transferred debt of finance companies to be continued in partnership.*
*(3) Of which €17 million in acquisitions in 2013 (€104 million in 2012).*
*(4) Details of cash flows from operations to be continued in partnership are disclosed in Note 16.4.*

# 5.5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | | | Revaluations – excluding minority interests | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | Share capital | Treasury shares | Retained earnings excluding revaluations | Cash flow hedges | Available-for-sale financial assets | Actuarial gains and losses on pension obligations | Translation adjust-ments | Equity – Attributable to equity holders of the parent | Equity -Minority interests | Total equity |
| **At 31 December 2012** | **355** | **(351)** | **9,597** | **(42)** | **80** | **(310)** | **138** | **9,467** | **700** | **10,167** |
| First adoption of IFRS 11 | - | - | (55) | - | - | (8) | - | (63) | 84 | 21 |
| First adoption of IFRIC 21 | - | - | 40 | - | - | - | - | 40 | 3 | 43 |
| **At 1 January 2013** | **355** | **(351)** | **9,582** | **(42)** | **80** | **(318)** | **138** | **9,444** | **787** | **10,231** |
| Income and expenses recognised in equity for the period | - | - | (2,327) | (32) | (80) | 145 | (336) | (2,630) | 81 | (2,549) |
| Measurement of stock options and performance share grants | - | - | 1 | - | - | - | - | 1 | 1 | 2 |
| Effect of changes in scope of consolidation and other | - | - | 2 | - | - | 4 | - | 6 | (22) | (16) |
| Issuance of shares [(1)] | - | - | 6 | - | - | - | - | 6 | 212 | 218 |
| Dividends paid by other Group companies | - | - | - | - | - | - | - | - | (49) | (49) |
| **At 31 December 2013** | **355** | **(351)** | **7,264** | **(74)** | **-** | **(169)** | **(198)** | **6,827** | **1,010** | **7,837** |
| Income and expenses recognised in equity for the period | - | - | (706) | 82 | 2 | (58) | 146 | (534) | 189 | (345) |
| Measurement of stock options and performance share grants | - | - | 20 | - | - | - | - | 20 | 3 | 23 |
| Effect of changes in scope of consolidation and other | - | - | 1 | - | - | - | - | 1 | (6) | (5) |
| Issuance of shares | 428 | - | 2,505 | - | - | - | - | 2,933 | 17 | 2,950 |
| Purchases and sales of treasury shares | - | 55 | (31) | - | - | - | - | 24 | - | 24 |
| Dividends paid by other Group companies | - | - | - | - | - | - | - | - | (66) | (66) |
| **AT 31 DECEMBER 2014** | **783** | **(296)** | **9,053** | **8** | **2** | **(227)** | **(52)** | **9,271** | **1,147** | **10,418** |

*(1) This item essentially concerns the increase in Faurecia's shareholders' equity resulting from the early repayment of the 2015 OCEANE.*

# 5.6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 2014

## CONTENTS

**PRELIMINARY NOTE**

THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2014 INCLUDING EXPLANATORY NOTES WERE APPROVED FOR ISSUE BY THE MANAGING BOARD OF PEUGEOT S.A. ON 10 FEBRUARY 2015, WITH NOTE 19 TAKING INTO ACCOUNT EVENTS THAT OCCURRED IN THE PERIOD UP TO THE SUPERVISORY BOARD MEETING ON 17 FEBRUARY 2015.

# NOTE 1 SIGNIFICANT EVENTS

## 1.1. STRENGTHENING OF THE PARTNERSHIP WITH DONGFENG MOTOR GROUP AND €3 BILLION IN CAPITAL INCREASES

On 26 March 2014, the Group signed the final agreement with Dongfeng Motor Group (DFG), the French State and the Peugeot family group on the following major operations aimed at improving its competitiveness, furthering its strategy of globalisation and penetration of emerging markets, and reinforcing its financial strength.

The operations consist of:

1. the strengthening and deepening of the existing industrial and commercial partnership with DFG, China's second largest carmaker, in order to capitalise on the Group's current success in the world's largest automobile market, which is now the primary source of growth for the automotive industry.

   This strategic partnership covers three aspects:

   - increasing output at DPCA, the Wuhan-based joint venture created in China by DFG and PSA Peugeot Citroën, with the objective of producing and selling 1.5 million vehicles per year by 2020,
   - creating a joint R&D centre in China, dedicated to the development of products and technologies for fast-growing markets, including China,
   - creating a new joint venture to drive sales of vehicles branded Peugeot, Citroën and Feng Shen (DPCA's own brand) in Southeast Asia and possibly in other emerging markets;

2. two capital increases in a total amount of €3 billion approved by the Shareholders' Meeting of 25 April 2014, including:

   - a reserved €1,048 million capital increase subscribed by DFG *via* Dongfeng Motor (Hong Kong) International Co., Limited ("DMHK") and the French State through SOGEPA, on an equal basis, at a subscription price of €7.50 per share,
   - a capital increase with preferential subscription rights in the amount of €1,953 million, open to all shareholders of Peugeot S.A. Settlement-delivery took place on 23 May 2014,
   - prior to the capital increases, a bonus issue of equity warrants for existing Peugeot S.A. shareholders, on the basis of one warrant for each share held, and with a subscription ratio of ten warrants for three and a half new Peugeot S.A. shares. The warrants have a maturity of three years, and may be exercised from the second year. The subscription price per share is €6.43 per share.

Through these capital increases, DFG and the French State have each invested approximately €800 million in PSA Peugeot Citroën, and have become key shareholders alongside the Peugeot family, which also subscribed in the amount of €142 million. Following these transactions, these three shareholders each hold identical interests of 14.1% in the capital of Peugeot S.A., and each have two seats on the Supervisory Board.

## 1.2. RENEWAL OF A €3 BILLION SYNDICATED CREDIT FACILITY

On 8 April 2014, PSA Peugeot Citroën signed a new €3 billion syndicated credit facility comprising a €2.0 billion tranche maturing in five years and a €1.0 billion tranche maturing in three years with two optional one-year extensions.

This credit facility replaces the €2.4 billion line of credit arranged in July 2010 maturing in July 2015.

Coupled with the capital increases, this transaction further reinforces the Group's financial profile, strength and security.

## 1.3. IMPLEMENTATION OF A PARTNERSHIP BETWEEN BANQUE PSA FINANCE AND SANTANDER CONSUMER FINANCE

Banque PSA Finance and Santander Consumer Finance (Santander CF) announced on 10 July 2014 the signing of a binding framework agreement on the establishment of a partnership covering 11 European countries (see Note 3.3).

This partnership between Banque PSA Finance, the automotive finance company of PSA Peugeot Citroën, and Santander CF, the division of Banco Santander specialising in consumer finance, will take the form of 10 partnerships in Germany, Austria, Belgium, Spain, France, Italy, the Netherlands, Poland, the United Kingdom, Switzerland and of a commercial agreement in Portugal. The partnership will enhance commercial capabilities for PSA Peugeot Citroën's brands enabling them to increase their penetration of the car finance market. It will also create a sustainable and dynamic captive financing activity with competitive offers dedicated to PSA Peugeot Citroën's brands and customers. The scope of the transaction will cover approximately 90% of Banque PSA Finance's current activities.

On 2 February 2015, Banque PSA Finance and Santander Consumer Finance announced that their first two joint ventures had obtained approval from regulatory authorities to jointly operate in France and the UK. From now on, the companies will provide wholesale financing to Peugeot, Citroën and DS dealers in both countries, as well as retail financing to the dealers' customers. These first two companies account for 53% of the outstanding loans covered by the framework agreement. The launch of activities in the other nine countries is expected to be finalised in 2015 and early 2016.

The new companies, owned 50:50 and consolidated by the equity method by Banque PSA Finance, will allow Banque PSA Finance to improve its profitability in these countries. By 2018, they should also result in a positive cash impact up to €1.5 billion for the PSA Peugeot Citroën Automotive Division.

The start of the two joint ventures will enable Banque PSA Finance to bolster its financing and thus to regain its full capacity to access the capital markets. These starts also allow Banque PSA Finance to announce that it will no longer use the French state's guarantee for new bond issues.

The French state guarantee, which was initially granted for outstanding principal of up to €7 billion, has to date been used in the amount of €1.5 billion to secure two bond issues (see Note 13.5.A.(1)). Both issuances will continue to benefit from the guarantee.

In this new context, Banque PSA Finance announced on 6 February 2015 the arrangement of a new syndicated credit facility in the amount of €700 million maturing in five years. Simultaneously, it repaid and cancelled the €4.1 billion syndicated loan and the €3.2 billion syndicated back-up facility (see Note 13.4 G).

# NOTE 2 ACCOUNTING POLICIES

## 2.1. STANDARDS APPLIED

The 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 2014, the balance sheet date.[1]

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).

All IFRS standards and interpretations published by the IASB and the IFRS Interpretation Committee whose application is compulsory in financial years beginning on or after 1 January 2014 have been adopted for use and are compulsory in the European Union, or early adopted by the Group, except for IAS 39 which has only been partially adopted for use in the European Union. There are no items in the PSA Peugeot Citroen Group's financial statements that would be affected by the unadopted provisions of this standard.

| New compulsory standards and interpretations | | First application in the EU for annual periods beginning on or after: | Impacts |
|---|---|---|---|
| IFRS 10 | *"Consolidated Financial Statements"* | 01/01/2014 [1] | see Note 3.4 |
| IFRS 11 | *"Joint Arrangements"* | | |
| IFRS 12 | *"Disclosure of Interests in Other Entities"* | | |
| Amendment to IFRS 10, IFRS 11 and IFRS 12 | *"IFRS 10, IFRS 11, IFRS 12: Transition Guidance"* | | |
| IAS 28 | *"Investments in Associates and Joint Ventures"* | | |
| Amendment to IFRS 10, IFRS 12 et IAS 27 | *"Investment Entities"* | 01/01/2014 | Without impact |
| Amendment to IAS 32 | *"Offsetting Financial Assets and Financial Liabilities"* | 01/01/2014 | Without material impact |
| Amendment to IAS 36 | *"Recoverable Amount Disclosures for Non-Financial Assets"* | 01/01/2014 | Without material impact |
| Amendment to IAS 39 | *"Novation of Derivatives and Continuation of Hedge Accounting"* | 01/01/2014 | Without material impact |

(1) *The first application date set by the IASB is 1 January 2013.*

| New standards and interpretations compulsory on or after 1 January 2015, and early adopted | | First application in the EU authorised for annual periods beginning on or after: | Impacts |
|---|---|---|---|
| IFRIC 21 | *"Levies"*<br>This text specifies the date on which the taxes charged by government authorities must be provisioned. | 01/01/2014 | see Note 3.4 |

| New standards and interpretations compulsory on or after 1 January 2015, and not early adopted | | First application in the EU for annual periods beginning on or after: | Impacts |
|---|---|---|---|
| Amendment to IAS 19 | *"Defined Benefit Plans: Employee Contributions"* | 01/01/2015 | Impacts currently being analysed |

(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)*

| New standards and interpretations not yet adopted by the European Union | | First application required by the IASB [1] for financial years beginning on or after | Impacts |
|---|---|---|---|
| Amendment to IAS 1 | *"Disclosure Initiative"* | 01/01/2016 | Impacts currently being analysed |
| Amendment to IFRS 11 | *"Accounting for Acquisitions of Interests in Joint Operations"* | 01/01/2016 | Impacts currently being analysed |
| Amendment to IAS 16 and IAS 38 | *"Clarification on Acceptable Methods of Depreciation and Amortisation"* | 01/01/2016 | Impacts currently being analysed |
| Amendment to IFRS 10 and IAS 28 | *"Sale or contribution of assets between an investor and its associate or joint venture"* | 01/01/2016 | Impacts currently being analysed |
| IFRS 15 | *"Revenue Recognition"* | 01/01/2017 | Impacts currently being analysed |
| IFRS 9 | *Financial instruments – "Classification and Measurement" and "Hedge Accounting"* These texts materialise two out of three phases of the revision of IAS 39 Financial Instruments. | 01/01/2018 | Impacts currently being analysed |

*(1) Subject to adoption by the European Union.*

## 2.2. 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 2014 annual financial statements, special attention was paid to the following items which are particularly exposed to estimation uncertainty in a crisis environment:

- the recoverable amount of Automotive Division intangible assets and property, plant and equipment (see Note 8.3);
- provision for onerous contracts entered into pursuant to cooperation agreements (see Note 8.3);
- deferred tax assets (see Note 14);
- receivables – finance companies (see Note 13.3.A).

The use of estimates and assumptions is also crucial for the following item:

- pension obligations (see Note 7.1);
- provisions (particularly vehicle warranty provisions, restructuring provisions, claims and litigation) (see Note 5.4.B and Note 10);
- the recoverable amount of inventories and other receivables (see Note 6.1 and Note 6.2);
- the fair value of derivative financial instruments (see Note 12.7.B and Note 13.5.B);
- sales incentives (see Note 5.1.A).

# NOTE 3 SCOPE OF CONSOLIDATION

## 3.1. ACCOUNTING POLICIES

### A. CONSOLIDATION POLICIES

#### 1) Consolidation methods

The generic name PSA Peugeot Citroën 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.

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.

Certain companies meeting the above criteria have not been consolidated because they do not meet any of the following minimum requirements:

- revenue in excess of €50 million;
- total assets in excess of €20 million;
- total debt in excess of €5 million.

Investments in these companies are recorded under "Investments in non-consolidated companies" in accordance with the general accounting policies described in Note 12.8. Their consolidation would not have a material impact on the consolidated financial statements.

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 8.3).

### 3) Goodwill on companies at equity

Goodwill attributable to acquisitions of associates and joint arrangements 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 companies at equity" and tested for impairment at the level of the associate or joint arrangement concerned.

### 4) Other changes in scope of consolidation

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.

### 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.

## 3.2. COMPOSITION OF THE GROUP

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

The Group's operations are organised around three main segments (see Note 4):

- 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 3.4);
- the Automotive Equipment Division, corresponding to the Faurecia Group comprising Interior Systems, Automotive Seating, Automotive Exteriors and Emissions Control Technologies. Faurecia is listed on Euronext. Peugeot S.A. holds 51.1% of Faurecia's capital and 67.3% 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. Banque PSA Finance and virtually all its subsidiaries are wholly owned by the Group.

On 10 July 2014, Banque PSA Finance and Santander Consumer Finance signed a framework agreement on the establishment of a partnership (see Note 1.3).

The Group's other activities are housed under "Other businesses", which notably includes the Peugeot S.A. holding company, Peugeot Motocycles and a minority stake in GEFCO consolidated by the equity method. On 19 January 2015, the Group signed a strategic partnership agreement with Mahindra & Mahindra Group (M&M), under the terms of which it lost the exclusive control of Peugeot Motorcycles, which is now consolidated by the equity method.

Changes in the scope of consolidation during 2014 did not have a material impact on the consolidated financial statements, either individually or in the aggregate.

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Fully consolidated companies** | | |
| Manufacturing and sales companies | 304 | 320 |
| Finance companies | 54 | 50 |
| | **358** | **370** |
| **Joint operations** | | |
| Manufacturing and sales companies | 3 | 3 |
| **Companies at equity** | | |
| Manufacturing and sales companies | 45 | 41 |
| Finance companies | 1 | 1 |
| | **46** | **42** |
| **CONSOLIDATED COMPANIES** | **407** | **415** |

## 3.3. 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 to partnership projects relating to the Finance companies and Peugeot Scooters for the year ended 31 December 2014.

### A. PARTNERSHIP BETWEEN BANQUE PSA FINANCE AND SANTANDER CONSUMER FINANCE

This partnership is discussed in Note 1.3.

Assets and liabilities to be contributed to the partnership have been reclassified in the debt section of the balance sheet in "Assets of operations to be continued in partnership" and "Transferred liabilities of operations to be continued in partnership". Such assets are carried at the fair values assigned within the framework of the transaction, resulting in the recognition of a total expense of €112 million of which €75 million relating the impairment of the goodwill.

EMTN (euro medium-term notes) and MTN (medium-term notes) debt securities and most of the bank borrowings that ensure the refinancing of assets to be transferred will not be transferred. They are included in a specific item, "Non-transferred financing liabilities of operations to be continued in partnership". Wherever possible, the Group plans to prepay these debts. Certain undrawn credit facilities will also be terminated early (see Note 13.4.G). The revision of maturities led to the recognition in 2014 of an exceptional expense of €15 million pursuant to IAS 39.

In Spain and Italy, the existing loans of the Retail business will not be transferred. Consequently, balance sheet and income statement items relating to these loans and their refinancing have not been reclassified.

Operations to be continued in partnership are no longer included in recurring operating income. Income and expenses are classified in the following items:

- profit (loss) from operations to be continued in partnership;
- other expenses related to the non-transferred financing of operations to be continued in partnership.

The effect of this transaction on the balance sheet as of 31 December 2014 is as follows:

| ASSETS | 31 December 2014 | | | |
|---|---|---|---|---|
| | Before IFRS 5 | IFRS 5 declassification | Other impacts related to the transaction | After IFRS 5 |
| Deferred tax assets | 30 | 31 | - | 61 |
| Other non-current assets | 319 | (101) | - | 218 |
| **Total non-current assets** | **349** | **(70)** | **-** | **279** |
| Loans and receivables - finance companies | 21,060 | (16,982) | - | 4,078 |
| Short-term investments - finance companies | 450 | (258) | - | 192 |
| Other operating assets | 624 | (295) | - | 329 |
| **Operating assets** | **22,134** | **(17,535)** | **-** | **4,599** |
| **Cash and cash equivalents** | **2,602** | **(992)** | **-** | **1,610** |
| **Total current assets** | **24,736** | **(18,527)** | **-** | **6,209** |
| **Total assets of continuing operations** | **25,085** | **(18,597)** | **-** | **6,488** |
| **Total assets of operations to be continued in partnership** | **-** | **18,649** | **(120)** | **18,529** |
| **TOTAL ASSETS** | **25,085** | **52** | **(120)** | **25,017** |

| LIABILITIES | 31 December 2014 | | | |
|---|---|---|---|---|
| | Before IFRS 5 | IFRS 5 declassification | Other impacts related to the transaction | After IFRS 5 |
| Deferred tax liabilities | 268 | (258) | (10) | - |
| Other non-current liabilities | 27 | (25) | - | 2 |
| **Total non-current liabilities** | **295** | **(283)** | **(10)** | **2** |
| **Operating liabilities** | | | | |
| Financing liabilities | 20,523 | (16,192) | - | 4,331 |
| Non-transferred financing liabilities of operations to be continued in partnership | - | 8,652 | 25 | 8,677 |
| Other operating liabilities | 1,007 | (647) | - | 360 |
| **Total current liabilities** | **21,530** | **(8,187)** | **25** | **13,368** |
| **Total liabilities of continuing operations** | **21,825** | **(8,470)** | **15** | **13,370** |
| **Total transferred liabilities of operations to be continued in partnership** | **-** | **8,523** | **(15)** | **8,508** |
| **TOTAL LIABILITIES (1)** | **21,825** | **53** | **-** | **21,878** |

(1) *Excluding equity.*

## B. PARTNERSHIP RELATING TO PEUGEOT SCOOTERS

To speed up the expansion of Peugeot Scooters (Peugeot Motocycles), strengthen the brand and its products, and secure its future, PSA has entered on 19 January 2015 into a long-term strategic partnership with Mahindra & Mahindra Group (M&M). A major player in India's mobility market, M&M is thereby strengthening its position in the two-wheel vehicle market worldwide.

At that date, M&M has purchased €15 million worth of new shares to finance projects implemented as part of the strategic partnership. It has also acquired shares held by PSA in Peugeot Scooters. The two transactions left M&M holding a 51% interest in Peugeot Scooters. The Group retains significant influence.

Accordingly, all assets and liabilities relating to Peugeot Scooters have been reclassified as "Assets of operations to be continued in partnership" and "Transferred liabilities of operations to be continued in partnership". Income and expenses are recorded in "Profit (loss) from operations to be continued in partnership".

## 3.4. CHANGES TO FINANCIAL STATEMENTS PREVIOUSLY REPORTED

The Group's financial statements at 31 December 2013, presented comparatively, have been restated as explained below, relative to the financial statements previously reported.

## A. IFRS 5 – RECLASSIFICATION OF OPERATIONS TO BE CONTINUED IN PARTNERSHIP

These reclassifications are described in Note 3.3.

## B. IFRS 10 AND IFRS 11

IFRS 11 states that joint arrangements classified as 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. Partnerships that only give control over the net assets of the partnership entity, classified as joint ventures, are consolidated by the equity method.

IFRS 10 redefines exclusive control on the basis of substantive rights.

In practice:

- the main companies under joint control classified as joint ventures are DPCA and CAPSA. They are consolidated by the equity method;
- the companies classified as joint operations are Toyota Peugeot Citroën Automobile (TPCA), Sevel SpA and PCMA Rus Automotiv (PCMAR).

TPCA and Sevel SpA were previously consolidated by the equity method. In view of the rights held by the Group in the event of a conflict between shareholders, PCMAR was deemed to be controlled in application of the previous standards and therefore fully consolidated. With regard to IFRS 10, these rights are no longer deemed to provide exclusive control.

The new standards have the primary effect of requiring the recognition among assets on the consolidated balance sheet of the Group's share of the carrying amount of the fixed assets of subsidiaries classified as joint operations and its share of their debt among liabilities. At 1 January 2013, the main impact was a €227 million increase in the Group's net debt, including the net debt of €188 million of Française de Mécanique, classified as a joint operation before the acquisition of exclusive control by the Group.

Due to the takeover of Française de Mécanique at the end of 2013, its debt has been included in the Group's net debt at 31 December 2013. At that date, the impact of the application of the new standards was therefore limited to a €33 million increase in net debt.

## C. INTERPRETATION OF IFRIC 21 – LEVIES CHARGED BY PUBLIC AUTHORITIES

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government or similar bodies. Changes to previously reported consolidated financial statements mainly concern France and, more specifically, the Social Solidarity Contribution on Companies (C3S) and property tax.

The C3S, which was previously recognised in line with the constitution of revenue during a given year, is now recognised on 1 January of the subsequent year. Equity at 1 January 2013 has therefore been increased by €41 million.

Property tax, which was previously recognised on a straight-line basis during a given year, is now recognized on 1 January of the year. The effect on full-year net income is immaterial.

The IFRIC 21 restatement has no impact on cash flows.

## D. RESEARCH AND DEVELOPMENT EXPENSES

Development costs incurred on vehicles after the start of series production, previously recognised in selling, general and administrative expenses, are now included in research and development expenses. The reclassification amounted to €277 million in the year ended 31 December 2013.

## E. RESTATEMENT OF FINANCIAL STATEMENTS

The impacts on the 2013 financial statements of these adjustments are shown in the tables below:

### STATEMENT OF INCOME

| *(in million euros)* | 2013 reported in February 2014 | 2013 | 2013 impact | Of which | | |
|---|---|---|---|---|---|---|
| | | | | IFRS 10 & 11 | IFRIC 21 | IFRS 5 |
| **Continuing operations** | | | | | | |
| **Sales and revenue** | **54,090** | **53,079** | **(1,011)** | **(71)** | **-** | **(940)** |
| **Recurring operating income (loss)** | **(177)** | **(364)** | **(187)** | **4** | **(1)** | **(190)** |
| **Operating income (loss)** | **(1,346)** | **(1,529)** | **(183)** | **8** | **(1)** | **(190)** |
| **Income (loss) before tax of fully consolidated companies** | **(2,004)** | **(2,193)** | **(189)** | **2** | **(1)** | **(190)** |
| **Consolidated profit (loss) from continuing operations** | **(2,215)** | **(2,574)** | **(359)** | **(8)** | **(1)** | **(350)** |
| **Discontinued operations** | | | | | | |
| **Profit (loss) from operations to be continued in partnership** | (3) | 347 | 350 | - | - | 350 |
| **CONSOLIDATED PROFIT (LOSS) FOR THE YEAR** | **(2,218)** | **(2,227)** | **(9)** | **(8)** | **(1)** | **-** |
| *Atributable to equity holders of the parent* | *(2,317)* | *(2,327)* | *(10)* | *(9)* | *(1)* | *-* |
| *Atributable to equity minority interests* | *99* | *100* | *1* | *1* | *-* | *-* |

## BALANCE SHEETS - ASSETS

| *(in million euros)* | 31 December 2013 reported in February 2014 | 31 December 2013 impact as at 31 December 2014 | 2013 impact | Of which | |
|---|---|---|---|---|---|
| | | | | IFRS 10 & 11 | IFRIC 21 |
| **Continuing operations** | | | | | |
| **Total non-current assets** | 19,971 | 20,097 | 126 | 130 | (4) |
| **Operating assets** | 31,754 | 31,704 | (50) | (50) | - |
| **Current financial assets** | 141 | 141 | - | - | - |
| **Cash and cash equivalents** | 7,755 | 7,779 | 24 | 24 | - |
| **Total current assets** | 39,650 | 39,624 | (26) | (26) | - |
| **Total assets of continuing operations** | 59,621 | 59,721 | 100 | 104 | (4) |
| **Total assets of operations to be continued in partnership** | 43 | 43 | - | - | - |
| **TOTAL ASSETS** | 59,664 | 59,764 | 100 | 104 | (4) |

## BALANCE SHEETS – EQUITY AND LIABILITIES

| *(in million euros)* | 31 December 2013 reported in February 2014 | 31 December 2013 impact as at 31 December 2014 | 2013 impact | Of which | |
|---|---|---|---|---|---|
| | | | | IFRS 10 & 11 | IFRIC 21 |
| **Equity** | | | | | |
| **Total equity** | 7,791 | 7,837 | 46 | 5 | 41 |
| **Continuing operations** | | | | | |
| **Total non-current liabilities** | 13,030 | 12,985 | (45) | (60) | 15 |
| **Operating liabilities** | 35,847 | 35,793 | (54) | 6 | (60) |
| **Current financial liabilities** | 2,996 | 3,149 | 153 | 153 | - |
| **Total current liabilities** | 38,843 | 38,942 | 99 | 159 | (60) |
| **Total liabilities of continuing operations** | 51,873 | 51,927 | 54 | 99 | (45) |
| **Total transferred liabilities of operations to be continued in partnership** | - | - | - | - | - |
| **TOTAL EQUITY AND LIABILITIES** | 59,664 | 59,764 | 100 | 104 | (4) |

## STATEMENT OF CASH FLOWS

| *(in million euros)* | 2013 reported in February 2014 | 2013 impact as at 31 December 2014 | 2013 impact | Of which | | |
|---|---|---|---|---|---|---|
| | | | | IFRS 10 & 11 | IFRIC 21 | IFRS 5 |
| **Funds from operations** | 987 | 783 | (204) | 73 | (1) | (276) |
| Changes in working capital | 643 | (26) | (669) | 43 | 1 | (713) |
| **Net cash from (used in) operating activities** (1) | 1,630 | 757 | (873) | 116 | - | (989) |
| **Net cash from (used in) investing activities** (1) | (2,473) | (2,507) | (34) | (44) | - | 10 |
| **Net cash from (used in) financing activities** (1) | 1,918 | 1,905 | (13) | (145) | - | 132 |
| **Net cash related to the non-transferred debt of finance companies to be continued in partnership** | - | (2,294) | (2,294) | - | - | (2,294) |
| **Net cash from the transferred assets and liabilities of operations to be continued in partnership** | (41) | 3,101 | 3,142 | - | - | 3,142 |
| Effect of changes in exchange rates | (92) | (93) | (1) | (1) | - | - |
| **Increase (decrease) in cash from continuing operations to be continued in partnership** | 942 | 869 | (73) | (74) | - | 1 |
| **Net cash and cash equivalents at beginning of period** | 6,789 | 6,886 | 97 | 98 | - | (1) |
| **NET CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS AT END OF PERIOD** | 7,731 | 7,755 | 24 | 24 | - | - |

(1) *Of continuing operations.*

# NOTE 4 SEGMENT INFORMATION

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

The definition of operating sectors is provided in Note 3.2.

For internal reporting, the Finance Division's full data is given, before the impact of IFRS 5. The "Reconciliation" column provides a link with the presentation given in the consolidated income statement. The "Reconciliation" column sets out the impacts of IFRS 5 described in Note 3.3.

## 4.1. 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 unallocated" together with unallocated amounts. Faurecia and Banque PSA Finance publish consolidated financial statements and segment information for these two businesses is therefore presented down to the level of net profit. For the other segments, as cash positions and taxes are managed jointly in some countries, only operating income and share in net earnings of companies at equity 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.

| | 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Finance companies | | | |
| *(in million euros)* | Automotive | Automotive equipment | Other | 100% | Reconciliation | Eliminations and unallocated | Total |
| **Sales and revenue** | | | | | | | |
| › third parties | 36,084 | 16,933 | 2 | 1,340 | (752) | - | 53,607 |
| › intragroup, intersegment [(1)] | 1 | 1,896 | 97 | 363 | - | (2,357) | - |
| **Total** | **36,085** | **18,829** | **99** | **1,703** | **(752)** | **(2,357)** | **53,607** |
| **Recurring operating income (loss)** | **63** | **673** | **37** | **337** | **(211)** | **6** | **905** |
| Non-recurring operating income | 220 | 5 | 3 | 1 | (1) | - | 228 |
| Restructuring costs | (682) | (76) | - | (3) | - | - | (761) |
| Impairment of CGUs, provisions for onerous contracts and other | (134) | - | - | - | - | - | (134) |
| Other non-recurring operating income and (expenses), net | - | (15) | - | - | - | - | (15) |
| **Operating income (loss)** | **(533)** | **587** | **40** | **335** | **(212)** | **6** | **223** |
| Interest income | | - | | - | - | 109 | 109 |
| Finance costs | | (202) | | - | - | (460) | (662) |
| Other financial income | | 3 | | - | - | 93 | 96 |
| Other financial expenses | | (45) | | (8) | - | (253) | (306) |
| **Net financial income (expense)** | **-** | **(244)** | **-** | **(8)** | **-** | **(511)** | **(763)** |
| Income taxes expense | | (115) | | (121) | 34 | (111) | (313) |
| Share in net earnings of companies at equity | 264 | 1 | 5 | 12 | - | - | 282 |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | - | - | - | - | (251) | - | (251) |
| **Consolidated profit (loss) from continuing operations** | | **229** | | **218** | **(429)** | | **(822)** |
| **Profit (loss) from operations to be continued in partnership** | **-** | **-** | **(34)** | **-** | **301** | | **267** |
| **Consolidated profit (loss) for the period** | | **229** | | **218** | **(128)** | | **(555)** |
| **Capital expenditure** ***(excl. sales with a buyback commitment)*** | **1,574** | **839** | **-** | **25** | **(10)** | | **2,428** |
| **Depreciation and amortisation** | **(1,851)** | **(559)** | **-** | **(22)** | **4** | | **(2,428)** |

*(1) The "Eliminations and unaffected" column includes eliminations of intersector sales between the Finance companies and the other sectors (323 millions d'euros).*

In 2014, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €309 million. Net provision expense (cost of risk) for the year amounted to €39 million.

| *(in million euros)* | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Finance companies | | | |
| | Automotive | Automotive equipment | Other | 100% | Reconciliation | Eliminations and unallocated | Total |
| **Sales and revenue** | | | | | | | |
| › third parties | 36,414 | 16,042 | 3 | 1,463 | (843) | - | 53,079 |
| › intragroup, intersegment [1] | 1 | 1,987 | 92 | 310 | - | (2,390) | - |
| **Total** | **36,415** | **18,029** | **95** | **1,773** | **(843)** | **(2,390)** | **53,079** |
| **Recurring operating income (loss)** | **(1,039)** | **538** | **(16)** | **369** | **(217)** | **1** | **(364)** |
| Non-recurring operating income | 396 | 5 | 12 | - | - | - | 413 |
| Restructuring costs | (369) | (91) | (5) | - | - | - | (465) |
| Impairment of CGUs, provisions for onerous contracts and other. | (1,092) | - | - | - | - | - | (1,092) |
| Other non-recurring operating income and (expenses), net | - | (21) | - | - | - | - | (21) |
| **Operating income (loss)** | **(2,104)** | **431** | **(9)** | **369** | **(217)** | **1** | **(1,529)** |
| Interest income | | 9 | | - | - | 129 | 138 |
| Finance costs | | (208) | | - | - | (415) | (623) |
| Other financial income | | 4 | | - | - | 60 | 64 |
| Other financial expenses | | (39) | | (1) | 1 | (204) | (243) |
| **Net financial income (expense)** | **-** | **(234)** | **-** | **(1)** | **1** | **(430)** | **(664)** |
| Income taxes expense | | (65) | | (138) | 98 | (201) | (306) |
| Share in net earnings of companies at equity | 140 | 14 | 12 | 8 | - | (1) | 173 |
| Other expenses related to the non-transferred financing of operations to be continued in partnership | - | - | - | - | (248) | - | (248) |
| **Consolidated profit (loss) from continuing operations** | | **146** | | **238** | **(366)** | | **(2,574)** |
| **Profit (loss) from operations to be continued in partnership** | **-** | **(3)** | **(16)** | **-** | **366** | | **347** |
| **Consolidated profit (loss) for the period** | | **143** | | **238** | **-** | | **(2,227)** |
| **Capital expenditure** *(excl. sales with a buyback commitment)* | **1,705** | **775** | **-** | **19** | **(12)** | | **2,487** |
| **Depreciation and amortisation** | **(1,925)** | **(533)** | **-** | **(26)** | **19** | | **(2,465)** |

*(1) The "Eliminations and unaffected" column includes eliminations of intersector sales between the Finance companies and the other sectors (262 millions d'euros).*

In 2013, Banque PSA Finance (Finance Companies segment) reported net banking revenue of €333 million. Net provision expense (cost of risk) for the year amounted to €40 million.

## 4.2. GEOGRAPHICAL SEGMENTS

In the table below, sales and revenue are presented by destination of products sold, and investments and assets by geographic location of the subsidiary concerned.

| *(in million euros)* | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Europe | Eurasia | China & South-Asia | India Pacific | Latin America | Middle East Africa | North America | Total |
| Sales and revenue | 37,530 | 856 | 3,830 | 1,101 | 3,948 | 2,367 | 3,975 | 53,607 |
| Non-current assets (excl. deferred tax assets and financial instruments) | 13,690 | 172 | 337 | 84 | 313 | 566 | 398 | 15,560 |

| *(in million euros)* | 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Europe | Eurasia | China & South-Asia | India Pacific | Latin America | Middle East Africa | North America | Total |
| Sales and revenue | 35,082 | 1,330 | 3,248 | 995 | 5,442 | 2,838 | 4,144 | 53,079 |
| Non-current assets (excl. deferred tax assets and financial instruments) | 13,919 | 290 | 256 | 76 | 282 | 440 | 359 | 15,622 |

# NOTE 5 OPERATING INCOME

Operating income corresponds to profit before net financial income or expense [1], current and deferred taxes and the Group's share in the net earnings of companies at equity.

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 whose inclusion in operating income creates a distorted view of the Group's underlying 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 5.4):

- 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.

## 5.1. SALES AND REVENUE

### A. ACCOUNTING POLICIES

#### 1) Manufacturing and sales companies

##### a) Automotive Division

Sales and revenue of the manufacturing and sales companies include 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.

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 5.3.A) and tooling in property, plant and equipment (see Note 8.2.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 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. The different forms of financing are treated as lending transactions and are recognised in the balance sheet in the amount of the Banque PSA Finance Group's net financial commitment (see Note 13.1). 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.

Due to the application of IFRS 5, revenue is limited to that of continuing operations (see Note 3.3.A).

*(1) Consolidated profit (loss) from continuing operations, excluding "other expenses related to the non-transferred financing of operations to be continued in partnership".*

### B. KEY FIGURES

| (in million euros) | 2014 | 2013 |
|---|---|---|
| Sales of vehicles and other goods | 51,578 | 51,088 |
| Service revenues | 1,441 | 1,371 |
| Financial services revenue | 588 | 620 |
| **TOTAL** | **53,607** | **53,079** |

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

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

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

## 5.2. 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 are as follows:

| (in million euros) | 2014 | 2013 |
|---|---|---|
| Automotive Division | (5,381) | (5,769) |
| Automotive Equipment Division | (3,103) | (2,986) |
| Finance companies [1] | (153) | (147) |
| Other businesses | (81) | (87) |
| **TOTAL** | **(8,718)** | **(8,989)** |

(1) *Including € 110 million representing personnel expenses of activities to be continued in partnership (€ 105 million 2013).*

The Competitiveness and Employment Tax Credit (CICE) established in 2013 has been deducted from personnel expenses in the amount of €108 million (€72 million in 2013).

Details of pension costs are disclosed in Note 7.

### DEPRECIATION AND AMORTISATION EXPENSE

Depreciation and amortisation expense included in recurring operating income breaks down as follows:

| (in million euros) | 2014 | 2013 |
|---|---|---|
| Development expenditure | (749) | (757) |
| Intangible assets - other | (82) | (70) |
| Specific tooling | (565) | (555) |
| Property, plant and equipment - other | (1,032) | (1,083) |
| **TOTAL** | **(2,428)** | **(2,465)** |

## 5.3. RESEARCH AND DEVELOPMENT EXPENSES

### A. ACCOUNTING POLICIES

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

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

- its intention to complete the intangible asset 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 12.2.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, unless they relate to a project with milestones and are incurred after the final capitalisation milestone. All development expenditure incurred to develop mechanical sub-assemblies compliant with new emissions standards is monitored on a project-by-project basis and is also 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 | 2014 | 2013 |
|---|---|---|---|
| Total expenditure | | (2,250) | (2,229) |
| Capitalised development expenditure (1) | | 970 | 835 |
| **Non-capitalised expenditure** | | **(1,280)** | **(1,394)** |
| Amortisation of capitalised development expenditure | 8.1 | (745) | (754) |
| **TOTAL** | | **(2,025)** | **(2,148)** |

*(1) In addition to this expenditure, borrowing costs are capitalised pursuant to **IAS 23 Borrowing Costs (Revised)** (see Note 12.2.A).*

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

## 5.4. NON-RECURRING OPERATING INCOME AND EXPENSES

| *(in million euros)* | Notes | 2014 | 2013 |
|---|---|---|---|
| Net gains on disposals of real estate assets | | 119 | 28 |
| Reversal of impairment loss on Automotive Division CGUs and other assets and provisions for Automotive Division onerous contracts | 8.3.B | 101 | 366 |
| Other non-recurring operating income | | 8 | 19 |
| **TOTAL NON-RECURRING OPERATING INCOME** | | **228** | **413** |
| Impairment loss on Automotive Division CGUs and other assets and provisions for Automotive Division onerous contracts | 8.3.B | (134) | (1,092) |
| Impairment loss on Faurecia CGUs and other Faurecia assets | 8.3.C | - | - |
| Restructuring costs | 5.4.B | (761) | (465) |
| Other non-recurring operating expenses | | (15) | (21) |
| **TOTAL NON-RECURRING OPERATING EXPENSES** | | **(910)** | **(1,578)** |

## 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 8.3.

## B. RESTRUCTURING COSTS

Restructuring costs consist mainly of workforce reductions.

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Automotive Division | (682) | (369) |
| Automotive Equipment Division | (76) | (91) |
| Finance companies | (3) | - |
| Other businesses | - | (5) |
| **TOTAL** | **(761)** | **(465)** |

### Automotive Division

In 2014, Automotive Division restructuring costs amounted to €682 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 €452 million and the reorganisation of its commercial operations in Europe in the amount of €111 million. Other restructuring costs relate mainly to the Group's subsidiaries in Latin America in the amount of €59 million.

### Automotive Equipment Division (Faurecia Group)

In 2014, Faurecia Group restructuring costs totalled €76 million, including €71 million in provisions for redundancy costs, mainly in Germany, France and North America.

# NOTE 6 REQUIREMENTS IN WORKING CAPITAL OF MANUFACTURING AND SALES COMPANIES

## 6.1. INVENTORIES

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

Cost is determined by the first-in-first-out (FIFO) method 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 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| *(in million euros)* | Gross | Allowance | Net | Gross | Allowance | Net |
| Raw materials and supplies | 781 | (137) | 644 | 930 | (169) | 761 |
| Semi-finished products and work-in-progress | 789 | (23) | 766 | 1,009 | (22) | 987 |
| Goods for resale and used vehicles | 892 | (140) | 752 | 1,243 | (216) | 1,027 |
| Finished products and replacement parts | 2,198 | (166) | 2,032 | 2,988 | (175) | 2,813 |
| **TOTAL** | **4,660** | **(466)** | **4,194** | **6,170** | **(582)** | **5,588** |

## 6.2. 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, which have been removed from this item and now appear in the consolidated balance sheet under "Loans and receivables – finance companies" (see Note 13.3.A.(2)) or "Assets of operations to be continued in partnership".

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Trade receivables | 1,550 | 1,933 |
| Allowances for doubtful accounts | (175) | (143) |
| **Total – manufacturing and sales companies** | **1,375** | **1,790** |
| Elimination of transactions with the finance companies | (157) | (156) |
| **TOTAL** | **1,218** | **1,634** |

Assignments of trade receivables to financial institutions are disclosed in Note 12.6.F.

## 6.3. OTHER RECEIVABLES AND OTHER PAYABLES

### A. OTHER RECEIVABLES

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| State, regional and local taxes excluding income tax (1) | 953 | 971 |
| Personnel-related payables | 44 | 47 |
| Due from suppliers | 167 | 192 |
| Derivative instruments | 76 | 51 |
| Prepaid expenses | 267 | 213 |
| Miscellaneous other receivables | 155 | 185 |
| **TOTAL** | **1,662** | **1,659** |

*(1) In 2014, the Group sold €132 million worth of French research tax credits and €64 million worth of French competitiveness and employment tax credits (see Note 12.6.F).*

### B. OTHER PAYABLES

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Taxes payable other than income taxes | 669 | 609 |
| Personnel-related payables | 983 | 961 |
| Payroll taxes | 424 | 430 |
| Payable on fixed asset purchases | 229 | 288 |
| Customer prepayments | 719 | 700 |
| Derivative instruments (1) | 90 | 113 |
| Deferred income | 558 | 576 |
| Miscellaneous other payables | 442 | 447 |
| **TOTAL** | **4,114** | **4,124** |

*(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 12.7.A, "Management of financial risks".*

## 6.4. CHANGE IN WORKING CAPITAL REQUIREMENTS OF MANUFACTURING AND SALES COMPANIES

### A. ANALYSIS OF THE CHANGE IN WORKING CAPITAL

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| (Increase) decrease in inventories | 1,329 | 369 |
| (Increase) decrease in trade receivables [1] | 405 | 66 |
| Increase (decrease) in trade payables | (27) | 28 |
| Change in income taxes | 47 | (75) |
| Other changes | (2) | 52 |
| | **1,752** | **440** |
| *Net cash flows with Group finance companies* | *(5)* | *(33)* |
| **TOTAL** | **1,747** | **407** |

*(1) Including a €706 million decrease in receivables related to sales of receivables to non-Group financial institutions (€250 million in 2013).*

### B. ANALYSIS OF THE CHANGE IN BALANCE SHEET ITEMS

| | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | At 1 January | IFRS 5 declassification | Cash flows from operating activities | Cash flows from investing activities | Changes in scope of consolidation and other | Translation adjustment | Revaluations taken to equity | At 31 December |
| Inventories | (5,588) | 27 | 1,329 | - | 7 | 31 | - | (4,194) |
| Trade receivables | (1,790) | 20 | 405 | - | 28 | (38) | - | (1,375) |
| Trade payables | 8,108 | (11) | (27) | - | (5) | 112 | - | 8,177 |
| Income taxes | (44) | 1 | 47 | - | (1) | 7 | - | 10 |
| Other receivables | (1,659) | 3 | 8 | (4) | 3 | 2 | (15) | (1,662) |
| Other payables | 4,124 | (10) | 153 | (70) | (3) | (18) | (62) | 4,114 |
| | **3,151** | **30** | **1,915** | **(74)** | **29** | **96** | **(77)** | **5,070** |
| *Net cash flows with Group finance companies* | *13* | *-* | *(5)* | *-* | *-* | *3* | *-* | *11* |
| **TOTAL** | **3,164** | **30** | **1,910** | **(74)** | **29** | **99** | **(77)** | **5,081** |

The Change in working capital in the consolidated statement of cash flows at 31 December 2014 (€1,752 million positive effect) corresponds to cash flows from operating activities (€1,915 million positive effect), exchange differences (€121 million negative effect) and other movements (€42 million negative effect).

| | |
|---|---|
| **Cash flows from operating activities of manufacturing and sales companies** | **1,915** |
| Exchange differences | *(121)* |
| *Other changes* | *(42)* |
| **Change in working capital in the statement of cash flows** | **1,752** |

# NOTE 7 EMPLOYEE BENEFITS EXPENSE

## 7.1. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits paid in accordance with the laws and regulations of the countries in which they operate, Group companies are liable for the payment of supplementary pensions and retirement 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 2,600 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 15,300 retired employees at end-2014;
- the closed Citroën supplementary plan (ACC) that covered 4,900 retired employees at end-2014.

Members of the managing bodies benefit from a supplementary pension plan, subject to two conditions: firstly, to have held office as a member of managing bodies for a minimum term; secondly, to end their career as employees of the Company. This plan, whose rules have been amended with effect from 1 January 2014, provides a supplementary pension representing a maximum of 30% of the reference compensation, determined on the basis of the average fixed compensation of the last three years of activity before retirement, plus a percentage equal to the average of the ratios of variable compensation to fixed compensation for the eight years of activity before retirement.

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 2014, 20,300 beneficiaries were covered by these plans, including 900 active employees, 7,800 former employees not yet retired and 11,600 retired employees. The plans guarantee a replacement rate of up to 66% of the employee's final salary.

The supplementary pension plan for Faurecia Group executives in France comprises:

- a non-contributory defined contribution plan for which contribution rates are based on salary bands A and B;
- a supplementary defined benefit plan based on salary band C.

## B. ASSUMPTIONS

| | Euro zone | United-Kingdom |
|---|---|---|
| Discount Rate | | |
| **2014** | **1.85%** | **3.60%** |
| 2013 | 3.25% | 4.50% |
| Inflation Rate | | |
| **2014** | **1.80%** | **3.00%** |
| 2013 | 1.80% | 3.20% |
| Average Duration *(in years)* | | |
| **2014** | **12** | **14** |
| 2013 | 11 | 15 |

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 1.15%.

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 | -2.53% | 2.91% |
| United Kingdom | -3.50% | 3.43% |

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 2014 of €10 million for French plans and €21 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 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Equities | Bonds | Equities | Bonds |
| France | 10% | 90% | 10% | 90% |
| United Kingdom | 20% | 80% | 40% | 60% |

The fair value of shares and bonds was at level 1 in 2014 and 2013.

In 2014, the actual return on external funds managed by the Group in France and by the pension trusts in the United Kingdom was +8.90% for the French funds and +21.04% 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, 45% of the equity portfolio are invested in FTSE All Share Index tracker funds. The remaining 55% are invested in funds that track the main UK, European, US and Japanese stock market indices. 70% of the bond portfolio are comprised of inflation-linked government bonds denominated in pounds sterling. The remaining 30% 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 2014, no decision had been made as to the amount of contributions to be paid in 2015.

In 2014, the Group contributed €8 million to the external fund for the supplementary pension plan for Peugeot S.A. managing bodies.

In the United Kingdom, the Group's annual contribution amounted to £31 million (€40 million) in 2014. It is estimated at £32 million (€41 million) for 2015, although this sum may change in light of the negotiations planned for 2015.

## D. MOVEMENT FOR THE YEAR

EXCLUDING MINIMUM FUNDING REQUIREMENT (IFRIC 14)

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | France | United Kingdom | Other | Total | France | United Kingdom | Other | Total |
| **Projected benefit obligation** | | | | | | | | |
| **At beginning of period: Present value** | **(1,629)** | **(1,838)** | **(655)** | **(4,122)** | **(1,787)** | **(1,782)** | **(688)** | **(4,257)** |
| Impact of the declassification of the commitments of operations to be continued in partnership | 18 | 33 | 39 | 90 | - | - | - | - |
| Service cost | (46) | (14) | (19) | (79) | (84) | (14) | (21) | (119) |
| Interest cost | (51) | (85) | (21) | (157) | (54) | (73) | (20) | (147) |
| Benefit payments for the year | 102 | 81 | 39 | 222 | 134 | 48 | 31 | 213 |
| Unrecognised actuarial gains and (losses): | | | | - | | | | - |
| › amount | (245) | (135) | (139) | (519) | 82 | (17) | 29 | 94 |
| › *as a % of projected benefit obligation at beginning of period* | *15.0%* | *7.3%* | *21.2%* | *12.6%* | *4.6%* | *1.0%* | *4.2%* | *2.2%* |
| Past service cost | - | - | - | - | - | - | 2 | 2 |
| Translation adjustment | - | (132) | (8) | (140) | - | 35 | 11 | 46 |
| Effect of changes in scope of consolidation and other | - | - | - | - | - | (35) | - | (35) |
| Effect of curtailments and settlements | (21) | - | 1 | (20) | 80 | - | 1 | 81 |
| **AT PERIOD-END: PRESENT VALUE** | **(1,872)** | **(2,090)** | **(763)** | **(4,725)** | **(1,629)** | **(1,838)** | **(655)** | **(4,122)** |
| **External fund** | | | | | | | | |
| **At beginning of period: Fair value** | **1,030** | **2,067** | **307** | **3,404** | **1,107** | **1,893** | **305** | **3,305** |
| Impact of the declassification of the hedging assets of operations to be continued in partnership | (7) | (38) | (32) | (77) | - | - | - | - |
| Normative return on external funds | 32 | 92 | 11 | 135 | 32 | 78 | 10 | 120 |
| Actuarial gains and (losses): | | | | | | | | - |
| › amount | 65 | 327 | 11 | 403 | 26 | 82 | 3 | 111 |
| › *as a % of projected benefit obligation at beginning of period* | *6.3%* | *15.8%* | *3.6%* | *11.8%* | *2.3%* | *4.3%* | *1.0%* | *3.4%* |
| Translation adjustment | - | 156 | 5 | 161 | - | (36) | (3) | (39) |
| Employer contributions | 22 | 45 | 13 | 80 | 4 | 63 | 15 | 82 |
| Benefit payments for the year | (99) | (83) | (30) | (212) | (139) | (48) | (23) | (210) |
| Effect of changes in scope of consolidation and other | - | - | - | - | - | 35 | - | 35 |
| **AT PERIOD-END: FAIR VALUE** | **1,043** | **2,566** | **285** | **3,894** | **1,030** | **2,067** | **307** | **3,404** |

## E. RECONCILIATION OF BALANCE SHEET ITEMS

| | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | France | United Kingdom | Other | Total | France | United Kingdom | Other | Total |
| **Present value of projected benefit obligation** | **(1,872)** | **(2,090)** | **(763)** | **(4,725)** | **(1,629)** | **(1,838)** | **(655)** | **(4,122)** |
| Fair value of external funds | 1,043 | 2,566 | 285 | 3,894 | 1,030 | 2,067 | 307 | 3,404 |
| **NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET BEFORE MINIMUM FUNDING REQUIREMENT (IFRIC 14)** | **(829)** | **476** | **(478)** | **(831)** | **(599)** | **229** | **(348)** | **(718)** |
| Minimum funding requirement liability (IFRIC 14) | - | (25) | - | (25) | - | (11) | - | (11) |
| **NET (LIABILITY) ASSET RECOGNISED IN THE BALANCE SHEET** | **(829)** | **451** | **(478)** | **(856)** | **(599)** | **218** | **(348)** | **(729)** |
| Of which, liability (Note 10.2.A) | (836) | (50) | (478) | (1,364) | (607) | (34) | (349) | (990) |
| Of which, asset | 7 | 501 | - | 508 | 8 | 252 | 1 | 261 |
| *Of which, unfunded plans* | *1.0%* | *0.0%* | *10.6%* | *2.1%* | *1.0%* | *0.0%* | *11.1%* | *2.2%* |

The projected benefit obligation of French companies includes benefit obligations in respect of supplementary pensions owed to members of the managing bodies (described in Note 7.3) in the amount of €27 million. This amount does not include the additional 45% contribution due above the threshold pursuant to Article L. 137-11 of the French Social Security Code (provisioned in the amount of €6 million). In addition, commitments in respect of retirement benefits for members of managing bodies are provisioned in the amount of €1 million. The service cost for these two plans was €1 million in fiscal 2014.

## 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:

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | France | United Kingdom | Other | Total | France | United Kingdom | Other | Total |
| Service cost | (46) | (14) | (19) | (79) | (84) | (14) | (21) | (119) |
| Interest cost | (51) | (85) | (21) | (157) | (54) | (73) | (20) | (147) |
| Normative return on external funds | 32 | 92 | 11 | 135 | 32 | 78 | 10 | 120 |
| Past service cost | - | - | - | - | - | - | 2 | 2 |
| Effect of curtailments and settlements | (21) | - | 1 | (20) | 80 | - | 1 | 81 |
| **TOTAL** | **(86)** | **(7)** | **(28)** | **(121)** | **(26)** | **(9)** | **(28)** | **(63)** |

## 7.2. SHARE-BASED PAYMENT

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

### A. EMPLOYEE STOCK OPTIONS

#### 1) Plan characteristics

No plan was awarded between 2009 and 2014. 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 |
|---|---|---|---|---|---|---|
| 2006 Plan | 23/08/2006 | 23/08/2009 | 22/08/2014 | 92 | 26.84 | 983,500 |
| 2007 Plan | 22/08/2007 | 22/08/2010 | 21/08/2015 | 169 | 39.43 | 1,155,000 |
| 2008 Plan | 22/08/2008 | 22/08/2011 | 19/08/2016 | 194 | 21.58 | 1,345,000 |

On 31 December 2014, the share price was €10.22.

#### 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:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Number | WAEP (1) *(in euros)* | Number | WAEP (1) *(in euros)* |
| Outstanding at beginning of period | **3,259,035** | **37.8** | **4,371,970** | **39.4** |
| Granted following the capital increase | 1,007,080 | 35.1 | - | - |
| Granted during the period | - | - | - | - |
| Cancelled during the period | (20,312) | 26.8 | (107,905) | 37.0 |
| Exercised during the period | - | - | - | - |
| Expired during the period | (1,302,842) | 26.8 | (1,005,030) | 44.8 |
| **Outstanding at end of period** | **2,942,961** | **29.7** | **3,259,035** | **37.8** |
| Exercisable at end of period | 2,942,961 | 29.7 | 3,259,035 | 37.8 |

*(1) Options' Weighted Average Exercise Price.*

Options outstanding at the year-end are as follows:

| *(number of options)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| 2006 Plan | - | 994,500 |
| 2007 Plan | 1,341,192 | 1,029,015 |
| 2008 Plan | 1,601,769 | 1,235,520 |
| **TOTAL AT 31 DECEMBER** | **2,942,961** | **3,259,035** |

#### 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

#### Peugeot S.A. performance share plan

No performance share plans are currently in force at Peugeot S.A. at end 2014.

#### 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 €6 million (compared with an expense of €2.1 million in 2013).

The details of performance share plans are provided in the following table:

| *(number of shares)* | Maximum number of performance shares due if: objective achieved | objective exceeded |
|---|---|---|
| Date of Managing Board decision: | | |
| 23/07/2012 | 682,000 | 886,600 |
| 24/07/2013 | 852,000 | 1,107,600 |
| 28/07/2014 | 718,350 | 933,855 |

Following the achievement of the performance target of the first plan (Board meeting of 23 June 2010), 478,400 shares were granted during the previous years and 226,200 in 2014.

## 7.3. MANAGEMENT COMPENSATION

| *(in million euros)* | Notes | 2014 | 2013 |
|---|---|---|---|
| **Compensation paid to:** | | | |
| › Members of the Managing Board | | 7.1 | 3.8 |
| › Members of the Group Executive Comittee (excluding members of the Managing Board) | | 5.9 | 3.1 |
| › Members of the Supervisory Board | | 1.1 | 1.4 |
| **Total management compensation** | | **14.1** | **8.3** |
| Stock option and performance share costs | 7.2 | - | - |
| **TOTAL** | | **14.1** | **8.3** |

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 2014.

The following table presents details of outstanding Peugeot S.A. stock options granted to members of the management bodies in the years prior to 2014:

| *(number of options)* | 2014 | 2013 |
|---|---|---|
| Stock options held at 31 December. | 309,615 | 272,610 |

Members of the Group's management bodies benefit from a supplementary pension plan described in Note 7.1.A.

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

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

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

## 8.1. GOODWILL AND INTANGIBLE ASSETS

### A. ACCOUNTING POLICIES

Accounting policies relating to goodwill are described in Note 3.1.A.(3) and those related to research and development expenses in Note 5.3.A.

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

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

Other intangible assets (consisting principally of patents 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 2014 | | | |
|---|---|---|---|---|
| *(in million euros)* | Goodwill | Development expenditure | Software and other | Intangible assets |
| **At beginning of period** | **1,561** | **3,656** | **372** | **4,028** |
| IFRS 5 declassification (1) | (75) | - | (1) | (1) |
| Purchases/additions (2) | - | 1,042 | 89 | 1,131 |
| Amortisation for the year | - | (749) | (82) | (831) |
| Impairment losses | - | (20) | (1) | (21) |
| Disposals | - | (3) | (1) | (4) |
| Change in scope of consolidation and other | - | 1 | 15 | 16 |
| Translation adjustment | 20 | 30 | - | 30 |
| **AT PERIOD-END** | **1,506** | **3,957** | **391** | **4,348** |

*(1) Of which €75 million in impairment losses on goodwill of the Finance Division CGU.*
*(2) Including borrowing costs of €58 million capitalised in accordance with **IAS 23 (Revised) – Borrowing Costs** (see Note 12.2.A).*

| | 31 December 2013 | | | |
|---|---|---|---|---|
| *(in million euros)* | Goodwill | Development expenditure | Software and other | Intangible assets |
| **At beginning of period** | **1,564** | **3,749** | **374** | **4,123** |
| *Purchases/additions (1)* | - | 929 | 80 | 1,009 |
| Amortisation for the year | - | (757) | (86) | (843) |
| *Impairment losses (2)* | - | (200) | (4) | (204) |
| Disposals | - | (54) | (13) | (67) |
| Change in scope of consolidation and other | 4 | 18 | 24 | 42 |
| Translation adjustment | (7) | (29) | (3) | (32) |
| **AT PERIOD-END** | **1,561** | **3,656** | **372** | **4,028** |

*(1) Including borrowing costs of €94 million capitalised in accordance with **IAS 23 (Revised) – Borrowing Costs** (see Note 12.2.A).*
*(2) Of which €227 million in impairment losses on other assets of the Automotive Division CGU.*

## C. BREAKDOWN OF GODWILL

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Net** | | |
| Faurecia CGU | 187 | 187 |
| Faurecia CGUs | 1,317 | 1,297 |
| Banque PSA Finance CGU | 2 | 77 |
| **TOTAL** | **1,506** | **1,561** |

Impairment tests on goodwill allocated to the Automotive Equipment CGUs.

## 8.2. 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 12.2.A).

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

Maintenance costs are expensed as incurred.

Leased assets include vehicles leased to retail customers by the Group's leasing companies and vehicles sold with a buyback commitment, which are recognised according to the method described in Note 5.1.(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 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(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** | **2,539** | **5,095** | **2,381** | **30** | **308** | **900** | **11,253** |
| IFRS 5 declassification | (1) | (2) | - | (9) | (2) | 1 | (13) |
| Purchases/additions [1] | 59 | 700 | - | 4 | 13 | 538 | 1,314 |
| Depreciation for the year | (237) | (1,282) | (3) | (3) | (72) | - | (1,597) |
| Impairment losses | (1) | (24) | - | (1) | - | (16) | (42) |
| Disposals | (67) | (3) | - | (3) | (7) | - | (80) |
| Transfers and reclassifications | 18 | 345 | - | 2 | 32 | (397) | - |
| Change in scope of consolidation and other [2] | 78 | 355 | (98) | (8) | 30 | (469) | (112) |
| Translation adjustment | 8 | 56 | 29 | - | 3 | 12 | 108 |
| **AT PERIOD-END** | **2,396** | **5,240** | **2,309** | **12** | **305** | **569** | **10,831** |
| *Gross value* | *7,112* | *31,483* | *2,714* | *84* | *943* | *621* | *42,957* |
| *Accumulated depreciation and impairment* | *(4,716)* | *(26,243)* | *(405)* | *(72)* | *(638)* | *(52)* | *(32,126)* |

*(1) Including property, plant and equipment acquired under finance leases for €16 million. Borrowing costs capitalised in accordance with **IAS 23 (Revised) – Borrowing Costs** amounted to €8 million (see Note 12.12.A).*

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

| | 31 December 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in million euros)* | Land and buildings | Plant and equipment | Leased vehicles [3] | Vehicles and handling equipment | Fixtures, fittings and other | Assets under construction | Total |
| **Net** | | | | | | | |
| **At beginning of period** | **3,054** | **5,259** | **2,587** | **30** | **308** | **1,653** | **12,891** |
| Purchases/additions [1] | 68 | 489 | - | 23 | 26 | 937 | 1,543 |
| Depreciation for the year | (258) | (1,321) | 9 | (7) | (64) | - | (1,641) |
| Impairment losses [2] | (241) | (630) | - | (2) | (32) | (44) | (949) |
| Disposals | (35) | (17) | - | (13) | (3) | - | (68) |
| Transfers and reclassifications | 35 | 1,074 | - | - | 50 | (1,159) | - |
| Change in scope of consolidation and other [3] | (42) | 328 | (208) | - | 27 | (459) | (354) |
| Translation adjustment | (42) | (87) | (7) | (1) | (4) | (28) | (169) |
| **AT PERIOD-END** | **2,539** | **5,095** | **2,381** | **30** | **308** | **900** | **11,253** |
| *Gross value* | *7,234* | *31,267* | *2,818* | *111* | *938* | *940* | *43,308* |
| *Accumulated depreciation and impairment* | *(4,695)* | *(26,172)* | *(437)* | *(81)* | *(630)* | *(40)* | *(32,055)* |

*(1) Including property, plant and equipment acquired under finance leases for €50 million. Borrowing costs capitalised in accordance with **IAS 23 (Revised) – Borrowing Costs** amounted to €42 million (see Note 12.2.A).*

*(2) ncluding €907 million in impairment losses on assets of the Automotive Division CGU.*

*(3) "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 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 5.A.(1)(a).

They break down as follows:

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Vehicles sold with a buyback commitment | 2,293 | 2,374 |
| Vehicles under short-term leases | 16 | 7 |
| **TOTAL, NET** | **2,309** | **2,381** |

## 8.3. 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 5.3.A.(1)). 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, Automotive Exteriors and Emissions Control Technologies) 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 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 Russia UGT, the Latin America UGT and each Vehicle CGU were updated at 31 December 2014. These tests are based on the Group's best estimates in what is an uncertain economic environment.

#### Automotive Division CGU

The Group updated the projections used for testing the impairment of the Automotive Division CGU in December 2014. Testing was based on the most recent medium-term plan (MTP), covering the years 2015-2019.

The automotive market forecasts used are the Group's most recent estimates, which are based on external forecasts. The MTP's exchange rate assumptions were reviewed. Forecasted synergies with Dong Feng were taken into account.

The estimate of annual recurring operating income used to determine the terminal value is based on an estimate of the operating margin achievable in the medium term, in light of the various actions planned by the Group. The terminal value is based on a perpetual growth rate of 1%, unchanged compared with the previous tests.

The after-tax discount rate applied was 9.5% for 2015-2019 and 10.5% for the terminal value. These rates are unchanged compared with those used for the periods ended 31 December 2013, and are consistent with industry benchmarks.

Specific tests performed on Latin America UGT and Russia UGT have been also updated on the basis of the 2015-2019 MTP. It led to the recognition of a total impairment charge of €88 million, recorded in non-current operating income (loss).

As of 31 December 2014, taking into account impairment recognised previously, net impairment charges totalled €2,645 million. As such, the carrying amount of the intangible assets and property, plant and equipment of the Automotive Division was €12,031 million.

The sensitivity to changes in the main assumptions is as follows: impairment would increase by €317 million with a 0.5% higher discount rate, €241 million with a perpetual growth rate limited to 0.5%, €1,154 million as a result of a 0.5% reduction in the operating margin in the reference year used to calculate the terminal value and €1,553 million if these three factors were combined.

#### Vehicle CGUs and other automotive assets

As of 31 December 2014, the impairment testing of assets dedicated to the Vehicle CGUs did not reveal impairment other than that recognised under the testing described above.

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 €71 million over the year. As of 31 December 2014, provisions totalled €52 million.

A +/-5% increase or decrease in the projected yen/euro exchange rate would have the effect of reducing the charge for the year by €20 million or increasing it by €37 million.

Other reversals of provisions and income were recognised in the amount of €30 million, *i.e.* a total of €101 million including the reversal of the €71 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 (2015-2018 plan for 2014 impairment tests, as revised at end-2014 based on the latest 2015 budget assumptions).

The main assumption affecting value in use is the level of recurring operating income, particularly for the calculation of terminal value. 2018 margin was projected at 5.5%. The calculation was performed by extrapolating to perpetuity projected cash flows for the last year of the Medium-Term Plan (2018) using a growth rate of 1.5%. Future cash flows were discounted at an unchanged after-tax rate of 9.5%.

The test performed at end-2014 confirmed that the goodwill allocated to the four CGUs was fairly stated in the balance sheet. The balance sheet values are presented in the table below:

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Automotive Seating | 793 | 793 |
| Emissions Control Technologies | 353 | 333 |
| Automotive Exteriors | 125 | 125 |
| Interior Systems | 46 | 46 |
| **TOTAL** | **1,317** | **1,297** |

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 Peugeot Citroën

The stock market value of the Faurecia shares held by Peugeot S.A. at 31 December 2014 was €1,959 million, 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 €1,039 million (including the goodwill of €187 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 2014.

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

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Capital commitments for the acquisition of non-current assets | 723 | 404 |
| Orders for research and development work | 35 | 16 |
| Minimum purchase commitments | 215 | 285 |
| Non-cancellable lease commitments | 1,764 | 1,463 |
| | **2,737** | **2,168** |

### 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 de Modernisation des Equipementiers Automobiles (FMEA – tier 1 and tier 2), two funds set up to support automotive equipment manufacturers. The Group's total commitment to FMEA amounted to €204 million. At 31 December 2014, the Group had already paid €128 million into this fund.

### C. NON-CANCELLABLE LEASE COMMITMENTS

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| 2014 | - | 261 |
| 2015 | 290 | 215 |
| 2016 | 235 | 187 |
| 2017 | 202 | 154 |
| 2018 | 180 | 135 |
| 2019 | 160 | 119 |
| 2020 | 168 | - |
| Subsequent years | 529 | 392 |
| **TOTAL NON-CANCELLABLE LEASE COMMITMENTS** | **1,764** | **1,463** |

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

## 9.1. OTHER NON-CURRENT ASSETS

| *(in million euros)* | Notes | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Investments in non-consolidated companies | | 52 | 32 |
| Excess of payments to external funds over pension obligations | *7.1.E* | 508 | 261 |
| Units in the FMEA funds | | 61 | 64 |
| Derivative instruments [(1)] | | 6 | - |
| Guarantee deposits and other | | 314 | 277 |
| **TOTAL** | | **941** | **634** |

*(1) Corresponding to the non-current portion of derivative instruments hedging commodity risks.*

The Group has invested in the two "Fonds de Modernisation des Equipementiers Automobiles" (FMEA – tier 1 and tier 2). The Group has committed €204 million to these two funds, €128 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 12.8.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 FMEA units were written down by €51 million at 31 December 2014 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 12.8.C.(3)).

## 9.2. OTHER NON-CURRENT LIABILITIES

| *(in million euros)* | Notes | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Liabilities related to vehicles sold with a buyback commitment | *5.1.A(1).(a)* | 2,796 | 2,913 |
| Other | | 196 | 131 |
| **TOTAL** | | **2,992** | **3,044** |

# NOTE 10 CURRENT AND NON-CURRENT PROVISIONS

## 10.1. 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.

## 10.2. NON-CURRENT PROVISIONS

### A. ANALYSIS BY TYPE

| *(in million euros)* | Notes | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Pensions | *7.1* | 1,364 | 990 |
| Other employee benefit obligations | | 151 | 138 |
| Other | | 28 | 16 |
| **TOTAL** | | **1,543** | **1,144** |

### B. MOVEMENTS FOR THE YEAR

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| **At beginning of period** | **1,144** | **1,283** |
| **IFRS 5 declassification** | **(20)** | **-** |
| **Movements taken to profit or loss** | | |
| Additions | 179 | 167 |
| Releases (utilisations) | (108) | (105) |
| Releases (unused provisions) | (29) | (84) |
| | **42** | **(22)** |
| **Other changes** | | |
| Translation adjustment | 8 | (14) |
| Recognised in equity during the period | 328 | (148) |
| Change in scope of consolidation and other | 41 | 45 |
| **AT PERIOD-END** | **1,543** | **1,144** |

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 5.4.B).

### 10.3. CURRENT PROVISIONS

#### A. ANALYSIS BY TYPE

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Warranties | 790 | 709 |
| Commercial and tax claims and litigation | 582 | 465 |
| Restructuring plans | 890 | 752 |
| Long-term contract losses | 124 | 258 |
| Sales with a buyback commitment | 198 | 176 |
| Other | 304 | 297 |
| **TOTAL** | **2,888** | **2,657** |

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

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

Provisions for tax claims concern a number of claims primarily outside France.

#### B. MOVEMENTS FOR THE YEAR

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| **At beginning of period** | **2,657** | **3,070** |
| **IFRS 5 declassification** | **(37)** | **-** |
| **Movements taken to profit or loss** | | |
| Additions (1) | 1,763 | 1,379 |
| Releases (utilisations) | (1,130) | (1,272) |
| Releases (unused provisions) (2) | (359) | (431) |
| | **274** | **(324)** |
| **Other changes** | | |
| Translation adjustment | (6) | (91) |
| Change in scope of consolidation and other | - | 2 |
| **AT PERIOD-END** | **2,888** | **2,657** |

(1) *The main additions for restructuring plans in 2014 are discussed in Note 5.4.B.*
(2) *The decline in warranty costs resulting from improvements to vehicle quality led to a €68 million reduction in the related provisions in 2014 (€71 million reduction in 2013).*

## NOTE 11 INVESTMENTS IN COMPANIES AT EQUITY

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

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

Companies accounted for by the equity method include joint ventures within the meaning of IFRS 11, namely DPCA and CAPSA in China, as well as companies over which the Group has significant influence, mainly GEFCO S.A.

## 11.1. CHANGES IN THE CARRYING AMOUNT OF INVESTMENTS IN COMPANIES AT EQUITY

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| **At beginning of period** | **1,375** | **1,320** |
| Dividends and profit transfers [1] | (150) | (133) |
| Share of net earnings | 282 | 173 |
| Newly consolidated companies | 14 | - |
| Capital increase (reduction) | 12 | 42 |
| Changes in scope of consolidation and other | 6 | (5) |
| Translation adjustment | 127 | (22) |
| **AT PERIOD-END** | **1,666** | **1,375** |
| O/w Dongfeng Peugeot Citroën Automobile goodwill | 79 | 72 |
| O/w Dongfeng Peugeot Citroën Automobile Finance Company Ltd goodwill | 5 | 5 |
| O/w GEFCO goodwill | 57 | 57 |

*(1) Dividends and profit transfers in 2014 included €121 million in net dividends paid to the Group by DPCA, of which €13 million withheld.*

## 11.2. SHARE IN NET ASSETS OF COMPANIES AT EQUITY

| *(in million euros)* | Latest % interest | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Dongfeng Motor Company cooperation agreement: | | 1,153 | 884 |
| › Dongfeng Peugeot Citroën Automobile [1] | 50% | 1,092 | 884 |
| › Dongfeng Peugeot Citroën Automobile Sales Co | 50% | 61 | - |
| Changan cooperation agreement: Changan PSA Automobiles Co., Ltd | 50% | 158 | 163 |
| Other | 34% | 11 | 8 |
| Automotive | | 1,322 | 1,055 |
| Automotive equipment | | 81 | 84 |
| Other activities: GEFCO [1] | 25% | 146 | 148 |
| **Manufacturing and sales activities** | | **1,549** | **1,287** |
| Dongfeng Peugeot Citroën Automobile Finance Company Ltd [1] | 50% | 104 | 83 |
| **Finance activities** | | **104** | **83** |
| **TOTAL** | | **1,653** | **1,370** |

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

The share in net assets of companies at equity breaks down into €1,666 million (€1,375 million at 31 December 2013) for companies with positive net equity, reported under "Investments in companies at equity" less €13 million (€5 million at 31 December 2013) for companies with negative net equity, reported under "Non-current provisions".

## 11.3. SHARE IN NET EARNINGS OF COMPANIES AT EQUITY

| *(in million euros)* | Latest % interest | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Dongfeng Motor Company cooperation agreement: | | 283 | 187 |
| › Dongfeng Peugeot Citroën Automobile (1) | 50% | 230 | 187 |
| › Dongfeng Peugeot Citroën Automobile Sales Co | 50% | 53 | - |
| Changan cooperation agreement: Changan PSA Automobiles Co., Ltd | 50% | (20) | (49) |
| Other | 34% | 2 | 1 |
| Automotive | | 265 | 139 |
| Automotive equipment | | 1 | 14 |
| Other activities: GEFCO (1) | 25% | 5 | 12 |
| **Manufacturing and sales activities** | | **271** | **165** |
| *Dongfeng Peugeot Citroën Automobile Finance Company Ltd (1)* | 50% | 11 | 8 |
| **Finance activities** | | **11** | **8** |
| TOTAL | | 282 | 173 |

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

## 11.4. KEY FINANCIAL DATA OF COMPANIES ACCOUNTED AT EQUITY

### A. DETAILED INFORMATION ON THE MAIN COMPANIES ACCOUNTED AT EQUITY

#### 1) Dongfeng cooperation agreement

PSA Peugeot Citroën and Dongfeng Motor Group have two joint ventures:

- Dongfeng Peugeot Citroën Automobile (DPCA), based in Wuhan, which is subject to joint control and is qualified for accounting purposes as a joint venture. It manufactures motor vehicles under the Dongfeng Peugeot 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 the vehicles produced by DPCA in China.

Two other jointly controlled companies are being created:

- one to undertake joint research and development;
- one to market vehicles manufactured by DCPA outside China, in the ASEAN region.

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

EARNINGS ITEMS AT 100%

| | In million euros | | In million yuans | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Sales and revenue | 8,701 | 7,034 | 69,874 | 57,447 |
| Recurring operating income (loss) | 651 | 439 | 5,251 | 3,593 |
| Operating income (loss) | 637 | 420 | 5,135 | 3,433 |
| *Of which depreciation and impairment* | *(225)* | *(299)* | *(1,843)* | *(2,443)* |
| Net financial income (loss) | 126 | 74 | 1,026 | 605 |
| Income taxes | (195) | (120) | (1,575) | (980) |
| **Profit (loss) from continuing operations** | **568** | **374** | **4,586** | **3,058** |
| Profit (loss) from discontinued operations | - | - | - | - |
| **PROFIT (LOSS) OF THE PERIOD** | **568** | **374** | **4,586** | **3,058** |
| Group's share in the profit (loss) of the period (Share in net earnings of companies at equity) | 283 | 187 | | |
| **Income and expenses recognised in equity, net** | - | - | | |
| Other information | | | | |
| Net dividend received from the joint venture(s) by the Group | 121 | 112 | | |

BALANCE SHEET ITEMS AT 100%

| | In million euros | | In million yuans | |
|---|---|---|---|---|
| | 31 December 2014 | 31 December 2013 | 31 December 2014 | 31 December 2013 |
| **Assets** | | | | |
| Non-current assets | 2,709 | 2,356 | 20,414 | 19,668 |
| Current assets | 3,492 | 2,589 | 26,315 | 21,616 |
| *Of which cash and cash equivalents* | *1,700* | *830* | *12,809* | *6,932* |
| **Liabilities** | | | | |
| Non-current liabilities (excluding equity) | (215) | (188) | (1,620) | (1,567) |
| *Of which non-current financial liabilities* | *(215)* | *(188)* | *(1,620)* | *(1,567)* |
| Current liabilities | (3,839) | (3,133) | (28,929) | (26,159) |
| *Of which current financial liabilities* | *(230)* | *(226)* | *(1,733)* | *(1,885)* |
| Equity | (2,147) | (1,624) | (16,180) | (13,558) |
| **Transition table** | | | | |
| Equity | (2,147) | (1,624) | | |
| % of interest | 50% | 50% | | |
| Group's share in equity | (1,074) | (812) | | |
| Goodwill | (79) | (72) | | |
| Investments in company at equity | (1,153) | (884) | | |

## 2) Changan Cooperation Agreement

Since 2011, PSA Peugeot Citroën 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 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Sales and revenue | 518 | 70 | 4,233 | 571 |
| Recurring operating income (loss) | (45) | (121) | (370) | (990) |
| Operating income (loss) | (44) | (128) | (359) | (1,046) |
| *Of which depreciation and impairment* | *(39)* | *(8)* | *(317)* | *(62)* |
| Net financial income (loss) | (12) | - | (95) | (1) |
| Income taxes | 15 | 30 | 120 | 247 |
| **Profit (loss) from continuing operations** | **(41)** | **(98)** | **(334)** | **(800)** |
| Profit (loss) from discontinued operations | - | - | - | - |
| **PROFIT (LOSS) OF THE PERIOD** | **(41)** | **(98)** | **(334)** | **(800)** |
| Group's share in the profit (loss) of the period (Share in net earnings of companies at equity) | (20) | (49) | | |
| **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%

| | In million euros | | In million yuans | |
|---|---|---|---|---|
| | 31 December 2014 | 31 December 2013 | 31 December 2014 | 31 December 2013 |
| **Assets** | | | | |
| Non-current assets | 821 | 695 | 6,195 | 5,807 |
| Current assets | 524 | 208 | 3,945 | 1,739 |
| *Of which cash and cash equivalents* | *96* | *65* | *724* | *540* |
| **Liabilities** | | | | |
| Non-current liabilities (excluding equity) | (411) | (309) | (3,099) | (2,582) |
| *Of which non-current financial liabilities* | *(411)* | *(309)* | *(3,099)* | *(2,582)* |
| Current liabilities | (618) | (269) | (4,659) | (2,248) |
| *Of which current financial liabilities* | *(230)* | *(36)* | *(1,733)* | *(301)* |
| Equity | (316) | (325) | (2,382) | (2,716) |
| **Transition table** | | | | |
| Equity | (316) | (325) | | |
| % of interest | 50% | 50% | | |
| Group's share in equity | (158) | (163) | | |
| Goodwill | - | - | | |
| Investments in company at equity | (158) | (163) | | |

## B. OVERALL DISCLOSURES REGARDING NON-MATERIAL EQUITY-ACCOUNTED INVESTMENTS

### JOINT VENTURES

On 31 December 2014, there was no other significant joint venture.

### ASSOCIATES

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Share in assets | 261 | 239 |
| Profit (loss) from continuing operations | 18 | 21 |
| Profit (loss) from discontinued operations | - | - |
| **INCOME AND EXPENSES RECOGNISED IN EQUITY, NET** | - | 1 |

## 11.5. RELATED PARTY TRANSACTIONS – COMPANIES AT EQUITY

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

Receivables and payables with companies at equity are as follows:

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Long-term loans | - | - |
| Short-term loans | - | - |
| Trade receivables | 280 | 236 |
| Trade payables | (276) | (284) |

Sale and purchase transactions carried out by the consolidated Group with companies at equity are as follows:

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Sales [(1)] | 1,719 | 1,399 |
| Purchases [(2)] | (1,806) | (2,073) |

*(1) Of which €1,405 million in sales to DCPA (€1,226 million in 2013) and €196 million in sales to CAPSA (€61 million in 2013).*
*(2) Of which €1,782 million in purchases from GEFCO (€1,991 million in 2013) and €24 million in purchases from DCPA in 2014 (€25 million in 2013).*

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

## 12.1. ACCOUNTING POLICIES

The principles governing the measurement of financial assets and liabilities within the meaning of IAS 32 and IAS 39 are described in Note 12.8.

## 12.2. NET FINANCIAL INCOME (LOSS)

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Interest income | 109 | 138 |
| Finance costs | (662) | (623) |
| Other financial income | 96 | 64 |
| Other financial expenses | (306) | (243) |
| **NET FINANCIAL INCOME (EXPENSE)** | **(763)** | **(664)** |

### A. FINANCE COSTS

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

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Interest on borrowings | (635) | (681) |
| Interest on bank overdrafts | (42) | (37) |
| Interest on finance lease liabilities | (10) | (12) |
| Foreign exchange gain (loss) on financial transactions | (33) | (22) |
| Other | (8) | (6) |
| **Finance costs incurred** | **(728)** | **(758)** |
| *Of which Automotive Division and Other Businesses* | *(521)* | *(544)* |
| Capitalised borrowing Costs | 66 | 135 |
| **TOTAL** | **(662)** | **(623)** |

#### 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)* | 2014 | 2013 |
|---|---|---|
| Finance costs incurred | (728) | (758) |
| *Of which Automotive Division and Other Businesses* | *(521)* | *(544)* |
| Interest income | 109 | 138 |
| *Of which Automotive Division and Other Businesses* (1) | *108* | *128* |
| **TOTAL** | **(619)** | **(620)** |
| *Of which Automotive Division and Other Businesses* | *(413)* | *(416)* |

*(1) Of which €89 million of gain on disposal of 4,004,695 BNPPARIBAS shares in 2013.*

### B. OTHER FINANCIAL INCOME AND EXPENSES

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Expected return on pension funds | 10 | 11 |
| Other financial income | 86 | 53 |
| **FINANCIAL INCOME** | **96** | **64** |
| Interest cost on employee benefit obligations | (32) | (36) |
| Ineffective portion of the change in fair value of financial instruments | (42) | (9) |
| Other financial expenses | (232) | (198) |
| **FINANCIAL EXPENSES** | **(306)** | **(243)** |

## 12.3. 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 12.4).

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 2014 | 31 December 2013 |
|---|---|---|
| **Financial assets and liabilities of the manufacturing and sales companies** | | |
| Non-current financial liabilities | (6,463) | (7,956) |
| Current financial liabilities | (2,833) | (3,192) |
| Other non-current financial assets | 696 | 641 |
| Current financial assets | 405 | 141 |
| Financial investments | 266 | - |
| Cash and cash equivalents | 8,477 | 6,185 |
| **(NET DEBT) NET FINANCIAL POSITION OF THE MANUFACTURING AND SALES COMPANIES** | **548** | **(4,181)** |
| Of which external loans and borrowings | 134 | (4,348) |
| Of which financial assets and liabilities with finance companies | 414 | 167 |
| **Automotive Division and other activities** | **2,031** | **(2,552)** |

### B. CHANGE IN NET FINANCIAL POSITION (NET DEBT)

In 2014, the Group kept up the proactive refinancing strategy and conservative liquidity policy described in Note 12.7.A.

The manufacturing and sales companies reduced their net debt over the period through the conjunction of two measures:

- Peugeot S.A. rights issues in a total amount of €2,961 million;
- Net cash from operating activities exceeding the cash used in investing activities.

Net cash from operating activities for the year totalled positive €3,878 million, representing funds from operations of €2,126 million plus the positive impact of a €1,752 million decrease in working capital. Changes in working capital are discussed in Note 6.4.A.

Investments for the period in property, plant and equipment and intangible assets amounted to €2,278 million. Other financing needs for the period stood at €94 million.

Other cash inflows for the period were as follows:

- Banque PSA Finance dividend of €224 million and PSA Assurance dividend of €4 million;
- the sale of preferential subscription rights attached to treasury shares for €24 million.

These various cash inflows and outflows have resulted in a reduction in net debt of €4,719 million.

Hence:

- cash reserves amounted to €8,477 million at 31 December 2014 versus €6,185 million at 31 December 2013. Current financial assets amounted to €405 million at 31 December 2014 versus €141 million at 31 December 2013. Financial investments totalled €266 million;
- net debt before cash and cash equivalents decreased by €2,480 million as a result of the following variations:

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Increase in borrowings | 160 | 2,564 |
| Repayment of borrowings and conversion of bonds | (1,883) | (2,194) |
| (Increase) decrease in non-current financial assets | 17 | (62) |
| (Increase) decrease in current financial assets | (514) | 1,342 |
| Increase (decrease) in current financial liabilities | (260) | 160 |
| | **(2,480)** | **1,810** |
| *Net cash flows with Group finance companies* | *334* | *-* |
| **TOTAL** | **(2,146)** | **1,810** |

Loan repayments in the amount of €1,883 million include notably partial bonds' redemptions by Peugeot S.A. in total amount of €374 million (see Note 12.6.A).

Furthermore, the non-cash changes represented a decrease of €10 million in the net debt of the Group.

## 12.4. LIQUIDITY RESERVES

Financial security is made up of available cash, other readily available financial assets and undrawn credit lines.

€35 million (€19 million at 31 December 2013) and €486 million (€386 million at 31 December 2013) in current and non-current financial assets respectively were included in the calculation of financial security, representing a total of €520 million (€405 million at 31 December 2013).

| *(in million euros)* | Notes | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Cash and cash equivalents [(1)] | *12.5.C* | 8,477 | 6,185 |
| Financial investments | | 266 | - |
| Current & non current financial assets | | 520 | 405 |
| **Total** | | **9,263** | **6,590** |
| Lines of credit (undrawn) – excluding Faurecia | | 3,000 | 2,400 |
| Lines of credit (undrawn) – Faurecia | | 1,200 | 1,150 |
| **TOTAL FINANCIAL SECURITY** | | **13,463** | **10,140** |
| *of which Faurecia* | | *2,297* | *1,911* |

*(1) Of which €443 million in Argentina.*

### 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 2019:

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Peugeot S.A. and GIE PSA Trésorerie | 3,000 | 2,400 |
| Faurecia | 1,200 | 1,150 |
| **UNDRAWN CONFIRMED LINES OF CREDIT** | **4,200** | **3,550** |

Following the renegotiation in April 2014, a €2,000 million tranche of the Peugeot S.A. and GIE PSA Trésorerie facility now matures in April 2019. The balance of €1,000 million matures in April 2017, with two optional one-year extensions. This credit facility was undrawn at the period-end.

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 12.3. The Group's equity is that listed under "Total Equity" in liabilities.

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 credit facility was undrawn at the period-end.

## 12.5. BREAKDOWN OF FINANCIAL ASSETS

### A. OTHER NON-CURRENT AND CURRENT FINANCIAL ASSETS

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| *(in million euros)* | Non-current | Current | Non-current | Current |
| Loans and receivables | 295 | 392 | 323 | 132 |
| Financial assets classified as "at fair value through profit or loss" | 332 | - | 307 | - |
| Derivative instruments | 69 | 13 | 11 | 9 |
| **TOTAL FINANCIAL ASSETS, NET** | **696** | **405** | **641** | **141** |

### 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 €266 million.

### 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.

Cash and cash equivalents include:

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Mutual fund units and money market securities | 6,113 | 4,914 |
| Cash and current account balances | 2,364 | 1,271 |
| **Total – manufacturing and sales companies** | **8,477** | **6,185** |
| *o/w deposits with finance companies* | *(128)* | *(210)* |
| **TOTAL** | **8,349** | **5,975** |

Cash includes the proceeds from borrowings arranged to meet future financing needs (see Note 12.3.A) as well as the proceeds from the right issues of the year

At 31 December 2014, cash equivalents mainly included money market funds for €4,115 million, bank deposits and overnight money market notes in the amount of €1,064 million and commercial paper for €300 million.

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

## 12.6. BREAKDOWN OF FINANCIAL LIABILITIES

| | Carrying amount at 31 December 2014 | | Carrying amount at 31 December 2013 | |
|---|---|---|---|---|
| | Amortised cost or fair value | | Amortised cost or fair value | |
| *(in million euros)* | Non-current | Current | Non-current | Current |
| Convertible bonds [1] | 768 | 21 | 737 | 21 |
| Other bonds | 4,328 | 780 | 5,301 | 834 |
| Employee profit-sharing fund | 2 | 1 | 3 | 1 |
| Finance lease liabilities | 148 | 64 | 210 | 70 |
| Other long-term borrowings | 1,217 | 630 | 1,700 | 723 |
| Other short-term financing and overdraft facilities | - | 1,332 | - | 1,543 |
| Derivative instruments | - | 5 | 5 | - |
| **TOTAL FINANCIAL LIABILITIES** | **6,463** | **2,833** | **7,956** | **3,192** |

*(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 12.7.A.

The main transactions during the year were as follows:

### Bond issues by manufacturing and sales companies (excluding Faurecia)

In September 2014, Peugeot S.A. made partial redemptions in a total amount of €374 million:

- €115 million on the €460 million bond maturing in June 2015;
- €96 million on the €397 million bond maturing in March 2016;
- €79 million on the €500 million bond maturing in October 2016 and;
- €84 million on the €600 million bond maturing in July 2017.

Peugeot Citroën do Brasil subscribed new loans during the year, primarily from Banco Nacional Do Desinvolvimento (BNDES) and Banco do Brasil, in a total amount of €139 million of which €133 million in short-term loans denominated in euro.

### Peugeot S.A. syndicated credit facility

On 9 July 2010, Peugeot S.A. rolled over in advance a €2,400 million three-year syndicated revolving credit facility (with two extensions of one year at the banks' option) with a group of 21 banks.

In July 2011, a first one-year extension was accepted by the banks, to July 2014.

In July 2012, PSA Peugeot Citroën obtained a second one-year extension to July 2015 for a €2,225 million tranche, with the remainder still due July 2014.

Following the renegotiation in April 2014, a €2,000 million tranche of the Peugeot S.A. and GIE PSA Trésorerie facility now matures in April 2019. The balance of €1,000 million matures in April 2017, with two optional one-year extensions. This credit facility was undrawn at period-end.

### Faurecia syndicated credit facility

In December 2011, Faurecia obtained a new €1,150 million syndicated credit facility. The facility comprises a €690 million tranche expiring in November 2014 with a two-year extension option and a €460 million tranche expiring in December 2016.

Following the exercise of the two extension options, the first tranche was split into a €36 million tranche maturing in December 2014 and a €654 million tranche maturing in December 2016.

On 15 December 2014, Faurecia arranged a new syndicated line of credit which comprises only one €1,200 million tranche expiring in December 2019. This credit facility was undrawn at the period-end.

## B. CHARACTERISTICS OF THE PEUGEOT S.A. AND FAURECIA OCEANE CONVERTIBLE BONDS

The OCEANE convertible bonds issued by the Group are recognised and measured as follows:

- the debt component is recognised in liabilities at amortised cost, determined using the market interest rate for debt securities with similar characteristics but without the conversion feature. The carrying amount is stated net of a proportionate share of the debt issuance costs;
- the conversion option is recognised in equity for an amount equal to the difference between the total issue proceeds and the value of the debt component. The carrying amount is stated net of a proportionate share of the debt issuance costs and corresponding deferred taxes.

The conversion option is recognised in equity because the conversion ratio is fixed (*i.e.* bond holders will receive a fixed number of shares in exchange for a fixed amount of bonds). It is not subsequently remeasured at fair value, unless there is a change in the bonds' estimated life. It will, however, be adjusted, for all conversions of bonds. A deferred tax liability calculated on the gross value of the conversion option is also recognised in equity.

### OCEANE Peugeot S.A.

On 23 June 2009, Peugeot S.A. issued €575 million worth of OCEANE bonds convertible or exchangeable for new or existing shares, *i.e.* €25.10 per share. The 22,908,365 bonds are due 1 January 2016 and pay interest at an annual nominal rate of 4.45%.

At 31 December 2014, 1,493 bonds had been converted. At inception, the debt component of the OCEANE convertible bonds amounted to €441 million and the equity component to €125 million. The conversion ratio is 1 OCEANE bond for 1.57 shares.

### OCEANE Faurecia

On 18 September 2012, Faurecia issued €250 million worth of OCEANE bonds convertible or exchangeable for new or existing shares, *i.e.* €19.48 per share. The 12,833,675 bonds are due on 1 January 2018 and pay interest at an annual nominal rate of 3.25%.

At 31 December 2014, no bond had been converted. At inception, the debt component of the OCEANE convertible bonds amounted to €198 million and the equity component to €47 million. The conversion ratio is one OCEANE bond for one share.

## C. CHARACTERISTICS OF BONDS AND OTHER BORROWINGS

| *(in million euros)* | Carrying amount at 31 December 2014 | | Issuing currency | Due |
|---|---|---|---|---|
| | Non-current | Current | | |
| **Manufacturing and sales companies (excluding Faurecia)** | | | | |
| 2009 convertible bond issue - €575m | 549 | 13 | EUR | Q1/2016 |
| **Faurecia** | | | | |
| 2012 convertible bond issue - €250m | 218 | 8 | EUR | Q1/2018 |
| 2012 redeemable bond issue - €9m | 1 | - | EUR | Q4/2016 |
| **TOTAL CONVERTIBLE BOND ISSUES** | **768** | **21** | | |
| **Manufacturing and sales companies (excluding Faurecia)** | | | | |
| 2003 bond issue - €600m | 868 | 10 | EUR | Q3/2033 |
| 2010 bond issue - €345m | - | 355 | EUR | Q2/2015 |
| 2010 bond issue - €421m | 419 | 4 | EUR | Q4/2016 |
| 2011 bond issue - €150m | 150 | 1 | EUR | Q4/2016 |
| 2011 bond issue - €302m | 301 | 16 | EUR | Q1/2016 |
| 2012 bond issue - €516m | 513 | 14 | EUR | Q3/2017 |
| 2013 bond issue - €1,000m | 993 | 61 | EUR | Q1/2018 |
| 2013 bond issue - €600m | 594 | 50 | EUR | Q1/2019 |
| **Faurecia** | | | | |
| 2011 bond issue - €490m | 490 | 2 | EUR | Q4/2016 |
| 2012 bond issue - €250m | - | 267 | EUR | Q2/2015 |
| **TOTAL BOND ISSUES** | **4,328** | **780** | | |
| **Manufacturing and sales companies (excluding Faurecia) – euro-denominated loans** | | | | |
| EIB loan [1]- €200m | 78 | 42 | EUR | Q3/2017 |
| EIB loan [1]- €65m | 23 | 13 | EUR | Q4/2017 |
| EIB loan [1]- €300m | 168 | 60 | EUR | 2014 to 2018 |
| FDES loan [1] - Zero coupon | 24 | - | EUR | Q1/2020 |
| Borrowings - Spain | 172 | 63 | EUR | 2015 to 2026 |
| Borrowings - Czech Republic | - | 36 | EUR | Q4/2017 |
| Borrowings - Russia | 93 | 48 | EUR | 2017 to 2019 |
| Other borrowings | 45 | 5 | | |
| **Manufacturing and sales companies (excluding Faurecia) – foreign currency loans** | | | | |
| Borrowings - Brazil | 301 | 217 | BRL | 2015 to 2024 |
| Borrowings - Russia | 14 | 5 | RUB | Q2/2019 |
| Other borrowings | 10 | 20 | nc | nc |
| **Faurecia** | | | | |
| Other borrowings | 289 | 121 | EUR | 2014 to 2019 |
| **TOTAL OTHER LONG-TERM BORROWINGS** | **1,217** | **630** | | |

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

## D. CHARACTERISTICS OF OTHER SHORT-TERM FINANCING AND OVERDRAFT FACILITIES

| *(in million euros)* | Issuing currency | Carrying amount at 31 December 2014 | Carrying amount at 31 December 2013 |
|---|---|---|---|
| Commercial paper | EUR | 438 | 334 |
| Short-term loans | N/A | 493 | 543 |
| Bank overdrafts | N/A | 254 | 541 |
| Payments issued [1] | N/A | 50 | 24 |
| Factoring liabilities on assets that have not been derecognised | N/A | 97 | 101 |
| **TOTAL** | | **1,332** | **1,543** |

*(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.*

## E. FINANCE LEASE LIABILITIES

The present value of future payments under finance leases reported in "Other borrowings" can be analysed as follows by maturity:

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Less than 1 year | - | 88 |
| 1 to 5 years | 124 | 90 |
| Subsequent years | 102 | 120 |
| | **226** | **298** |
| Less interest portion | (14) | (18) |
| **PRESENT VALUE OF FUTURE LEASE PAYMENTS** | **212** | **280** |
| Of which short-term | 64 | 70 |
| Of which long-term | 148 | 210 |

## F. FINANCING BY THE ASSIGNMENT OF RECEIVABLES

The Automotive Division and Faurecia meet part of their financing needs by selling receivables to financial institutions.

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

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| *(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 |
| ***Financed portion* [1]** | ***1,682*** | ***62*** | ***1,140*** | ***226*** |
| *› of which Faurecia Group* | *637* | *62* | *363* | *138* |

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

Furthermore, Peugeot S.A. sold and derecognised in 2014 a portion of a 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 €64 million. The cash proceeds received in the twelve months to 31 December 2014 amounted to €60 million.

Besides, Peugeot S.A. and Faurecia sold and derecognised their 2013 French research tax credits, for a total of €132 million. The cash proceeds received at 31 December 2014 amounted to €126 million.

The sale of receivables constitutes usual short-term financing.

No transaction was carried out in December 2014 outside of the sale of receivables programme.

## 12.7. MANAGEMENT OF FINANCIAL RISKS

### A. FINANCIAL RISK MANAGEMENT POLICY

In the course of its business, PSA Peugeot Citroën 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 liquidity reserves 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 2014, the net financial position of the manufacturing and sales companies was €548 million compared to a €4,181 million net debt at 31 December 2013. The breakdown of the net debt can be found in Note 12.3.A, and changes thereto in Note 12.3.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, €3,333 million of which had been drawn down at end-December 2014.

At 31 December 2014, the manufacturing and sales companies had liquidity reserves of €13,463 million (see Note 12.4) compared to €10,140 million at end-December 2013.

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 2014** *(in million euros)* | | | Undiscounted contractual cash flows | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **2015** | **2016** | **2017** | **2018** | **2019** | **> 5 years** |
| **Financial liabilities** | | | | | | | | |
| **Bonds - principal repayments** | | | | | | | | |
| Manufacturing and sales companies - exclud. Faurecia | | (4,732) | (345) | (1,448) | (516) | (1,000) | (600) | (600) |
| Faurecia | | (959) | (250) | (499) | - | (250) | - | - |
| **Other long-term debt - principal repayments** | | | | | | | | |
| Manufacturing and sales companies - exclud. Faurecia | | (1,437) | (509) | (377) | (222) | (144) | (67) | (210) |
| Faurecia | | (410) | (121) | (156) | (77) | (28) | (12) | (16) |
| **Total bonds and other borrowings** | | | | | | | | |
| Manufacturing and sales companies - exclud. Faurecia | | (6,169) | (854) | (1,825) | (738) | (1,144) | (667) | (810) |
| Faurecia | | (1,369) | (371) | (655) | (77) | (278) | (12) | (16) |
| **Total interest on bonds and other borrowings** | | | | | | | | |
| Manufacturing and sales companies - exclud. Faurecia | | (179) | (309) | (256) | (188) | (152) | (75) | (504) |
| Faurecia | | (27) | (74) | (61) | (8) | (8) | - | - |
| **Other short-term debt** | | (1,332) | (1,332) | - | - | - | - | - |
| **Finance lease liabilities** | | (212) | (98) | (10) | (9) | (7) | (6) | (96) |
| **Employee profit-sharing fund** | | (3) | (1) | - | - | - | - | (2) |
| **Derivative instruments** | | | | | | | | |
| **Total derivative instruments** | **102** | **(56)** | **8** | **5** | **1** | **-** | **-** | **-** |
| **TOTAL** | **102** | **(9,347)** | **(3,031)** | **(2,802)** | **(1,019)** | **(1,589)** | **(760)** | **(1,428)** |

### 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.

The OCEANE convertible bonds are subject to standard clauses, such as the requirement to maintain a listing for Peugeot S.A. shares.

All of these clauses were complied with in 2014.

Drawing on the €3 billion syndicated credit facility established in April 2014 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 12.3. The Group’s equity is that listed under “Total Equity” in liabilities.

The €1,200 million syndicated line of credit arranged in December 2014 by Faurecia contains only one covenant setting limits on debt.

| *Ratio* | |
|---|---|
| Adjusted net debt*/EBITDA** maximum | 2.50 |

* *Consolidated net debt.*

** *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 31 2014, Faurecia complied with this ratio.

The Faurecia OCEANE convertible bonds are subject to standard clauses, such as the requirement to maintain a listing for Faurecia shares.

## 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 given the very low interest rates observed in 2014.

The gross borrowings of manufacturing and sales companies – excluding Automotive Equipment companies – consist mainly of fixed- and adjustable-rate long-term loans. New borrowings obtained since 2009 have been kept at fixed rate in order to retain the benefit of record low fixed interest rates. The GIE’s bond maturing in 2033 had initially been converted to variable rate by means of derivatives qualifying for hedge accounting under IFRS. This hedging was terminated in November 2012.

The proportion of the manufacturing and sales companies’ borrowings – excluding Automotive Equipment companies – at variable rates of interest is now 3.6%, based on the principal borrowed.

Faurecia independently manages its interest rate risk on a centralised basis. This is organised by 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. Issues of conventional and convertible bonds in 2012 were at fixed rate, increasing the proportion of fixed-rate debt compared to the previous year. Nevertheless, with a significant portion of the debt (syndicated line of credit, short-term borrowings, commercial paper) being variable rate, the hedging policy aims to limit the effect on Faurecia’s profit of an increase in short-term rates. This hedging is mainly implemented through the use of interest rate swaps, primarily in euros. Substantially all variable rate interest payable in 2014 is hedged, and to a lesser extent in 2015.

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:

| *(in million euros)* | | 31 December 2014 Intraday to 1 year | 2 to 5 years | Beyond 5 years | Total |
|---|---|---|---|---|---|
| Total assets | Fixed rate | 601 | 170 | 416 | 1,187 |
| | Variable rate | 8,535 | - | - | 8,535 |
| Total liabilities | Fixed rate | (341) | (5,086) | (1,077) | (6,504) |
| | Variable rate | (2,535) | - | - | (2,535) |
| **NET POSITION BEFORE HEDGING** | **FIXED RATE** | **260** | **(4,916)** | **(661)** | **(5,317)** |
| | **VARIABLE RATE** | **6,000** | **-** | **-** | **6,000** |
| Derivative financial instruments | Fixed rate | (470) | (45) | (62) | (577) |
| | Variable rate | 577 | - | - | 577 |
| **NET POSITION AFTER HEDGING** | **FIXED RATE** | **(210)** | **(4,961)** | **(723)** | **(5,894)** |
| | **VARIABLE RATE** | **6,577** | **-** | **-** | **6,577** |

| *(in million euros)* | | 31 December 2013 Intraday to 1 year | 2 to 5 years | Beyond 5 years | Total |
|---|---|---|---|---|---|
| Total assets | Fixed rate | 924 | 191 | 278 | 1,393 |
| | Variable rate | 5,394 | 24 | 2 | 5,420 |
| Total liabilities | Fixed rate | (1,196) | (4,683) | (2,502) | (8,381) |
| | Variable rate | (2,374) | (6) | - | (2,380) |
| **NET POSITION BEFORE HEDGING** | **FIXED RATE** | **(272)** | **(4,492)** | **(2,224)** | **(6,988)** |
| | **VARIABLE RATE** | **3,020** | **18** | **2** | **3,040** |
| Derivative financial instruments | Fixed rate | - | (583) | (139) | (722) |
| | Variable rate | 252 | 470 | - | 722 |
| **NET POSITION AFTER HEDGING** | **FIXED RATE** | **(272)** | **(5,075)** | **(2,363)** | **(7,710)** |
| | **VARIABLE RATE** | **3,272** | **488** | **2** | **3,762** |

## 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 Federation 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.

A new 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 2014, the Automotive Division had cash flow hedges on the following currencies: GBP, CHF, SEK, DKK and NOK.

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 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 2008. 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 2014 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.

Faurecia manages the currency risks incurred by its subsidiaries on commercial transactions principally through forward purchase and sale contracts or options, and foreign currency financing. Future transactions are hedged on the basis of cash flow forecasts drawn up during the budgeting process and approved by management. The derivative instruments used to hedge these future transactions qualify for cash flow hedge accounting, insofar a hedging relationship exists under IAS 39 standard. 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 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | GBP | JPY | USD | PLN | CHF | ARS | CZK | Other | Total |
| Total assets | 261 | 71 | 568 | 14 | 25 | 218 | 225 | 190 | 1,572 |
| Total liabilities | (74) | (45) | (16) | (18) | - | (1) | (301) | (152) | (607) |
| Future transactions [1] | 629 | 8 | 41 | (108) | 38 | - | (59) | 277 | 826 |
| Exposure to fixed charge coverage commitments | - | (184) | - | - | - | - | - | - | (184) |
| **NET POSITION BEFORE HEDGING** | **816** | **(150)** | **593** | **(112)** | **63** | **217** | **(135)** | **315** | **1,607** |
| Derivative financial instruments | (816) | (36) | (594) | 104 | (63) | (218) | 38 | (285) | (1,870) |
| **NET POSITION AFTER HEDGING** | **-** | **(186)** | **(1)** | **(8)** | **-** | **(1)** | **(97)** | **30** | **(263)** |

*(1) This item mainly includes hedges of Faurecia's exposure on forecast transactions for the next six months.*

| | 31 December 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | GBP | JPY | USD | PLN | CHF | RUB | CZK | Other | Total |
| Total assets | 221 | 79 | 622 | 47 | 23 | 102 | 254 | 232 | 1,580 |
| Total liabilities | (112) | (74) | (3) | (12) | - | (193) | (287) | (8) | (689) |
| Future transactions [1] | 312 | 2 | 92 | (104) | 163 | 42 | (51) | 137 | 593 |
| Exposure to fixed charge coverage commitments | - | (321) | - | - | - | - | - | - | (321) |
| **NET POSITION BEFORE HEDGING** | **421** | **(314)** | **711** | **(69)** | **186** | **(49)** | **(84)** | **361** | **1,163** |
| Derivative financial instruments | (430) | 185 | (632) | 63 | (186) | 84 | 35 | (350) | (1,231) |
| **NET POSITION AFTER HEDGING** | **(9)** | **(129)** | **79** | **(6)** | **-** | **35** | **(49)** | **11** | **(68)** |

*(1) This item mainly includes hedges of Faurecia's exposure on forecast transactions for the next six months.*

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 2014 (see table below) would have the following direct impact on income before tax and equity:

| *(in million euros)* | PLN/ EUR | CZK/ EUR | JPY/ EUR | USD/ CAD | USD/ EUR | USD/ DZD | JPY/ RUB | 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 | 1 | - | 5 | 2 | 3 | - | 3 |
| Impact on equity | 6 | 2 | 5 | - | 2 | - | - | 1 |

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

| | 31 December 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | RUB/UAH | USD/CAD | USD/BRL | USD/ARS | USD/DZD | UAH/USD | RUB/USD | JPY/RUB |
| Total assets | - | 116 | 109 | 41 | - | - | - | - |
| Total liabilities | - | - | (61) | (261) | (53) | (5) | (1) | - |
| Future transactions [(1)] | - | (10) | - | - | - | - | - | - |
| **Net position before hedging** | **-** | **106** | **48** | **(220)** | **(53)** | **(5)** | **(1)** | **-** |
| Derivative financial instruments | - | (110) | (44) | 221 | - | - | - | - |
| **NET POSITION AFTER HEDGING** | **-** | **(4)** | **4** | **1** | **(53)** | **(5)** | **(1)** | **-** |

*(1) This item mainly includes hedges of Faurecia's exposure on forecast transactions for the next six months.*

| | 31 December 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | RUB/UAH | USD/CAD | USD/BRL | USD/ARS | USD/DZD | UAH/USD | RUB/USD | JPY/RUB |
| Total assets | - | 98 | 62 | 69 | - | - | - | - |
| Total liabilities | (1) | - | (166) | (137) | (45) | (17) | - | (2) |
| Future transactions [(1)] | - | (15) | - | - | - | - | - | - |
| **Net position before hedging** | **(1)** | **83** | **(104)** | **(68)** | **(45)** | **(17)** | **-** | **(2)** |
| Derivative financial instruments | - | (85) | 99 | 73 | - | - | - | - |
| **NET POSITION AFTER HEDGING** | **(1)** | **(2)** | **(5)** | **5** | **(45)** | **(17)** | **-** | **(2)** |

*(1) This item mainly includes hedges of Faurecia's exposure on forecast transactions for the next six months.*

## 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 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. Cash flow hedges are used only when they qualify for hedge accounting under IAS 39.

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 2013, hedging volumes were lower than in previous years with hedging extending to the first half of 2016.

In 2014, commodity hedges concerned purchases of aluminium, copper, lead, platinum, palladium and rhodium.

For the Automotive Division, in the event of a 17% rise (fall) in base metal prices (aluminium, copper and lead) and a 18% rise (fall) in precious metal prices (platinum, palladium and rhodium), the impact of the commodity hedges held at 31 December 2014 would have been a €85 million increase (decrease) in consolidated equity at 31 December 2014 (versus €83 million at 31 December 2013). 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 2014 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

| | 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | 12 | (15) | 1,256 | 1,256 | - | - |
| › Cross-currency swaps | 2 | - | 17 | 9 | 8 | - |
| Cash flow hedges: | | | | | | |
| › Currency options and forward foreign exchange contracts | - | (14) | 1,087 | 1,062 | 25 | - |
| › Cross-currency swaps | 67 | - | 93 | - | 93 | - |
| Trading instruments (1) | 55 | (56) | 7,966 | 7,879 | 87 | - |
| *Of which Intragroup* | - | - | | | | |
| **Total currency risks** | **136** | **(85)** | **10,419** | **10,206** | **213** | **-** |
| **Interest rate risk** | | | | | | |
| Fair value hedges: | | | | | | |
| › Interest rate swaps | - | - | - | - | - | - |
| Cash flow hedges: | | | | | | |
| › Interest rate swaps and interest rate options | 2 | (1) | 484 | 470 | 14 | - |
| Trading instruments (2) | - | - | - | - | - | - |
| *Of which Intragroup* | - | - | | | | |
| **Total interest rate risks** | **2** | **(1)** | **484** | **470** | **14** | **-** |
| **Commodity risk** | | | | | | |
| Cash flow hedges: | | | | | | |
| › Swaps | 6 | (12) | 429 | 227 | 202 | - |
| **Total commodity risks** | **6** | **(12)** | **429** | **227** | **202** | **-** |
| **TOTAL** | **144** | **(98)** | **11,332** | **10,903** | **429** | **-** |
| *Of which:* | | | | | | |
| **TOTAL FAIR VALUE HEDGES** | **14** | **(15)** | **1,273** | **1,265** | **8** | **-** |
| **TOTAL CASH FLOW HEDGES** | **75** | **(27)** | **2,093** | **1,759** | **334** | **-** |

*(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 2013 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | 9 | (8) | 812 | 812 | - | - |
| › Cross-currency swaps | 3 | - | 36 | 36 | - | - |
| Cash flow hedges: | | | | | | |
| › Currency options and forward foreign exchange contracts | 26 | (1) | 643 | 626 | 17 | - |
| › Cross-currency swaps | 11 | - | 183 | - | 105 | 78 |
| Trading instruments (1) | 13 | (50) | 6,928 | 6,773 | 155 | - |
| *Of which Intragroup* | - | - | | | | |
| **Total currency risks** | **62** | **(59)** | **8,602** | **8,247** | **277** | **78** |
| **Interest rate risk** | | | | | | |
| Fair value hedges: | | | | | | |
| › Interest rate swaps | - | - | - | - | - | - |
| Cash flow hedges: | | | | | | |
| › Interest rate swaps and interest rate options | - | (5) | 506 | - | 470 | 36 |
| Trading instruments (2) | - | - | - | - | - | - |
| *Of which Intragroup* | - | - | | | | |
| **Total interest rate risks** | **-** | **(5)** | **506** | **-** | **470** | **36** |
| **Commodity risk** | | | | | | |
| Cash flow hedges: | | | | | | |
| › Swaps | 1 | (73) | 421 | 246 | 175 | - |
| **Total commodity risks** | **1** | **(73)** | **421** | **246** | **175** | **-** |
| **TOTAL** | **63** | **(137)** | **9,529** | **8,493** | **922** | **114** |
| *Of which:* | | | | | | |
| **TOTAL FAIR VALUE HEDGES** | **12** | **(8)** | **848** | **848** | **-** | **-** |
| **TOTAL CASH FLOW HEDGES** | **38** | **(79)** | **1,753** | **872** | **767** | **114** |

(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.*

### 2) Impact of hedging instruments on income and equity

#### a) Impact of cash flow hedges

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Change in effective portion recognised in equity | 241 | - |
| Change in ineffective portion recognised in profit or loss | - | (2) |
| Effective portion reclassified to the income statement under "Cost of goods and services sold" | 57 | 25 |
| Effective portion reclassified to the income statement under "Finance costs" | 71 | 19 |

#### b) Impact of fair value hedges

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Change in ineffective portion recognised in profit or loss | (42) | (7) |
| **NET IMPACT ON INCOME** | **(42)** | **(7)** |

The "Net gain (loss) on hedges of borrowings" presented in Note 12.2.A also includes gains and losses on economic hedges that do not qualify for hedge accounting under IAS 39.

## 12.8. 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 12.8.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 equity. 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 de Modernisation des Equipementiers Automobiles (FMEA). FMEA 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. Its fair value reflects the investments made by the fund.

### D. RECOGNITION AND MEASUREMENT OF FINANCIAL LIABILITIES

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

The method used for measuring and recognising the Group's OCEANE convertible bonds is disclosed in Note 12.6.B.

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

| *(in million euros)* | 31 December 2014 | | Analysis by class of instrument | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 696 | 696 | 332 | - | 295 | - | 69 |
| Other non-current assets (1) | 420 | 420 | - | 102 | 312 | - | 6 |
| Trade receivables | 1,375 | 1,375 | - | - | 1,375 | - | - |
| Other receivables | 1,662 | 1,662 | - | - | 1,586 | - | 76 |
| Current financial assets | 405 | 405 | - | - | 392 | - | 13 |
| Financial investments | 266 | 266 | 266 | - | - | - | - |
| Cash and cash equivalents | 8,477 | 8,477 | 8,477 | - | - | - | - |
| **ASSETS** | **13,301** | **13,301** | **9,075** | **102** | **3,960** | **-** | **164** |
| Non-current financial liabilities (2) | 6,463 | 6,907 | - | - | 45 | 6,418 | - |
| Other non-current liabilities (3) | 197 | 197 | - | - | 194 | - | 3 |
| Trade payables | 8,177 | 8,177 | - | - | 8,177 | - | - |
| Other payables | 4,114 | 4,114 | - | - | 4,024 | - | 90 |
| Current financial liabilities | 2,833 | 2,835 | - | - | - | 2,828 | 5 |
| **LIABILITIES** | **21,784** | **22,230** | **-** | **-** | **12,440** | **9,246** | **98** |

*(1) Other non-current assets exclude the amount of pension plan surpluses (see Note 9.1), which are not financial assets as defined by IAS 39.*
*(2) The fair values of the OCEANE convertible bonds respectively issued by Peugeot S.A. (€595 million) and Faurecia (€370 million) correspond to their quoted market prices at the balance sheet date and therefore include both the debt component measured at amortised cost and the equity component represented by the conversion option.*
*(3) Excluding liabilities related to vehicles sold with a buyback commitment.*

| *(in million euros)* | 31 December 2013 | | Analysis by class of instrument | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 641 | 641 | 307 | - | 323 | - | 11 |
| Other non-current assets (1) | 364 | 364 | 0 | 89 | 275 | - | - |
| Trade receivables | 1,790 | 1,790 | - | - | 1,790 | - | - |
| Other receivables | 1,659 | 1,659 | - | - | 1,608 | - | 51 |
| Current financial assets | 141 | 141 | - | - | 132 | - | 9 |
| Financial investments | - | - | - | - | - | - | - |
| Cash and cash equivalents | 6,185 | 6,185 | 6,185 | - | - | - | - |
| **ASSETS** | **10,780** | **10,780** | **6,492** | **89** | **4,128** | **-** | **71** |
| Non-current financial liabilities (2) | 7,956 | 8,215 | - | - | 43 | 7,908 | 5 |
| Other non-current liabilities (3) | 132 | 132 | - | - | 113 | - | 19 |
| Trade payables | 8,108 | 8,108 | - | - | 8,108 | - | - |
| Other payables | 4,124 | 4,124 | - | - | 4,011 | - | 113 |
| Current financial liabilities | 3,192 | 3,192 | - | - | - | 3,192 | - |
| **LIABILITIES** | **23,512** | **23,771** | **-** | **-** | **12,275** | **11,100** | **137** |

*(1) Other non-current assets exclude the amount of pension plan surpluses (see Note 9.1), which are not financial assets as defined by IAS 39.*
*(2) The fair values of the OCEANE convertible bonds respectively issued by Peugeot S.A. (€577 million) and Faurecia (€398 million) correspond to their quoted market prices at the balance sheet date and therefore include both the debt component measured at amortised cost and the equity component represented by the conversion option.*
*(3) 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

| | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| *(in million euros)* | 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 | - | 332 | - | - | 305 | - |
| Financial investments | - | 266 | - | - | - | - |
| Cash and cash equivalents | - | 8,477 | - | - | 6,185 | - |
| **Level 2 fair value inputs: based on observable market data** | | | | | | |
| Other non-current financial assets | 69 | - | - | 11 | 2 | - |
| Other non-current assets | 6 | - | - | - | - | - |
| Other receivables | 76 | - | - | 51 | - | - |
| Current financial assets | 13 | - | - | 9 | - | - |
| **Level 3 fair value inputs: not based on observable market data** | | | | | | |
| Other non-current assets | - | - | 102 | - | - | 89 |
| **TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE** | **164** | **9,075** | **102** | **71** | **6,492** | **89** |

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

| | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| *(in million euros)* | 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** | | | | | | |
| **Level 2 fair value inputs: based on observable market data** | | | | | | |
| Non-current financial liabilities | - | - | - | (5) | - | - |
| Other non-current liabilities | (3) | - | - | (19) | - | - |
| Other payables | (90) | - | - | (113) | - | - |
| Current financial liabilities | (5) | - | - | - | - | - |
| **Level 3 fair value inputs: not based on observable market data** | | | | | | |
| Non-current financial liabilities (1) | - | - | (45) | - | - | (43) |
| **TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE** | **(98)** | **-** | **(45)** | **(137)** | **-** | **(43)** |

*(1) The change in "Non-current financial assets" as measured based on Level 3 fair value imputs is recognised in "Income and expenses recognised directly in equity, net".*

## G. INFORMATION ABOUT FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

| | 31 December 2014 | | Fair value level | | |
|---|---|---|---|---|---|
| *(in million euros)* | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| **Liabilities** | | | | | |
| Non-current financial liabilities | 6,463 | 6,907 | 5,510 | 1,397 | - |
| Current financial liabilities | 2,828 | 2,830 | 803 | 2,027 | - |

| | 31 December 2013 | | Fair value level | | |
|---|---|---|---|---|---|
| *(in million euros)* | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| **Liabilities** | | | | | |
| Non-current financial liabilities | 7,951 | 8,210 | 6,452 | 1,758 | - |
| Current financial liabilities | 3,192 | 3,192 | 850 | 2,342 | - |

## H. EFFECT OF FINANCIAL INSTRUMENTS ON PROFIT OR LOSS

| | 2014 | 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 expense | (621) | - | - | - | (621) | - |
| Remeasurement [(1)] | (95) | 101 | - | (16) | (3) | (177) |
| Disposal gains and dividends | (250) | - | 1 | (251) | - | - |
| Net impairment | (91) | - | (34) | (57) | - | - |
| **TOTAL – MANUFACTURING AND SALES COMPANIES** | **(1,049)** | **101** | **(33)** | **(316)** | **(624)** | **(177)** |

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

| | 2013 | 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 | 19 | - | - | 19 | - | - |
| Total interest expense | (596) | - | - | - | (596) | - |
| Remeasurement [(1)] | (33) | 119 | - | (8) | (3) | (141) |
| Disposal gains and dividends | (212) | - | 1 | (213) | - | - |
| Net impairment | (35) | - | (38) | 3 | - | - |
| **TOTAL – MANUFACTURING AND SALES COMPANIES** | **(857)** | **119** | **(37)** | **(199)** | **(599)** | **(141)** |

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

## 12.9. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Guarantees given | 335 | 304 |
| Pledged or mortgaged assets | 506 | 551 |
| | **841** | **855** |

### 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 A MORTAGES EXPIRING IN THE YEARS INDICATED

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| 2014 | - | 468 |
| 2015 | 422 | 16 |
| 2016 | 14 | 14 |
| 2017 | 13 | 11 |
| 2018 | 16 | 16 |
| 2019 | - | - |
| 2020 | - | - |
| Subsequent years | 41 | 26 |
| **TOTAL PLEDGED OR MORTGAGED ASSETS** | **506** | **551** |
| Total assets | 61,212 | 59,764 |
| Percentage of total assets | 0.8% | 0.9% |

# NOTE 13 FINANCING AND FINANCIAL INSTRUMENTS – FINANCE COMPANIES

## 13.1. ACCOUNTING POLICIES

### A. FINANCIAL ASSETS AND LIABILITIES – DEFINITIONS

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

### B. RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS

#### 1) Financial assets 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 recognized 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 12.7.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 12.8.D.

## 13.2. IFRS 5 IMPACT ON THE MAIN INCOME STATEMENT AND BALANCE SHEET ITEMS AS OF 31 DECEMBER 2014

IFRS 5 impacts are described in Note 3.3.A.

## 13.3. CURRENT FINANCIAL ASSETS

### A. LOANS AND RECEIVABLES – FINANCE COMPANIES

#### 1) Analysis

| | 31 December 2014 | | |
|---|---|---|---|
| *(in million euros)* | Assets to be contributed to partnership | Continuing operations | 31 December 2013 |
| **"Retail, Corporate and Equivalent"** | | | |
| Credit sales | 5,533 | 2,950 | 8,863 |
| Long-term leases | 4,393 | 190 | 4,681 |
| Leases subject to buyback commitments | 1,552 | 351 | 2,039 |
| Other receivables | 40 | 79 | 133 |
| Ordinary accounts and other | (46) | 42 | 46 |
| **Total net "Retail, Corporate and Equivalent"** | **11,472** | **3,612** | **15,762** |
| **Corporate Dealers** | | | |
| Wholesale Finance Receivables | 4,482 | 333 | 4,495 |
| Other receivables | 691 | 46 | 725 |
| Other | 292 | 48 | 330 |
| **Total net "Corporate Dealers"** | **5,465** | **427** | **5,550** |
| Remeasurement of interest rate hedged portfolios | - | 39 | 23 |
| Eliminations | - | (4) | (55) |
| **TOTAL** | **16,937** | **4,074** | **21,280** |

The fair value of the loans and receivables of finance companies related to continuing operations was €4,012 million as of 31 December 2014 (€21,234 million as of 31 December 2013).

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.

Retail, Corporate and Equivalent finance receivables included €8,864 million in securitised automotive receivables that were still carried on the balance sheet at 31 December 2014 (€8,788 million at 31 December 2013) of which €7,238 million of receivables of operations to be continued in partnership and €1,626 million of receivables of continuing operations.

The Banque PSA Finance Group carried out several securitisation transactions in 2014 through special purpose entities.

The Banque PSA Finance subsidiaries and branches have rights to obtain the majority of benefits of the special purpose entities and are exposed to risks incident to these entities' activities. Therefore, the special purpose entities are fully consolidated.

Liabilities corresponding to securities issued by securitisation funds are shown in Note 13.4 "Financing liabilities – finance companies".

## 2) Automotive Division sales of receivables

The following table shows outstanding Automotive Division receivables sold to the finance companies for which the Automotive Division pays the financing cost:

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| | **3,553** | 3,260 |

## 3) Maturities of loans and receivables

| *(in million euros)* | 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Credit sales | Leases with a buyback commitment | Long-term leases | Wholesale finance receivables | Other (1) | Total |
| Unallocated | 121 | 20 | 14 | 65 | 127 | 347 |
| Less than three months | 233 | 40 | 46 | 161 | 11 | 491 |
| Three to six months | 225 | 34 | 22 | 110 | 6 | 397 |
| Six months to one year | 431 | 63 | 44 | 13 | 32 | 583 |
| Two to five years | 1,977 | 206 | 91 | - | 53 | 2,327 |
| Beyond five years | 72 | 4 | - | - | 9 | 85 |
| **Total gross loans and receivables outstanding** | **3,059** | **367** | **217** | **349** | **238** | **4,230** |
| Guarantee deposits on leases | - | - | (9) | - | - | (9) |
| Allowances | (91) | (15) | (10) | (16) | (50) | (182) |
| **TOTAL NET LOANS AND RECEIVABLES OUTSTANDING** | **2,968** | **352** | **198** | **333** | **188** | **4,039** |

*(1) Other receivables include "ordinary accounts" and "items taken into account in amortised cost calculations".*

## 4) Allowances for credit losses

### a) Net retail, corporate and equivalent loans and receivables outstanding

| *(in million euros)* | Balance sheet as of 31/12/2013 | IFRS 5 declassification | Balance sheet as of 31/12/2013 after declassification | Net production and translation adjustments | Total cost of risk as of 31/12/2014 | Balance sheet as of 31/12/2014 |
|---|---|---|---|---|---|---|
| Performing loans with no past due balances | 15,051 | (11,297) | 3,754 | (297) | - | 3,457 |
| Performing loans with past due balances | 631 | (482) | 149 | (30) | - | 119 |
| Non-performing loans | 668 | (429) | 239 | 22 | (111) | 150 |
| **Total gross Retail, Corporate and Equivalent loans and receivables outstanding** | **16,350** | **(12,208)** | **4,142** | **(305)** | **(111)** | **3,726** |
| **Items taken into account in amortised cost calculations** | **45** | **3** | **48** | **(6)** | - | **42** |
| **Guarantee deposits** | **(63)** | **42** | **(21)** | **13** | - | **(8)** |
| *Performing loans with no past due balances* | - | - | - | - | *(1)* | *(1)* |
| *Allowances for performing loans with past due balances* | *(43)* | *23* | *(20)* | - | *1* | *(19)* |
| *Allowances for non-performing loans* | *(527)* | *324* | *(203)* | *2* | *73* | *(128)* |
| **Allowances** | **(570)** | **347** | **(223)** | **2** | **73** | **(148)** |
| **TOTAL NET RETAIL, CORPORATE AND EQUIVALENT LOANS AND RECEIVABLES OUTSTANDING** | **15,762** | **(11,816)** | **3,946** | **(296)** | **(38)** | **3,612** |
| Allowances booked during the period | | | | | | (44) |
| Allowances released during the period (utilisations) | | | | | | 117 |

### b) Net corporate dealer loans and receivables outstanding

| (in million euros) | Balance sheet as of 31/12/2013 | IFRS 5 declassification | Balance sheet as of 31/12/2013 after declassification | Net production and translation adjustments | Total cost of risk as of 31/12/2014 | Balance sheet as of 31/12/2014 |
|---|---|---|---|---|---|---|
| Performing loans with no past due balances | 5,438 | (4,935) | 503 | (142) | - | 361 |
| Performing loans with past due balances | 10 | (9) | 1 | 1 | - | 2 |
| Non-performing loans | 250 | (135) | 115 | (14) | (2) | 99 |
| **Total gross Corporate Dealer loans and receivables outstanding** | **5,698** | **(5,079)** | **619** | **(155)** | **(2)** | **462** |
| **Items taken into account in amortised cost calculations** | **(10)** | **10** | **-** | **-** | - | **-** |
| **Guarantee deposits** | **(73)** | **72** | **(1)** | **-** | - | **(1)** |
| *Performing loans with no past due balances* | - | - | - | - | (4) | (4) |
| *Allowances for non-performing loans* | *(65)* | *32* | *(33)* | *3* | - | *(30)* |
| **Allowances** | **(65)** | **32** | **(33)** | **3** | **(4)** | **(34)** |
| **TOTAL NET CORPORATE DEALER LOANS AND RECEIVABLES OUTSTANDING** | **5,550** | **(4,965)** | **585** | **(152)** | **(6)** | **427** |
| Allowances booked during the period | | | | | | (10) |
| Allowances released during the period (utilisations) | | | | | | 6 |

## 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

| (in million euros) | 31 December 2014 | | 31 December 2013 |
|---|---|---|---|
| | Assets to be contributed to partnership | Continuing operations | |
| Ordinary accounts in debit [(1)] | 970 | 362 | 779 |
| › Central banks and post office banks (deposits) | 23 | 308 | 463 |
| › Loans and advances at overnight rates | - | - | 362 |
| › Term loans | - | 641 | - |
| › French Treasury bonds classified as cash equivalents | - | 252 | - |
| › Mutual funds | - | 47 | 200 |
| Liquidity reserve | 23 | 1,248 | 1,025 |
| **TOTAL** | **993** | **1,610** | **1,804** |

*(1) Including the last direct debits on customer accounts for the period.*

Cash and cash equivalents include Banque PSA Finance's liquidity reserves, which amounted to €1,271 million at 31 December 2014 (€1,025 million at 31 December 2013), €641 million in term loans, €252 million in French treasury bonds, €331 million in central bank deposits (€463 million at 31 December 2013) and €47 million invested in mutual funds (€200 million at 31 December 2013).

## 13.4. FINANCING LIABILITIES – FINANCE COMPANIES

| *(in million euros)* | Notes | 31 December 2014 | | | 31 December 2013 |
|---|---|---|---|---|---|
| | | Liabilities of operations to be continued in partnership | | Liabilities of continuing operations | |
| | | Transferred | Not transferred | | |
| Securities issued by securitisation funds | *13.4.A* | 4,830 | - | 765 | 5,057 |
| Other debt securities | *13.4.B* | - | 3,254 | 2,192 | 7,677 |
| Bank borrowings | *13.4.C* | 280 | 5,423 | 928 | 6,264 |
| | | **5,110** | **8,677** | **3,885** | **18,998** |
| Customer deposits | *13.4.D* | 2,373 | - | 446 | 1,446 |
| | | **7,483** | **8,677** | **4,331** | **20,444** |
| *Amounts due to Group manufacturing and sales companies* | | - | - | *(363)* | *(216)* |
| **TOTAL** | | **7,483** | **8,677** | **3,968** | **20,228** |

The following detailed analysis covers the liabilities of continuing operations and other non-transferred liabilities.

Of the €8,677 million in liabilities to credit institutions not transferred, the Group prepaid €2,999 million of the syndicated term-loan on 6 February 2015 (see Note 13.4.G).

### A. BONDS ISSUED BY SECURISATION FUNDS

Banque PSA Finance derives part of its financing from securitisation transactions, mainly involving pools of automobile loans. These transactions are reported under "Bonds issued by securitisation funds" for €5,595 million at 31 December 2014 (€5,057 million at 31 December 2013).

### B. OTHER DEBT SECURITIES

"Other debt securities" consist mainly of EMTN/BMTNs for €5,148 million (€7,183 million at 31 December 2013) and certificates of deposit and commercial paper for €49 million (€64 million at 31 December 2013).

### C. BANK BORROWINGS

As of 31 December 2014, the item "Liabilities to credit institutions" included €1,300 million obtained under the European Central Bank's long-term refinancing operation (LTRO). As of 31 December 2014, a total of €3,456 million had been drawn on the syndicated credit facility of €9,820 million.

On 3 July 2014, Banque PSA Finance issued €300 million in fixed-rate 0.375% bonds maturing in July 2017.

### D. CUSTOMER DEPOSITS

The interest-bearing passbook savings account for private customers previously launched in France has been introduced in Germany and Belgium in 2014. The total funds for these accounts at 31 December 2014 were €1,974 million of which €1,074 million in Germany, out of total amounts owed to customers of €2,819 million repayable at any time.

### E. ANALYSIS BY MATURITY

| *(in million euros)* | 31 December 2014 | | | |
|---|---|---|---|---|
| | Bonds issued by securitisation funds | Other debt securities | Bank borrowings | Total |
| Less than three months | 129 | 964 | 2,111 | 3,204 |
| Three months to one year | 147 | 1,495 | 243 | 1,885 |
| Two to five years | 489 | 2,781 | 3,997 | 7,267 |
| Beyond five years | - | 206 | - | 206 |
| **TOTAL** | **765** | **5,446** | **6,351** | **12,562** |
| *Of which liabilities of continuing operations* | *765* | *2,192* | *928* | *3,885* |
| *Of which non-transferred liabilities of operations to be continued in partnership* | - | *3,254* | *5,423* | *8,677* |

| | 31 December 2013 | | | |
|---|---|---|---|---|
| *(in million euros)* | Bonds issued by securitisation funds | Other debt securities | Bank borrowings | Total |
| Less than three months | 432 | 929 | 1,833 | 3,194 |
| Three months to one year | 1,209 | 1,912 | 1,564 | 4,685 |
| Two to five years | 3,416 | 4,655 | 2,867 | 10,938 |
| Beyond five years | - | 181 | - | 181 |
| **TOTAL** | **5,057** | **7,677** | **6,264** | **18,998** |

## F. ANALYSIS BY REPAYMENT CURRENCY

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

| | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| *(in million euros)* | Other debt securities | Bank borrowings | Total | Other debt securities | Bank borrowings | Total |
| EUR | 2,274 | 332 | 2,606 | 9,965 | 5,428 | 15,393 |
| Other currencies | 683 | 596 | 1,279 | 2,769 | 836 | 3,605 |
| **TOTAL** | **2,957** | **928** | **3,885** | **12,734** | **6,264** | **18,998** |

Liabilities consisting of debt securities include bonds, securities issued as part of securitization transactions and other debt securities.

## G. CREDIT LINES

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Commitments of operations to be continued in partnership | | |
| › Lines not transferred | 5,200 | |
| › Transferred lines | 646 | |
| Commitments of continuing operations | 518 | |
| **UNDRAWN CONFIRMED LINES OF CREDIT** | **6,364** | **7,006** |

The credit lines totalling €6,364 million are detailed as follows:

- €1,966 million in undrawn revolving bilateral lines of credit for €2,423 million, comprising mainly long-term financing commitments received;
- €152 million in undrawn various bank lines of credit;
- €1,100 million undrawn from the €4,099 million syndicated term loan, comprising mainly long-term financing commitments received;
- the following syndicated back-up credit facilities totalling €3,146 million:
  - €136 million expiring in December 2015,
  - €1,216 million expiring in January 2016,
  - €1,794 million expiring in December 2016.

On 6 February 2015, Banque PSA Finance announced the establishment of a new syndicated loan in the amount of €700 million maturing in five years. This credit facility is part of the launch of the partnership between Banque PSA Finance and Santander Consumer Finance in France and the UK, resulting in a sharp reduction in Banque PSA Finance's financing needs and associated financial securities. Simultaneously, Banque PSA Finance repaid and cancelled the €4,099 million syndicated term loan and the €3,146 million syndicated back-up facility.

## 13.5. MANAGEMENT OF FINANCIAL RISKS

### A. FINANCIAL RISK MANAGEMENT POLICY

In the course of its business, Banque PSA Finance is exposed to liquidity risks, as well as interest rate, counterparty, currency and other market risks.

#### 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 a broad range of liquidity sources, matching of maturities of assets and liabilities, and hedging all of its exposure to currency and interest rate risks.

Following the establishment of local partnerships with SCF, funding will no longer be Banque PSA Finance's sole responsibility. Until their implementation and for non-transferred operations, funding will be provided by Banque PSA Finance. Given the establishment on 6 February 2015 of a new syndicated loan and the repayment and cancellation of the syndicated term loan and syndicated back-up credit facility, the system in force ensures the financing over the next 12 months of continuing operations and operations to be continued in partnership, until the date of their creation.

Refinancing is arranged by Banque PSA Finance with maturities that comfortably cover the maturities of the retail financing portfolio. In addition to the financing that has been drawn down, undrawn credit facilities have been arranged bilaterally or with syndicates of leading banks. The bank also has cash reserves of €1,271 million, including €1,148 million in high-quality liquid assets as of 31 December 2014 (see Note 13.3.C).

##### Financing strategy implemented in 2014

In 2014, Banque PSA Finance used various sources of funding: bank deposits ("Distingo" consumer savings and deposit account), bonds and securitisation transactions, as well as syndicated back-up credit facilities and revolving bilateral lines. As a regulated credit institution, Banque PSA Finance also has access to alternative sources of liquidity such as the European Central Bank (ECB).

At 31 December 2014, 27% of the financing was provided by bank facilities, 27% by the capital markets, 28% by securitisation transactions, 8% by "other financing" (including 7% of public origin such as the ECB), and 10% by the savings business launched in March 2013. At 31 December 2013, these sources provided 22%, 38%, 25%, 10% (from public origin), and 5% of Banque PSA Finance's financing, respectively.

##### €7 billion guarantee from the French State

Under Article 85 of the Amending Finance Act of 29 December 2012, the Minister for the Economy is authorised to provide a State guarantee for a fee for securities issued between 1 January 2013 and 31 December 2016 by Banque PSA Finance in order to enable it to refinance itself. It is a guarantee for a maximum of €7 billion in capital, and does not represent a transfer of funds from the French State to Banque PSA Finance. It is only in the event of Banque PSA Finance defaulting that the Bank's counterparties could ask the State to honour the guarantee. The final approval of the European Commission on the French State guarantee in favour of Banque PSA Finance was obtained on 29 July 2013. A guarantee monitoring committee, comprising representatives of the French State and the Group, will oversee the implementation of the guarantee.

The state guarantee has been used in the amount of €1,500 million and will benefit two bond issues until their redemption: €1,200 million issued in April 2013 and €300 million issued in July 2014.

Following the start of operations in France and the United Kingdom of the first joint ventures owned equally by Banque PSA Finance and Santander Consumer Finance, Banque PSA Finance has announced that it will no longer use the French State guarantee for new bond issues (see Note 1.3). The agreement on the French state guarantee concluded between the French government and Banque PSA Finance has been adjusted to include early termination of drawdowns and the state's acquisition of a stake in the Group's capital, by simplifying the monitoring mechanisms and setting out the conditions for the exercise of the state's specific rights.

##### Renewal of bank facilities

Details of bank facilities are provided in Note 13.4.G.

These agreements contain acceleration clauses on top of the pre-existing covenants: a prohibition on providing PSA with more than €500 million in financing, a Common Equity Tier One ratio of at least 11% and the need to retain the French State guarantee for bond issues from 2013 to 2015.

Finally, Banque PSA Finance also obtained in 2014 commitments to renew the bulk of the bilateral bank facilities for a total amount exceeding of €1,700 million.

The renewal of bank facilities, the new deposit business, securitisation issues, collateralisation and the issuance of bonds backed by a French state guarantee ensure Banque PSA Finance's funding for at least the 12 coming months and until the closing of transactions with Santander Consumer Finance.

##### Contractual cash flows: finance companies

Liquidity risk is analysed based on the contractual timing of cash inflows and outflows from detailed asset and liability items, determined by reference to the remaining period to maturity used to calculate Banque PSA Finance's consolidated liquidity ratio. As a result, the future contractual interest payments are not included in the schedule. The derivative instruments used to hedge contractual future interest payments are not analysed by period.

| Banque PSA Finance *(in million euros)* | 31 December 2014 | Not analysed | 0-3 months | 3-6 months | 6-12 months | 2-5 years | > 5 years |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | 1,610 | - | 1,610 | - | - | - | - |
| Short-term investments - finance companies | 192 | - | 146 | - | - | 46 | - |
| Derivative instruments (1) | 61 | 61 | - | - | - | - | - |
| Other non-current financial assets | 31 | - | - | - | - | 31 | - |
| Loans and receivables - finance companies | 4,078 | 193 | 490 | 398 | 583 | 2,328 | 86 |
| **TOTAL CASH FLOWS FROM ASSETS** | **5,972** | **254** | **2,246** | **398** | **583** | **2,405** | **86** |
| **Liabilities** | | | | | | | |
| Derivative instruments (1) | 57 | 57 | - | - | - | - | - |
| Financing liabilities | 4,331 | 179 | 904 | 774 | 866 | 1,400 | 208 |
| Non-transferred financing liabilities of operations to be continued in partnership | 8,677 | 84 | 2,475 | 58 | 189 | 5,871 | - |
| **TOTAL CASH FLOWS FROM LIABILITIES** | **13,065** | **320** | **3,379** | **832** | **1,055** | **7,271** | **208** |

*(1) Intercompany loans and borrowings with manufacturing and sales companies are mainly short-term.*

### Covenants

The loan agreements signed by Banque PSA Finance, mainly in connection with issues of debt securities, include the customary acceleration clauses requiring the Group to give certain covenants to lenders. They include:

- "negative pledge" clauses whereby the borrower undertakes not to grant any collateral to any third parties. These clauses nevertheless comprise exceptions allowing the Group to carry out securitisation programmes or to give assets as collateral;
- "material adverse changes" clauses, which apply in the event of a major negtive change in economic and financial conditions;
- *pari passu* clauses, which ensure that lenders enjoy at least the same treatment as the borrower's other creditors;
- "cross-default" clauses, whereby if one loan goes into default, all other loans from the same lender automatically 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;
- clauses whereby no change in control of the company is authorised.

Many of Banque PSA Finance's agreements include four specific acceleration clauses requiring it to maintain a banking licence and to thereby comply with the capital ratios applicable to all French banks. And, from 2013, the need to retain the optional guarantee from the French State for bond issues up to 2015 (see modification detailed above in "€7 billion guarantee from the French State" and a Common Equity Tier One ratio of at least 11%).

All applicable clauses were complied with in 2014.

## 2) Interest rate risks

Banque PSA Finance's fixed-rate loans to customers of the Automotive Division are refinanced mainly through adjustable rate borrowings. Banque PSA Finance's policy aims to offset the impact of changes in interest rates using appropriate financial instruments to match interest rates on the loans and the related refinancing.

Implementation of this strategy is overseen by the Bank's Refinancing Committee and led by Corporate Treasury. Interest rate risks on outstanding loans are attenuated through an assertive hedging policy, with a 3% ceiling on unhedged exposures (by country and by half-yearly maturity band) arising from the difficulty of precisely matching loan balances with the notional amounts of derivatives.

Concerning assets, fixed rate instalment loans are hedged by interest rate swaps that are purchased on the market as soon as the financing is granted. In practice, the swaps are purchased at ten-day intervals. Wholesale financing is granted at rates based on short-term market rates, while the liquidity reserve is invested at the same rates.

Concerning liabilities, all new interest-bearing debt is converted to a rate based on a three-month benchmark using appropriate hedging instruments. Refinancing costs for new retail loans may be capped through the occasional use of options. Given the historically low interest rates and the lack of consensus as to rate rises over the coming year, no optional hedging was put in place in 2014 for Banque PSA Finance.

The net interest rate position of finance companies is as follows:

| *(in million euros)* | | 31 December 2014 | | | |
|---|---|---|---|---|---|
| | | Intraday to 1 year | 2 to 5 years | Beyond 5 years | Total |
| Total assets | Fixed rate | 5,947 | 9,633 | - | 15,580 |
| | Variable rate | 8,531 | - | - | 8,531 |
| Total liabilities | Fixed rate | (2,304) | (2,860) | (206) | (5,370) |
| | Variable rate | (14,839) | - | - | (14,839) |
| **NET POSITION BEFORE HEDGING** | **FIXED RATE** | **3,643** | **6,773** | **(206)** | **10,210** |
| | **VARIABLE RATE** | **(6,308)** | **-** | **-** | **(6,308)** |
| Derivative financial instruments | Fixed rate | (2,804) | (3,204) | 206 | (5,802) |
| | Variable rate | 5,802 | 4 | - | 5,806 |
| **NET POSITION AFTER HEDGING** | **FIXED RATE** | **839** | **3,569** | **-** | **4,408** |
| | **VARIABLE RATE** | **(506)** | **4** | **-** | **(502)** |

Sensitivity tests show that an increase or a decrease by 1% in average interest rates would have had an positive or negative impact on income before tax between -€5 million and +€3 million.

### 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 and Citroën dealers and the dealers' retail customers. In the event of default, Banque PSA Finance generally has the right to repossess the vehicle and sell it on the used vehicle market. The risk that the vehicle's selling price on the used vehicle market will be less than the outstanding debt is taken into account in determining the amount of the related impairment (see Note 13.1.B).

Wholesale lending decisions for fleet customers and dealers are made based on a detailed risk assessment in accordance with strict rules on lending limits, either by the local Banque PSA Finance Credit Committees, or by the Group Credit Committee. The level of credit lines is dependent on the item to be financed, the client's risk rating and lastly the general level of risk borne by the approving Credit Committee.

Banque PSA Finance's Corporate Lending Department is responsible for controlling the credit risk of these activities throughout the credit cycle. It uses Basel II-compliant credit scoring systems. The systems are tested regularly to ensure that they are reliable. They contribute to determining commitment levels and lending limits, and to defining detailed management and control rules. Their effectiveness is underpinned by high quality credit analyses performed by local units and headquarters teams, as well as by warning systems designed to ensure that incurred risks are identified and dealt with on a timely basis.

Retail loan acceptance processes are based on a local credit scoring system that is managed and overseen by a dedicated expert unit at the Bank's headquarters. To enhance its effectiveness, the scoring system is adapted according to the specific characteristics of each local market. The headquarters-based credit risk control unit regularly assesses the credit scoring system's effectiveness, working closely with the French and international operating units that perform regular reviews of requests, acceptances and payment incidents. For partnership subsidiaries, customer selection is the responsibility of the partner which uses the decision-making tools that it has developed. Nevertheless, teams at Banque PSA Finances'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.

A dedicated headquarters-based collections unit leads the activities of all the finance companies in this area, manages their shared collection systems and coordinates the results. It also oversees two collection call centres.

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.

In 2014, there is no more defaults with no impairment, considering the collective impairment of Corporate sound receivables.

Loans to corporate dealers and corporate and equivalent financing for which one or more instalments are more than 90 days past due (or 270 days for loans to local administrations) are not classified as non-performing when non-payment is due to an incident or a claim and is not related to the borrower's ability to pay.

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. The Bank's ten largest weighted exposures other than with Group entities amounted to €1,954 million compared to €2,057 million in 2013.

As Banque PSA Finance is structurally in a net borrower position, its exposure to other 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 mutual funds offering a capital guarantee and a guaranteed yield.

Financial analyses are performed to ensure that each counterparty operates on a sustainable basis and has adequate capital resources. The results of the analysis are used to award an internal rating to the counterparty and to set acceptable exposure limits. These limits are defined by type of transaction (investments and derivatives), and cover both amounts and durations. Utilisation of these limits is assessed and checked daily. Derivatives transactions are governed by standard ISDA or FBF agreements and contracts with the most frequently used counterparties provide for weekly margin calls. Derivative contracts are entered into solely with counterparties rated A or higher.

### 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. 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.

The net position of the finance companies in the main foreign currencies is as follows:

| | 31 December 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(in million euros)* | GBP | HUF | PLN | CHF | RUB | CZK | USD | Other | Total |
| Total assets | 3,486 | 15 | 144 | 195 | - | 17 | 6 | - | 3,863 |
| Total liabilities | (1,698) | - | - | (272) | - | - | (418) | - | (2,388) |
| **NET POSITION BEFORE HEDGING** | **1,788** | **15** | **144** | **(77)** | **-** | **17** | **(412)** | **-** | **1,475** |
| Derivative financial instruments | (1,789) | (15) | (144) | 77 | - | (17) | 412 | - | (1,476) |
| **NET POSITION AFTER HEDGING** | **(1)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1)** |

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

## B. HEDGING INSTRUMENTS: FINANCE COMPANIES

The different types of hedges and their accounting treatment are described in Note 12.7.B.

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

Offsetting notional amounts have been netted to make the financial statements easier to read.

| | 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | | | Maturity | | |
| *(in million euros)* | Assets | Liabilities | Notional amount | < 1 year | 2 to 5 years | > 5 years |
| **Currency risk** | | | | | | |
| Fair value hedges: | | | | | | |
| › Currency swaps | 61 | (21) | 2,464 | 2,464 | - | - |
| **Interest rate risk** | | | | | | |
| Fair value hedges: | | | | | | |
| › Interest rate swaps | - | (36) | 16,306 | 7,273 | 8,827 | 206 |
| Cash flow hedges: | | | | | | |
| › Interest rate swaps | - | - | 31 | 31 | - | - |
| Trading instruments | - | - | 183 | - | 183 | - |
| **TOTAL** | **61** | **(57)** | **18,984** | **9,768** | **9,010** | **206** |
| *Of which Intragroup* | - | *(19)* | | | | |
| **TOTAL FAIR VALUE HEDGES** | **61** | **(57)** | **18,770** | **9,737** | **8,827** | **206** |
| **TOTAL CASH FLOW HEDGES** | **-** | **-** | **31** | **31** | **-** | **-** |

### 2) Impact of hedging instruments on income and equity

#### a) Impact of cash flow hedges

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Effective portion reclassified to the income statement under "Cost of goods and services sold" | 1 | 4 |

### b) Impact of fair value hedges

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Gains and losses on hedged customer loans recognised in profit or loss | 16 | (48) |
| Gains and losses on hedges of customer loans recognised in profit or loss | (17) | 49 |
| **NET IMPACT ON INCOME** | **(1)** | **1** |
| Gains and losses on remeasurement of financial liabilities recognised in profit or loss | 36 | 99 |
| Gains and losses on remeasurement of hedges of financial liabilities recognised in profit | (34) | (101) |
| **NET IMPACT ON INCOME** | **2** | **(2)** |

## 13.6. FINANCIAL INSTRUMENTS

### A. FINANCIAL INSTRUMENTS REPORTED IN THE BALANCE SHEET UNDER CONTINUING OPERATIONS

| | 31 December 2014 | | 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 | 31 | 31 | 23 | - | 8 | - | - |
| Other non-current assets | 14 | 14 | - | 14 | - | - | - |
| Loans and receivables - finance companies | 4,078 | 4,012 | - | - | 4,078 | - | - |
| Short-term investments - finance companies | 192 | 192 | 192 | - | - | - | - |
| Other receivables | 320 | 320 | - | - | 259 | - | 61 |
| Cash and cash equivalents | 1,610 | 1,610 | 1,610 | - | - | - | - |
| **ASSETS** | **6,245** | **6,179** | **1,825** | **14** | **4,345** | **-** | **61** |
| Financing liabilities - finance companies | 4,331 | 4,346 | - | - | - | 4,331 | - |
| Non-transferred financing liabilities of operations to be continued in partnership - finance companies | 8,677 | 8,887 | - | - | - | 8,677 | - |
| Other payables | 254 | 254 | - | - | 197 | - | 57 |
| **LIABILITIES** | **13,262** | **13,487** | **-** | **-** | **197** | **13,008** | **57** |

### 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

| | 31 December 2014 | | Fair value level | | |
|---|---|---|---|---|---|
| *(in million euros)* | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | | |
| Loans and receivables - finance companies | 4,078 | 4,012 | - | - | 4,012 |
| **Liabilities** | | | | | |
| Financing liabilities - finance companies | 3,885 | 3,900 | 2,967 | - | 933 |
| Non-transferred financing liabilities of operations to be continued in partnership - finance companies | 8,677 | 8,887 | 3,266 | - | 5,621 |

### D. EFFECT OF FINANCIAL INSTRUMENTS ON PROFIT OR LOSS

| | 2014 | 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 |
| **Finance companies** | | | | | | |
| Total interest income | 413 | - | - | 413 | - | - |
| Total interest expense | (271) | - | - | - | (271) | - |
| Remeasurement [(1)] | 81 | 13 | - | 16 | 35 | 17 |
| Net impairment | (39) | - | - | (39) | - | - |
| **TOTAL – FINANCE COMPANIES** | **184** | **13** | **-** | **390** | **(236)** | **17** |

*(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".

## 13.7. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

| | 31 December 2014 | | | |
|---|---|---|---|---|
| | Commitments of operations to be continued in partnership | | | |
| *(in million euros)* | Transferred | Not transferred | Commitments of continuing operations | 31 December 2013 |
| Financing commitments to customers | 1,128 | - | 130 | 1,257 |
| Guarantees given on behalf of customers and financial institutions | 124 | 2,009 | 132 | 3,268 |
| | **1,252** | **2,009** | **262** | **4,525** |

# NOTE 14 INCOME TAXES

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

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and companies at equity, 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, 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 companies at equity, a deferred tax liability on dividend distributions is recognised for all differences between the tax base of the shares and their carrying amount;
- current tax benefits generated by intragroup provisions and sales are not cancelled by recognising deferred tax liabilities, except when the difference is considered to be temporary, for example, when the Group plans to divest the subsidiary.

## 14.1. INCOME TAXES OF FULLY-CONSOLIDATED COMPANIES

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| **Current taxes** | | |
| Corporate income taxes | (289) | (261) |
| **Deferred taxes** | | |
| Deferred taxes arising in the year | 154 | 123 |
| Impairment losses on deferred tax assets | (178) | (168) |
| **TOTAL** | **(313)** | **(306)** |

### 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.

### 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 2014.

At 31 December 2014, deferred tax liabilities falling due in 2016, and deferred tax assets for tax loss carryforwards available for offsetting against these liabilities (subject to the 50% cap) were remeasured at the new rate. The impact is not material.

### 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.

At 31 December 2014 based on the update of the impairment test, the €362 million in additional losses generated in France during the year were not recognised in income. In addition, the deferred tax assets booked in the opening balance sheet have been impaired by €21 million, in view of the change in the net deferred tax liabilities.

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

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

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Pre-tax profit (loss) from continuing operations | (540) | (2,193) |
| Pre-tax profit (loss) before tax on expenses related to operations to be continued in partnership | (382) | (378) |
| Pre-tax profit (loss) from operations to be continued in partnership | 392 | 565 |
| **Income (loss) before tax of fully-consolidated companies** | **(530)** | **(2,006)** |
| *French statutory income tax rate for the period* | *38.0%* | *38.0%* |
| **Theoretical tax expense for the period based on the French statutory income tax rate** | **201** | **762** |
| **Tax effect of the following items:** | | |
| › Permanent differences | (32) | 72 |
| › Income taxable at reduced rates | 17 | 14 |
| › Tax credits | 16 | 57 |
| › Profit in France not subject to the surtax | (45) | (75) |
| › Effect of differences in foreign tax rates and other | 76 | (1) |
| **Income tax before impairment losses on the French tax group** | **233** | **829** |
| *Effective tax rate applicable to the Group* | *44.0%* | *NS* |
| › Assets on French tax consolidation deficits of Peugeot S.A. generated during the year and not recognised | (333) | (746) |
| › Impairment losses on the Peugeot S.A. French tax group | (21) | (80) |
| › Other impairment losses | (186) | (396) |
| **INCOME TAX EXPENSE** | **(307)** | **(393)** |
| › of which tax expense on continuing operations | (313) | |
| › of which tax expense on expenses related to operations to be continued in partnership | 131 | |
| › of which tax expense on operations to be continued in partnership | (125) | |

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

## 14.3. CHANGE IN TAX ITEMS ON THE BALANCE SHEET

### A. ANALYSIS BY NATURE

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Current Taxes** | | |
| Assets | 94 | 188 |
| Liabilities | (164) | (145) |
| | **(70)** | **43** |
| **Deffered Taxes** | | |
| *Assets before offsetting of French tax group loss* | *750* | *834* |
| *Offsetting of French tax group loss* | *(160)* | *(282)* |
| Net assets | 590 | 552 |
| Liabilities | (640) | (841) |
| | **(50)** | **(289)** |

### B. MOVEMENTS FOR THE YEAR

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| **Current taxes** | | |
| **At beginning of period** | **43** | **(16)** |
| IFRS 5 declassification | 4 | - |
| Expense | (289) | (261) |
| Equity | - | - |
| Payments | 178 | 348 |
| Translation adjustments and other charges | (6) | (28) |
| **AT END OF PERIOD** | **(70)** | **43** |
| **Deffered Taxes** | | |
| **At beginning of period** | **(289)** | **(186)** |
| IFRS 5 declassification | 219 | - |
| Expense | (14) | (79) |
| Equity | 17 | (33) |
| Translation adjustments and other charges | 17 | 9 |
| **AT END OF PERIOD** | **(50)** | **(289)** |

## 14.4. DEFERRED TAX ASSETS AND LIABILITIES

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Tax credits** | **11** | **-** |
| **Deferred tax assets on tax loss carryforwards** | 5,030 | 4,699 |
| **Gross** (1) | | |
| › Valuation allowances (Note 14.1.C) | (1,976) | (2,086) |
| › Previously unrecognised deferred tax assets (2) | (2,657) | (2,141) |
| › Deferred tax asset offset (French tax group) (3) | (160) | (282) |
| › Other deferred tax assets offset | (41) | (35) |
| **Total deferred tax assets on tax loss carryforwards** | **196** | **155** |
| Other deferred tax assets | 383 | 397 |
| **DEFERRED TAX ASSETS** | **590** | **552** |
| Deferred tax liabilities before offsetting (4) | (800) | (1,123) |
| Deferred tax liabilities offset (French tax group) (3) | 160 | 282 |
| **DEFERRED TAX LIABILITIES** | **(640)** | **(841)** |

*(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 2014.*

*(2) Of the impaired unrecognised deferred tax assets, €753 million (€759 million at 31 December 2013) to Faurecia, and €1,615 million related to the French tax group (€1,354 million at 31 December 2013), including €60 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 14.1).*

*(4) The main temporary differences that generate deferred tax liabilities arise from the capitalisation of development costs and differences in amortisation or depreciation methods or periods.*

# NOTE 15 EQUITY AND EARNINGS PER SHARE

## 15.1. EQUITY

### A. CAPITAL MANAGEMENT POLICY

The capital management policy relates to equity as defined under IFRS. It is designed to 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 shares, 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 12.4).

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

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

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

Furthermore, the Group may carry out capital increases when holders of Peugeot S.A. OCEANE bonds present their bonds for conversion when shares held for allocation on conversion of the OCEANE are insufficient (see Note 15.1.C.(1)). There was no capital increase as a result of the conversion of OCEANE bonds in 2014.

### B. ANALYSIS OF SHARE CAPITAL AND CHANGES IN THE YEAR

#### Rights issues

On 29 April 2014, Peugeot S.A. conducted a reserved capital increase in the amount of €1,048 million, subscribed in equal parts by Dongfeng Motor Group (DFG) via Dongfeng Motor (Hong Kong) International Co., Limited ("DMHK") and the French State through SOGEPA at a price of €7.5 per share, resulting in the issuance of 139,733,332 new shares. The share premium recognised as such amounted to €908 million.

On 23 May 2014, Peugeot conducted a capital increase with preferential subscription rights in the amount of €1,953 million at a price of €6.77 per share, open to all shareholders of Peugeot S.A. and giving rise to the issuance of 288,506,351 new shares. The share premium recognised as such amounted to €1,665 million.

The costs associated with these two transactions amounted to €67 million, and were deducted from share premiums.

Through these capital increases, in a total net amount of 2,934 million, DFG and the French State have each invested approximately €800 million in PSA Peugeot Citroën, and have become key shareholders alongside the Peugeot family, which also subscribed in the amount of €142 million. Following these transactions, these three shareholders each hold identical interests of 14.1% in the capital of Peugeot S.A., and each have two seats on the Supervisory Board.

ANALYSIS OF SHARE CAPITAL

| *(in euros)* | 2014 | 2013 |
|---|---|---|
| Share capital at beginning of period | 354,848,992 | 354,848,992 |
| Rights issue | 428,239,683 | - |
| **SHARE CAPITAL AT END OF PERIOD** | **783,088,675** | **354,848,992** |

On 29 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 with a subscription ratio of ten warrants for three new Peugeot S.A. shares at a strike price of €7.5 per share. The warrants mature after three years, and may be exercised from the second year, with a strike price equal to the subscription price of the reserved capital increase in favour of DFG and the French State. This allocation did not have an immediate effect on the Group's equity. On the basis of the new 3.5 exercise ratio and the new exercise price of €6.43 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 119,721,128 new shares.

#### Situation at 31 December 2014

Share capital amounted to €783,088,675 at 31 December 2014, 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. 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. However, the Peugeot family has waived its entitlement to benefit from this article for a period of two years, and accordingly has the same number of voting rights as DFG and the French State.

## C. TREASURY SHARES

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

The Group may use the buyback authorisations given at Shareholders' Meetings to buy back Peugeot S.A. shares. No shares were bought back in 2014.

At the time of the unreserved capital increase of 23 May 2014, the Group sold the subscription rights attached to treasury shares for €24 million. The proceeds of this sale have been recognised directly in equity.

Changes in treasury shares are presented in the following table:

### 1) Number of shares held

| | | 2014 | 2013 |
|---|---|---|---|
| *(number of shares)* | Notes | Transactions | Transactions |
| **At beginning of period** | | **12,788,627** | **12,788,628** |
| **Conversion of OCEANE bonds** | | **(288)** | **(1)** |
| **AT PERIOD-END** | | **12,788,339** | **12,788,627** |
| **Allocation** | | | |
| › Shares held for allocation on conversion of 23 June 2009 OCEANE bonds | | 8,636,181 | 9,421,687 |
| › Shares held for allocation on exercise of outstanding stock options (1) | 7.2.A | 2,942,961 | 3,259,035 |
| › Coverage of the capital increase reserved for employees | | 1,200,000 | - |
| › Unallocated shares | | 9,197 | 107,905 |
| | | **12,788,339** | **12,788,627** |

(1) *Pursuant the adjustment of the number of stock options due to the capital increases in the first-half 2014, the Managing Board has decided on 17 July 2014 to allocate the 119,020 unallocated shares as well as 888,060 shares from the allocation on conversion of 23 June 2009 OCEANE bonds to the allocation on exercise of outstanding stock options, i.e. 1,007,080 shares.*

No purchases or cancellation of shares were made in 2013 or 2014.

### 2) Change in value

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| **At beginning of period** | **(351)** | **(351)** |
| Preferential subscription rights sold on the market | 55 | - |
| **At period-end** | **(296)** | **(351)** |
| Average price per share (in euros) | 18.18 | |

The purchase price of treasury shares is deducted from equity.

The share price on 31 December 2014 was €10.22.

### 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 2014 | 31 December 2013 |
|---|---|---|
| Peugeot S.A. legal reserve | 35 | 31 |
| Other Peugeot S.A. statutory reserves and retained earnings | 8,769 | 8,474 |
| Reserves and retained earnings of subsidiaries, excluding minority interests | (20) | (1,682) |
| **TOTAL** | **8,784** | **6,823** |

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

| *(in million euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Reserves available for distribution:** | | |
| › Without any additional corporate tax being due | 7,701 | 7,406 |
| › after deduction of additional tax [(1)] | 1,068 | 1,068 |
| **TOTAL** | **8,769** | **8,474** |
| **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.

## 15.2. 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 shares.

| | 2014 | 2013 |
|---|---|---|
| Consolidated basic earnings of continuing operations – attributable to equity holders of the parent *(in million euros)* | (973) | (2,675) |
| Consolidated basic earnings – attributable to equity holders of the parent *(in million euros)* | (706) | (2,327) |
| Average number of €1 par value shares outstanding | 611,267,664 | 342,051,814 |
| **Basic earnings per €1 par value share of continuing operations – attributable to equity holders of the parent** *(in euros)* | **(1.59)** | **(7.82)** |
| **BASIC EARNINGS PER €1 PAR VALUE SHARE** *(in euros)* | **(1.15)** | **(6.80)** |

### B. DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Diluted earnings per share are calculated by the treasury shares method. This consists of taking into account the exercise of stock options, performance share grants to employees and the conversion of OCEANE convertible bonds when it is not accretive.

There were no dilutive potential shares in 2013 or 2014 resulting from the Peugeot S.A. OCEANE convertible bonds or the stock option plans.

The following tables show the effects of the calculation:

### 1) Effect on the average number of shares

| | Notes | 2014 | 2013 |
|---|---|---|---|
| Average number of €1 par value shares outstanding | | 611,267,664 | 342,051,814 |
| Dilutive effect, calculated by the treasury shares method, of: | | | |
| › Stock option plans | *7.2.A* | - | - |
| › Outstanding OCEANE convertible bonds | *12.6.B* | - | - |
| › Equity warrants | | - | - |
| **DILUTED AVERAGE NUMBER OF SHARES** | | **611,267,664** | **342,051,814** |

### 2) Effect of Faurecia dilution on consolidated earnings of continuing operations – attributable to equity holders of the parent

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Consolidated profit (loss) from continuing operations – attributable to equity holders of the parent | (973) | (2,675) |
| Dilutive effect of Faurecia OCEANE bond conversions, stock options and performance share grants | - | - |
| **CONSOLIDATED PROFIT (LOSS) FROM CONTINUING OPERATIONS (AFTER FAURECIA DILUTION EFFECT)** | **(973)** | **(2,675)** |
| Diluted earnings of continuing operations – attributable to equity holders of the parent per €1 par value share ***(in euros)*** | (1.59) | (7.82) |

### 3) Effect of Faurecia dilution on consolidated earnings – attributable to equity holders of the parent

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Consolidated profit (loss) attributable to equity holders of the parent | (706) | (2,327) |
| Dilutive effect of Faurecia OCEANE bond conversions, stock options and performance share grants | - | - |
| **CONSOLIDATED PROFIT (LOSS) AFTER FAURECIA DILUTION** | **(706)** | **(2,327)** |
| Diluted earnings attributable to equity holders of the parent per €1 par value share ***(in euros)*** | (1.15) | (6.80) |

The Faurecia OCEANE convertible bonds issued in September 2012 and performance share grants have a potential impact on the total number of Faurecia shares outstanding without affecting the number of shares held by PSA Peugeot Citroën. Consequently, they have a dilutive effect on consolidated profit attributable to the Group.

The Faurecia stock options are anti-dilutive in 2013 and 2014 due to the plans' terms.

## NOTE 16 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The statement of cash flows is partitioned into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities depending on the nature of the transactions.

The Group's main choices as regards presentation were as follows:

- interest flows were kept under cash flows from operating activities;
- payments received in connection with grants were allocated by function to cash flows from investing activities or cash flows from operating activities depending on the nature of the grant;
- the conversion options of convertible bonds (involving both optional and mandatory conversion) are presented on a capital increase line under cash flows from financing activities;
- voluntary contributions paid into pension funds are recognised under cash flows from operating activities;
- payments made on the deferred portion of a fixed asset purchase are presented under cash flows from investing activities for the period ("Change in amounts payable on fixed assets");
- tax payments are classified under cash flows from operating activities;
- bonds' redemptions are classified under cash flows from financing activities.

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

| *(in million euros)* | Notes | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Cash and cash equivalents | *12.5.C* | 8,477 | 6,185 |
| Payments issued | *12.6.D* | (50) | (24) |
| **Net cash and cash equivalents – manufacturing and sales companies** | | **8,427** | **6,161** |
| **Net cash and cash equivalents – finance companies** | *13.3.C* | **2,603** | **1,804** |
| *Elimination of intragroup transactions* | | *(128)* | *(210)* |
| **TOTAL** | | **10,902** | **7,755** |

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

| *(in million euros)* | Notes | 2014 | 2013 |
|---|---|---|---|
| Depreciation and amortisation expense | *5.2* | (2,428) | (2,465) |
| Impairment of: | | | |
| › capitalised development costs | *8.1.B* | (20) | (177) |
| › intangible assets | *8.1.B* | (1) | (2) |
| › property, plant and equipment | *8.2.B* | (42) | (849) |
| Negative goodwill recognised on a bargain purchase | *5.4* | - | (17) |
| Other | | (39) | (33) |
| **Total** | | **(2,530)** | **(3,543)** |

## 16.3. 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)* | 2014 | 2013 |
|---|---|---|
| Interest received | 75 | 38 |
| Interest paid | (595) | (618) |
| **NET INTEREST RECEIVED (PAID)** | **(520)** | **(580)** |

## 16.4. DETAIL OF CASH FLOW FROM OPERATIONS TO BE CONTINUED IN PARTNERSHIP

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Other expenses related to the non-transferred financing of operations to be continued in partnership | (251) | (248) |
| Change in liabilities related to the financing of operations to be continued in partnership | (1,197) | (2,046) |
| **NET CASH RELATED TO THE NON-TRANSFERRED DEBT OF FINANCE COMPANIES TO BE CONTINUED IN PARTNERSHIP** | **(1,448)** | **(2,294)** |
| Profit (loss) from operations to be continued in partnership | 267 | 347 |
| Change in assets and liabilities of operations to be continued in partnership | 1,771 | 2,887 |
| Net dividends received from operations to be continued in partnership | (231) | (133) |
| **NET CASH FROM THE TRANSFERRED ASSETS AND LIABILITIES OF OPERATIONS TO BE CONTINUED IN PARTNERSHIP** | **1,807** | **3,101** |

# NOTE 17 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

Off-balance sheet commitments given in the normal course of business were as follows at 31 December 2014:

| *(in million euros)* | Notes | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **Manufacturing and sales companies** | | | |
| › Financing commitments | *12.9* | 841 | 855 |
| › Operating commitments | *8.4* | 2,737 | 2,168 |
| | | **3,578** | **3,023** |
| **FINANCE COMPANIES** | **13.7** | **3,523** | **4,525** |

## 17.1. CONTINGENT LIABILITIES

The Group is involved in claims and litigation arising in the normal course of business. Based on the information currently available, the outcome of this litigation is not expected to result in an outflow of economic resources without anything in return.

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. In the event anti-competitive practices are proven, possible sanctions include fines, criminal charges or civil damages. Faurecia is at present unable to predict the consequences of such inquiries including the level of fines or sanctions that could be imposed.

## 17.2. COMMITMENTS CONNECTED WITH THE GEFCO GROUP

Representations and warranties were made to JSC Russian Railways (RZD) as part of its acquisition of the Gefco Group from PSA. At 31 December 2014, the Group had not identified any material risks associated with these representations and warranties.

Under the logistics and transportation service agreements entered into by the PSA and Gefco groups, the Group gave guarantees regarding the satisfactory performance of the logistics contracts and a five-year exclusivity clause. At 31 December 2014, the Group had not identified any material risks associated with these representations and warranties.

# NOTE 18 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 11.5. Other than these transactions, there were no significant transactions with other related parties.

# NOTE 19 SUBSEQUENT EVENTS

In February 2015, announcements were made about the partnership between Banque PSA Finance and Santander Consumer Finance, as well as the use of the French state guarantee and the renegotiation of syndicated credit facilities. The information is contained in Notes 1.3, 13.4 and 13.5.

PSA Peugeot Citroën has presented to its European networks a plan for an after-sales offensive aimed at expanding its replacement parts business. The plan includes a logistics component, which will significantly reduce the number of official distributors of replacement parts. This restructuring will requires the termination of existing contracts with two years' notice, in accordance with the relevant contractual provisions.

# NOTE 20 FEES PAID TO THE AUDITORS

| | Mazars | | Ernst & Young | | PricewaterhouseCoopers | |
|---|---|---|---|---|---|---|
| *(in million euros)* | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Audit** | | | | | | |
| Statutory and contractual audit services | | | | | | |
| › Peugeot S.A. | 0.2 | 0.2 | 0.3 | 0.3 | - | - |
| › Fully-consolidated subsidiaries | 2.7 | 2.7 | 8.4 | 8.8 | 3.0 | 2.9 |
| *o/w France* | *1.3* | *1.4* | *2.6* | *2.6* | *0.7* | *0.8* |
| *o/w International* | *1.4* | *1.3* | *5.8* | *6.2* | *2.3* | *2.1* |
| **Audit-related services** | | | | | | |
| › Peugeot S.A. | 0.2 | - | 0.2 | - | - | - |
| › Fully-consolidated subsidiaries | - | 0.1 | 0.1 | 0.1 | - | - |
| *o/w France* | - | *0.1* | - | *0.1* | - | - |
| *o/w International* | - | - | *0.1* | - | - | - |
| **Sub-total** | **3.1** | **3.0** | **9.0** | **9.2** | **3.0** | **2.9** |
| o/w Faurecia | - | - | 4.4 | 4.8 | 3.0 | 2.9 |
| Excluding Faurecia | 3.1 | 3.0 | 4.6 | 4.4 | - | - |
| | *100%* | *100%* | *100%* | *99%* | *91%* | *97%* |
| **Other services provided to subsidiaries** | | | | | | |
| Legal and tax services | - | - | - | 0.1 | 0.3 | 0.1 |
| Other | - | - | - | - | - | - |
| **Sub-total** | **-** | **-** | **-** | **0.1** | **0.3** | **0.1** |
| o/w Faurecia | - | - | - | - | - | - |
| Excluding Faurecia | - | - | - | 0.1 | 0.3 | 0.1 |
| | | | | *1%* | *9%* | *3%* |
| **TOTAL** | **3.1** | **3.0** | **9.0** | **9.3** | **3.3** | **3.0** |
| o/w Faurecia | - | - | 4.4 | 4.8 | 3.0 | 2.9 |
| Excluding Faurecia | 3.1 | 3.0 | 4.6 | 4.5 | 0.3 | 0.1 |

Faurecia's Statutory Auditors are Ernst & Young and PricewaterhouseCoopers

# NOTE 21 CONSOLIDATED COMPANIES AT 31 DECEMBER 2014

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 | Company | Country | % interest |
|---|---|---|---|---|---|
| **Holding company and other** | | | | | |
| Peugeot S.A. | France | 100 | Peugeot Motocycles Italia S.p.A. | Italy | 100 |
| Financière Pergolèse | France | 100 | Société anonyme de réassurance luxembourgeoise – Saral | Luxembourg | 100 |
| G.I.E. PSA Trésorerie | France | 100 | Psa International S.A. | Switzerland | 100 |
| Grande Armée Participations | France | 100 | Jinan Quiqqi Peugeot Motorcycles | China | 50 * |
| Peugeot Motocycles | France | 100 | GEFCO | France | 25 * |
| Peugeot Motocycles Deutschland GmbH | Germany | 100 | | | |
| **Automotive division** | | | | | |
| Peugeot Citroën Automobiles S.A. | France | 100 | PSA Services Deutschland GmbH | Germany | 100 |
| Peugeot Algerie S.p.A. | Algeria | 100 | Citroën Hungaria Kft | Hungary | 100 |
| CISA | Argentina | 100 | Peugeot Hungaria Kft | Hungary | 100 |
| Peugeot Citroën Argentina S.A. | Argentina | 100 | Citroën Motors Irlande LTD | Ireland | 100 |
| Citroën Osterreich GmbH | Austria | 100 | Citroën Italia S.p.A. | Italy | 100 |
| Peugeot AUSTRIA GmbH | Austria | 100 | Peugeot Automobili Italia S.p.A. | Italy | 100 |
| Peugeot WIEN GmbH | Austria | 100 | Peugeot Gianicolo S.p.A. | Italy | 100 |
| Citroën Belux S.A. – NV | Belgium | 100 | Peugeot Milan | Italy | 100 |
| Peugeot Belgique Luxembourg S.A. | Belgium | 100 | PSA Services SRL | Italy | 100 |
| S.A. Peugeot Distribution Service N.V. | Belgium | 100 | Peugeot Citroën Japan KK Co Ltd | Japan | 100 |
| Citroën Do BRASIL | Brazil | 100 | Peugeot Tokyo | Japan | 100 |
| PCI do Brasil Ltda | Brazil | 100 | Peugeot Mexico S.A.de CV | Mexico | 100 |
| Peugeot Citroën Comercial Exportadora | Brazil | 100 | Servicios Auto. Franco Mexicana | Mexico | 100 |
| Peugeot Citroën Do BRASIL AUTOMOVEIS Ltda | Brazil | 100 | Citroën Norge A/S | Norway | 100 |
| Automotores Franco Chilena S.A. | Chile | 100 | Citroën Polska S.p.z.o.o. | Poland | 100 |
| Peugeot CHILE | Chile | 97 | Peugeot Polska S.p.z.o.o. | Poland | 100 |
| PCA (CHINA) Automotive Drive Co | China | 100 | Automoveis Citroën S.A. | Portugal | 100 |
| Citroën – Hrvatska d.o.o. | Croatia | 100 | Peugeot Portugal Automoveis Distribucao | Portugal | 100 |
| Peugeot Hrvatska d.o.o. | Croatia | 100 | Peugeot Portugal Automoveis S.A. | Portugal | 100 |
| Citroën Ceska Republica s.r.o. | Czech Republic | 100 | Peugeot Citroën Automoveis | Portugal | 99 |
| PCA Logistika CZ | Czech Republic | 100 | Peugeot Citroën RUS | Russia | 100 |
| Peugeot Ceska Republica s.r.o. | Czech Republic | 100 | Citroën Slovakia s.r.o. | Slovakia | 100 |
| Citroën Danmark A/S | Denmark | 100 | PCA Slovakia s.r.o. | Slovakia | 100 |
| Automobiles Citroën | France | 100 | Peugeot Slovakia s.r.o. | Slovakia | 100 |
| Automobiles Peugeot | France | 100 | PSA Service Centre Europe | Slovakia | 100 |
| Centrauto | France | 100 | Citroën Slovenija d.o.o. | Slovénia | 100 |
| Citroën Argenteuil | France | 100 | Peugeot Slovenija d.o.o. P.Z.D.A. | Slovénia | 100 |
| Citroën Champ de Mars | France | 100 | Peugeot Motors South Africa Ltd | South Africa | 100 |
| Citroën Dunkerque | France | 100 | Automoviles Citroën ESPANA | Spain | 100 |
| Citroën Orleans | France | 100 | Hispanomocion S.A. | Spain | 100 |
| Francaise de Mecanique | France | 100 | Peugeot Citroën Automoviles España S.A. | Spain | 100 |
| Mecanique et Environnement | France | 100 | Peugeot España S.A. | Spain | 100 |

| Company | Country | % interest | Company | Country | % interest | |
|---|---|---|---|---|---|---|
| Peugeot Citroën Aulnay S.N.C. | France | 100 | Comercial Citroën S.A. | Spain | 97 | |
| Peugeot Citroën Mecanique du Grand-Est S.N.C. | France | 100 | Citroën Sverige AB | Sweden | 100 | |
| Peugeot Citroën Mecanique du Nord-Ouest S.N.C. | France | 100 | Citroën (Suisse) S.A. | Switzerland | 100 | |
| Peugeot Citroën Mulhouse S.N.C. | France | 100 | Peugeot (Suisse) S.A. | Switzerland | 100 | |
| Peugeot Citroën Poissy S.N.C. | France | 100 | Peugeot Citroën Gestion International | Switzerland | 100 | |
| Peugeot Citroën Rennes S.N.C. | France | 100 | Lowen Garage AG | Switzerland | 97 | |
| Peugeot Citroën Sochaux S.N.C. | France | 100 | Citroën Nederland B.V. | The Netherlands | 100 | |
| Peugeot Media Production | France | 100 | Peugeot Nederland N.V. | The Netherlands | 100 | |
| Peugeot Saint-Denis Automobiles | France | 100 | PCMA Holding | The Netherlands | 70 | |
| Pieces et Entretien Automobile Bordelais | France | 100 | Peugeot Otomotiv Pazarlama AS – POPAS | Turkey | 100 | |
| Prince S.A. | France | 100 | Tekoto Motorlu Tastlar Ankara | Turkey | 100 | |
| Process Conception Ingenierie S.A. | France | 100 | Tekoto Motorlu Tastlar Bursa | Turkey | 100 | |
| Retail France | France | 100 | Tekoto Motorlu Tastlar Istambul | Turkey | 100 | |
| Sabrie | France | 100 | Peugeot Citroën Ukraine | Ukraine | 100 | |
| Sevelind | France | 100 | Aston Line Motors Ltd | United Kingdom | 100 | |
| SNC PC.PR | France | 100 | Boomcite Ltd | United Kingdom | 100 | |
| Société Commerciale Automobile | France | 100 | Citroën U.K.Ltd | United Kingdom | 100 | |
| Société Commerciale Citroën | France | 100 | Economydrive Cars | United Kingdom | 100 | |
| Société de construction d'équipements de mécanisations et de machines – SCEMM | France | 100 | Melvin Motors (Bishopbriggs) Ltd | United Kingdom | 100 | |
| Société de pieces et services automobile de l'Ouest | France | 100 | Peugeot Citroën Automobiles UK | United Kingdom | 100 | |
| Société européenne de véhicules légers du Nord – Sevelnord | France | 100 | Peugeot Motor Company PLC | United Kingdom | 100 | |
| Société industrielle automobile de Champagne-Ardennes | France | 100 | Robins & Day Ltd | United Kingdom | 100 | |
| Société industrielle automobile de Provence | France | 100 | Rootes Ltd | United Kingdom | 100 | |
| Société lilloise de services et de distribution de pièces de rechange | France | 100 | Warwick Wright Motors Chiswick Ltd | United Kingdom | 100 | |
| Société lyonnaise de pièces et services automobile | France | 100 | Toyota Peugeot Citroën Automobiles Czech s.r.o. | Czech Republic | 50 | ** |
| Société mécanique automobile de l'Est | France | 100 | Societa Europea Veicoli Leggeri – Sevel S.p.A. | Italy | 50 | ** |
| Société Nouvelle Armand Escalier | France | 100 | PCMA Automotiv RUS | Russia | 70 | ** |
| Sté Cle distribution pièces de rechanges – SCPR | France | 100 | Capsa | China | 50 | * |
| Technoboost | France | 60 | Dongfeng Peugeot Citroën Automobiles CY Ltd | China | 50 | * |
| Citroën Commerce GmbH | Germany | 100 | Dongfeng Peugeot Citroën Automobiles Sales Company Ltd | China | 50 | * |
| Citroën Deutschland AG | Germany | 100 | Wuhan Shelong Hongtai Automotive KO Ltd | China | 10 | * |
| Peugeot Deutschland GmbH | Germany | 100 | Stafim | Tunisia | 34 | * |
| Peugeot Nordhessen GmbH | Germany | 100 | Stafim – Gros | Tunisia | 34 | * |
| **Automotive Equipment Division** | | | | | | |
| Faurecia | France | 51 | Faurecia Automotive Polska Spolka Akcyjna | Poland | 51 | |
| Faurecia Argentina S.A. | Argentina | 51 | Faurecia Gorzow Spolka Akcyjna | Poland | 51 | |
| Faurecia Exteriors Argentina | Argentina | 51 | Faurecia Grojec R&D Center Spolka Akcyjna | Poland | 51 | |
| Faurecia Sistemas De Escape Argentina S.A. | Argentina | 51 | Faurecia Legnica Spolka Akcyjna | Poland | 51 | |
| Faurecia Industrie N.V. | Belgium | 51 | Faurecia Walbrzych Spolka Akcyjna | Poland | 51 | |

| Company | Country | % interest | Company | Country | % interest |
|---|---|---|---|---|---|
| Société internationale de participations | Belgium | 51 | EDA – Estofagem De Assentos, LDA, | Portugal | 51 |
| Faurecia Autocomponent Exterior Systems Holding | Belgium | 51 | Faurecia – Assentos De Automovel, Limitada | Portugal | 51 |
| Faurecia Automotive do Brasil LTDA | Brazil | 51 | Faurecia – Sistemas De Escape Portugal, LDA | Portugal | 51 |
| Faurecia Sistemas De Escapamento Do Brasil LTDA | Brazil | 51 | Faurecia Sistemas de Interior de Portugal. Componentes Para Automoveis S.A. (Ex-Sai Portugal) | Portugal | 51 |
| Faurecia Automotive Seating Canada LTD | Canada | 51 | Sasal | Portugal | 51 |
| Faurecia Emissions Control Technologies Canada LTD | Canada | 51 | Faurecia Seating Talmaciu S.R.L. | Rumania | 51 |
| Faurecia (Changchun) Automotive Systems Co., LTD | China | 51 | Euro Auto Plastic Systems S.R.L. | Rumania | 26 |
| Faurecia (China) Holding Co. LTD | China | 51 | Ooo Faurecia Automotive Development | Russia | 51 |
| Faurecia (Guangzhou) Automotive Systems Co., LTD | China | 51 | Faurecia Autocomponent Exterior Systems | Russia | 51 |
| Faurecia (Nanjing) Automotive Systems Co., LTD | China | 51 | Ooo Faurecia ADP | Russia | 31 |
| Faurecia (Qingdao) Exhaust Systems Co, Ltd | China | 51 | Ooo Faurecia Metalloprodukcia Exhaust Systems | Russia | 31 |
| Faurecia (Shanghai) Automotive Systems Co., LTD | China | 51 | Faurecia Slovakia s.r.o. | Slovakia | 51 |
| Faurecia (Shenyang) Automotive Systems Co., LTD | China | 51 | Emission Control Technologies S.A. (Capetown) (Pty) Ltd | South Africa | 51 |
| Faurecia (Wuhan) Automotive Components Systems Co., LTD | China | 51 | Faurecia Exhaust Systems South Africa Ltd | South Africa | 51 |
| Faurecia (Wuhan) Automotive Seating Co., LTD | China | 51 | Faurecia Interior Systems Pretoria (Pty) Ltd | South Africa | 51 |
| Faurecia (Wuhu) Exhaust Systems Co, LTD | China | 51 | Faurecia Interior Systems South Africa (Pty) Ltd | South Africa | 51 |
| Faurecia (Wuxi) Seating Components Co., LTD | China | 51 | Faurecia Emissions Control Systems Korea (ex Daeki) | South Korea | 51 |
| Faurecia (Yancheng) Automotive Systems Co LTD | China | 51 | Faurecia Jit And Sequencing Korea | South Korea | 51 |
| Faurecia Emissions Control Technologies Development (Shanghai) Company LTD | China | 51 | Faurecia Trim Korea Ltd | South Korea | 51 |
| Faurecia Emissions Control Technologies, (Shanghai) Co., Ltd | China | 51 | Faurecia Automotive Systems Korea Ltd | South Korea | 51 |
| Faurecia Emissions Control Technologies, (Yantai) Co., Ltd | China | 51 | Faurecia Shin Sung Co. Ltd | South Korea | 51 |
| Faurecia Emissions Control Technologies, Chengdu | China | 51 | Asientos De Castilla Leon, S.A. | Spain | 51 |
| Changsha Faurecia Emissions Control Technologies Co. LTD | China | 51 | Asientos De Galicia, S.L. | Spain | 51 |
| Cummings Beijing | China | 51 | Asientos Del Norte, S.A. | Spain | 51 |
| NINGBO | China | 46 | Faurecia Asientos Para Automovil España, S.A. | Spain | 51 |
| Faurecia Emissions Control Technologies, (Chongqing) Co., Ltd | China | 37 | Faurecia Automotive España, S.L. | Spain | 51 |
| Faurecia Emissions Control Technologies (Ningbo Hangzhou Bay New District) Co. Ltd | China | 34 | Faurecia Automotive Exteriors España, S.A. (Ex Plastal Spain S.A.) | Spain | 51 |
| Changchun Faurecia Xuang Interior Systems Company Limited | China | 31 | Faurecia Emissions Control Technologies, Pampelona, S.L. | Spain | 51 |
| Changchun Faurecia Xuyang Automotive Seat Co., Ltd (Cfxas) | China | 31 | Faurecia Interior Systems España, S.A. | Spain | 51 |
| Foshan Faurecia Xuyang Interior Systems Company Limited | China | 31 | Faurecia Interior Systems Salc España, S.L. | Spain | 51 |
| Shanghai Faurecia Automotive Seating Co Ltd | China | 28 | Faurecia Sistemas De Escape España, S.A. | Spain | 51 |
| Faurecia Exhaust Systems Changchun Co., Ltd | China | 26 | Incalplas, S.L. | Spain | 51 |
| Faurecia- Gsk (Wuhan) Automotive Seating Co., Ltd | China | 26 | Valencia Modulos De Puerta, S.L. | Spain | 51 |
| Faurecia Honghu Exhaust Systems Shanghai, Co. Ltd (Ex Sheesc) | China | 26 | TECNOCONFORT | Spain | 26 |

| Company | Country | % interest | |
|---|---|---|---|
| Chengdu Faurecia. Limin Interior & Exterior Systems | China | 26 | |
| Chongqing Guangneng Faurecia Interior Syst | China | 26 | |
| Faurecia Emissions Control Technologies Foshan Company Limited | China | 26 | |
| Faurecia Nhk (Xiangyang) Automotive Seating Co., Ltd | China | 26 | |
| Faurecia Tongda Exhaust System (Wuhan) Co., Ltd | China | 26 | |
| Nanchang | China | 26 | |
| Faurecia Automotive Czech Republic, s.r.o. | Czech Republic | 51 | |
| Faurecia Components Pisek s.r.o. | Czech Republic | 51 | |
| Faurecia Emissions Control Technologies, Mlada Boleslav, s.r.o | Czech Republic | 51 | |
| Faurecia Exhaust Systems s.r.o. | Czech Republic | 51 | |
| Faurecia Interior Systems Bohemia s.r.o. | Czech Republic | 51 | |
| Automotive Sandouville | France | 51 | |
| ECSA – Etudes et construction de sièges pour l'automobile | France | 51 | |
| Faurecia Automotive Holdings | France | 51 | |
| Faurecia Automotive Industrie | France | 51 | |
| Faurecia Automotives Composites | France | 51 | |
| Faurecia Bloc Avant | France | 51 | |
| Faurecia Exhaust International | France | 51 | |
| Faurecia Industries | France | 51 | |
| Faurecia Intérieur Industrie | France | 51 | |
| Faurecia Intérieur Mornac | France | 51 | |
| Faurecia Interieur Saint-Quentin | France | 51 | |
| Faurecia Investments | France | 51 | |
| Faurecia Services Groupe | France | 51 | |
| Faurecia Sieges D'automobiles | France | 51 | |
| Faurecia Systèmes D'echappement | France | 51 | |
| Financiere Faurecia | France | 51 | |
| Hambach Automotive Exteriors S.A.S | France | 51 | |
| Siebret | France | 51 | |
| Siedoubs | France | 51 | |
| Sielest | France | 51 | |
| Siemar | France | 51 | |
| Sienor | France | 51 | |
| Sotexo | France | 51 | |
| Trecia | France | 51 | |
| Faurecia Exteriors International | France | 51 | |
| Faurecia ADP Holding | France | 31 | |
| Faurecia-Metalloprodukcia Holding | France | 31 | |
| Faurecia Exhaust Systems AB | Sweden | 51 | |
| Faurecia Interior Systems Sweden AB | Sweden | 51 | |
| United Parts Exhaust Systems AB | Sweden | 51 | |
| Faurecia Emissions Control Technologies, Thailand Co., Ltd | Thailand | 51 | |
| Faurecia Interior Systems Thailand Co., Ltd. | Thailand | 51 | |
| Faurecia & Summit Interior Systems | Thailand | 26 | |
| ET Dutch Holding BV | The Netherlands | 51 | |
| Faurecia Automotive Seating B.V. | The Netherlands | 51 | |
| Faurecia Emissions Control Technologies, Netherlands B.V. | The Netherlands | 51 | |
| Faurecia Netherlands Holding B.V. | The Netherlands | 51 | |
| Faurecia Informatique Tunisie | Tunisia | 51 | |
| Société tunisienne d'équipements d'automobile | Tunisia | 51 | |
| Faurecia Polifleks Otomotiv Sanayi Ve Ticaret Anonim Sirketi | Turkey | 51 | |
| Faurecia Automotive Seating UK Limited | United Kingdom | 51 | |
| Faurecia Emissions Control Technologies, UK Limited | United Kingdom | 51 | |
| Faurecia Midlands Limited | United Kingdom | 51 | |
| SAI Automotive Fradley LTD | United Kingdom | 51 | |
| SAI Automotive Washington Limited | United Kingdom | 51 | |
| Faurecia Automotive Del Uruguay | Uruguay | 51 | |
| Faurecia Automotive Seating, LLC | USA | 51 | |
| Faurecia Emissions Control Technologies, USA, LLC | USA | 51 | |
| Faurecia Exhaust Systems, Inc. | USA | 51 | |
| Faurecia Interior Systems Saline LLC | USA | 51 | |
| Faurecia Interior Systems, Inc. | USA | 51 | |
| Faurecia Interiors Systems Holding | USA | 51 | |
| Faurecia Usa Holdings, Inc. | USA | 51 | |
| Fnk North America | USA | 51 | |
| Faurecia Interiors Louisville, LLC | USA | 51 | |
| Faurecia Madison Automotive Seating Inc | USA | 51 | |
| Faurecia North America Holdings LLC | USA | 51 | |
| SAS Automotriz Argentina S.A. (dormant company) | Argentina | 26 | * |
| SAS Automotive N.V. | Belgium | 26 | * |
| SAS Automotive Do Brasil Ltda | Brazil | 26 | * |
| FAU – FMM Pernambuco Componentes Automotivos Ltda | Brazil | 18 | * |
| Changchun Faurecia Xuyang Automotive Components Technologies R&D Company Limited | China | 26 | * |
| Changchun Huaxiang F.A. Plastic | China | 26 | * |
| Dongguan Csm Faurecia Automotive Systems Company Limited | China | 26 | * |
| Jinan Faurecia Limin Interior & Exterior Systems Co. | China | 26 | * |

| Company | Country | % interest | |
|---|---|---|---|
| EAK – Composants Pour L'automobile (EAK SNC) | France | 26 | |
| Faurecia Abgastechnik GmbH | Germany | 51 | |
| Faurecia Angell-Demmel GmbH | Germany | 51 | |
| Faurecia Automotive GmbH | Germany | 51 | |
| Faurecia Autositze GmbH | Germany | 51 | |
| Faurecia Emissions Control Technologies, Finnentrop GmbH | Germany | 51 | |
| Faurecia Emissions Control Technologies, Germany GmbH | Germany | 51 | |
| Faurecia Emissions Control Technologies, Novaferra GmbH | Germany | 51 | |
| Faurecia Exteriors GmbH | Germany | 51 | |
| Faurecia Innenraum Systeme GmbH | Germany | 51 | |
| Faurecia Kunststoffe Automobilsysteme GmbH | Germany | 51 | |
| Emcon Technologies Kft | Hungary | 51 | |
| Faurecia Magyarorszag Kipufogo-Rendszer KFT | Hungary | 51 | |
| Faurecia Automotive Seating India Private Limited | India | 51 | |
| Faurecia Emissions Control Technologies India | India | 51 | |
| Faurecia Technology Center India Pvt Ltd | India | 51 | |
| Faurecia Emissions Control Technologies, India Private Limited | India | 38 | |
| Faurecia Emissions Control Technologies, Italy SRL | Italy | 51 | |
| Faurecia Japan K.K. | Japan | 51 | |
| Faurecia Howa Interior's | Japan | 26 | |
| Faurecia Ast Luxembourg S.A. | Luxembourg | 51 | |
| Faurecia Hicom Emissions Control Technologies | Malaya | 33 | |
| ET Mexico Holdings II, S. de R.L.de C.V. | Mexico | 51 | |
| Exhaust Services Mexicana, S.A. DE C.V. | Mexico | 51 | |
| Faurecia Sistemas Automotrices de Mexico, S.A. de C.V. (Ex Faurecia Duroplast Mexico, S.A. de C.V.) | Mexico | 51 | |
| Servicios Corporativos De Personal Especializado, S.A. de C.V. | Mexico | 51 | |
| FAU – Faurecia Howa Interiors de Mexico SA de CV | Mexico | 26 | |
| Faurecia Equipements Automobiles Maroc | Morocco | 51 | |
| Lanzhou Faurecia Limin Interior & Exterior Systems Co. | China | 26 | * |
| SAS (Wuhu) Automotive Systems Co. Ltd, Wuhu City, China | China | 26 | * |
| Xiangtan Faurecia. Limin Interior & Exterior Systems | China | 26 | * |
| Zeijiang Faurecia. Limin Interior & Exterior Systems | China | 26 | * |
| SAS Autosystemtechnik s.r.o. | Czech Republic | 26 | * |
| Cockpit Automotive Systems Douai SNC | France | 26 | * |
| SAS Automotive France | France | 26 | * |
| Amminex Emissions Systems APS | France | 21 | * |
| Changchun Xuyang Faurecia Acoustics & Soft Trim Co.Ltd | France | 20 | * |
| SAS Autosystemtechnik GmbH und Co. KG | Germany | 26 | * |
| SAS Autosystemtechnik Verwaltungs GmbH | Germany | 26 | * |
| FAU – NHK F. Krishna India Automotive Seating Private Limited | India | 10 | * |
| Faurecia-NHK Co., Ltd | Japan | 26 | * |
| SAS Automotive Systems & Services, S.A. DE C.V. | Mexico | 26 | * |
| SAS Automotive Systems S.A. de C.V. | Mexico | 26 | * |
| SAS Autosystemtechnik de Portugal, Unipessoal, Lda. | Portugal | 26 | * |
| Vanpro Assentos Limitada | Portugal | 26 | * |
| SAS Automotive s.r.o | Slovakia | 26 | * |
| AD Tech Co Ltd | South Korea | 26 | * |
| Kwang Jin Faurecia Co. Limited | South Korea | 26 | * |
| Componentes De Vehiculos De Galicia, S.A. | Spain | 26 | * |
| Copo Iberica, S.A. | Spain | 26 | * |
| FAU – Indistrias Cousin Frères S.L. | Spain | 26 | * |
| SAS Autosystemstechnick, S.A. | Spain | 26 | * |
| SAS Otosistem Teknik Ticaret ve Limited Şirketi | Turkey | 26 | * |
| Teknik Malzeme Ticaret Ve Sanayi A.S. | Turkey | 26 | * |
| SAS Automotive USA, Inc. | USA | 26 | * |
| Faurecia Jv In Detroit | USA | 26 | * |
| Fau – Faurecia DMS Leverage Lender LLC | USA | 23 | * |

**Finance and insurance companies**

| Company | Country | % interest |
|---|---|---|
| Banque PSA Finance | France | 100 |
| BPF Algerie | Algeria | 100 |
| PSA Finance Argentina S.A. | Argentina | 50 |
| BPF – Banque PSA Finance, Succursale en Belgique | Belgium | 100 |
| PSA Finance Belux | Belgium | 100 |
| Banco PSA Finance Brasil S.A. | Brazil | 100 |
| Fond d'investissement en droits de créances | Brazil | 100 |
| BPF – Retail Prod Zártköruen Muködo Részvénytársaság | Hungary | 100 |
| PSA Finance Hungaria Rt | Hungary | 100 |
| BPF – ABS Italian Loans Master S.r.l. | Italy | 100 |
| PSA Factor Italia S.p.A. | Italy | 100 |
| PSA Renting Italia S.p.A. | Italy | 100 |
| PSA Finance SCS | Luxembourg | 100 |
| PSA Insurance Ltd | Malta | 100 |

| Company | Country | % interest | Company | Country | % interest |
|---|---|---|---|---|---|
| PSA Finance Arrendamiento Comercial | Brazil | 100 | PSA Life Insurance Ltd | Malta | 100 |
| PSA Financial Doo | Croatia | 100 | PSA Services Ltd | Malta | 100 |
| PSA Finance Ceska Republika s.r.o. | Czech Republic | 100 | BPF Mexico S.A. de CV | Mexico | 100 |
| BPF – Auto ABS FCT2 2013-A (FONDS A) | France | 100 | PSA Finance Polska | Poland | 100 |
| BPF – FCT Auto ABS – Compartiment 2012-3 | France | 100 | PSA Gestao Comercio E Aluger De Veiculos | Portugal | 100 |
| BPF – FCT Auto ABS – Compartiment 2012-7 | France | 100 | Bank PSA Finance RUS | Russia | 100 |
| BPF – FCT Auto ABS – Compartiment 2013-2 | France | 100 | PSA Finance Slovakia s.r.o. | Slovakia | 100 |
| BPF – FCT Auto ABS3 – Compartiment 2014-01 | France | 100 | BPF Financiranje D.o.o. | Slovénia | 50 |
| Compagnie générale de crédit aux particuliers – CREDIPAR | France | 100 | BPF – FCT Auto ABS – Compartiment 2012-5 | Spain | 100 |
| Compagnie pour la location de véhicules – CLV | France | 100 | BPF – Auto ABS Swiss Lease 2013 GmbH | Switzerland | 100 |
| FCC Auto ABS – Compartiment 2011.01 | France | 100 | PSA Finance Suisse S.A. | Switzerland | 100 |
| FCC Auto ABS – Compartiment 2012-01 | France | 100 | Peugeot Finance International N.V. | The Netherlands | 100 |
| FCC Auto ABS – Compartiment 2012-02 | France | 100 | PSA Finance Nederland B.V. | The Netherlands | 100 |
| PSA Assurances SAS | France | 100 | PSA Financial Holding B.V. | The Netherlands | 100 |
| Société financière de banque – SOFIB | France | 100 | BPF Pazarlama A.H.A.S. | Turkey | 100 |
| SOFIRA – Société de financement des réseaux automobiles | France | 100 | BPF – Auto ABS UK Loans PLC – Compartiment 2012-5 | United Kingdom | 100 |
| BPF – Auto ABS DFT Master Compartment Germany 2013 | Germany | 100 | BPF – Economy Drive Cars Limited | United Kingdom | 100 |
| BPF – Auto ABS German Lease Master | Germany | 100 | Psa Wholesale Ltd | United Kingdom | 100 |
| BPF – Auto ABS German Loans Master | Germany | 100 | Vernon Wholesale Investments Co Ltd | United Kingdom | 100 |
| BPF – FCT Auto ABS – Compartiment 2013-1 | Germany | 100 | Dongfeng Peugeot Citroën Automobile Finance Company | China | 50 * |
| FCT Auto ABS German loans – Compartiment 2011-2 | Germany | 100 | *Dont 12.5% via Dongfeng Peugeot Citroën Automobile* | | |

# NOTE 22 CORRESPONDANCE TABLE OF THE 2014 AND 2013 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| CONSOLIDATED FINANCIAL STATEMENT AT DECEMBER 2014 | CONSOLIDATED FINANCIAL STATEMENT AT DECEMBER 2013 |
|---|---|
| **1 SIGNIFICANT EVENTS** | **1 SIGNIFICANT EVENTS** |
| **2 ACCOUNTING POLICIES** | **2 ACCOUNTING POLICIES** |
| **2.1** Standards applied | **2** Standards applied |
| **2.2** Use of estimates and assumptions | **2.4** Use of estimates and assumptions |
| **3 SCOPE OF CONSOLIDATION** | |
| **3.1** Accounting policies | **2.1 à 2.3** Accounting policies – Consolidation, Translation of the financial statements of foreign subsidiaries, Translation of transactions in foreign currencies |
| **3.2** Composition of the Group | **4 & 5.1** Scope of consolidation & Segment information – business segments |
| **3.3** Assets and operations held for sale or to be continued in partnership | **2.24** Accounting policies – Assets and operations held for sale or to be continued in partnership |
| **3.4** Changes to financial statements previously reported | **3** Changes to financial statements previously reported |
| **4 SEGMENT INFORMATION** | **5 SEGMENT INFORMATION** |
| **4.1** Business segments | **5.1** Business segments |
| **4.2** Geographical segments | **5.2** Geographical segments |
| **5 OPERATING INCOME** | |
| Definition | **2.9** Accounting policies – Operating income |
| **5.1** Sales and revenue | **6 & 2.5** Accounting policies & Sales and revenue |
| **5.2** Recurring operating expenses analysed by nature | **7** Recurring operating expenses analysed by nature |
| **5.3** Research and development expenses | **2.8, 2.13 & 8** Accounting policies & Research and development expenses |
| **5.4** Non-recurring operating income and expenses | **9** Non-recurring operating income and expenses |
| **6 REQUIREMENTS IN WORKING CAPITAL OF MANUFACTURING AND SALES COMPANIES** | |
| **6.1** Inventories | **2.17 & 21** Accounting policies & Inventories |
| **6.2** Trade receivables | **2.18 & 22** Accounting policies & Trade receivables |
| **6.3** Other receivables and other payables | **23.1 & 33.1** Other receivables & other payables |
| **6.4** Change in working capital requirements of manufacturing and sales companies | **34** Notes to the consolidated statements of cash flows |
| **7 EMPLOYEE BENEFITS EXPENSE** | |
| **7.1** Pensions and other post-employment benefits | **2.21 & 28** Accounting policies & Pensions and other post-employment benefits |
| **7.2** Share-based payment | **26.3 & 26.4** Employee stock-options & performance share plans |
| **7.3** Management compensation | **39** Management compensation |
| **8 GOODWILL AND INTANGIBLE ASSETS – PROPERTY, PLANT AND EQUIPMENT** | |
| **8.1** Goodwill and intangible assets | **2.12, 2.13 & 14** Accounting policies & Goodwill and intangible assets |
| **8.2** Property, plant and equipment | **2.14 & 15** Accounting policies & Property, plant and equipment |
| **8.3** Asset impairment | **2.15 & 9.1** Accounting policies – impairment of long-lived assets & Impairment test on Automotive Division CGUs and provisions for Automotive Division onerous contracts |
| **8.4** Off-balance sheet commitments and contingent liabilities related to operating activities | **37.2** Operations-related commitments |
| **9 OTHER NON-CURRENT ASSETS AND OTHER NON-CURRENT LIABILITIES** | |
| **9.1** Other non-current assets | **18** Other non-current assets |
| **9.2** Other non-current liabilities | **30** Other non-current liabilities |
| **10 CURRENT AND NON-CURRENT PROVISIONS** | **27 & 2.20 CURRENT AND NON-CURRENT PROVISIONS & ACCOUNTING POLICIES** |
| **10.1** Accounting policies | **2.20** Accounting policies – provisions |
| **10.2** Non-current provisions | **27.1** Non-current provisions |
| **10.3** Current provisions | **27.2** Current provisions |

| CONSOLIDATED FINANCIAL STATEMENT AT DECEMBER 2014 | CONSOLIDATED FINANCIAL STATEMENT AT DECEMBER 2013 |
|---|---|
| **11 INVESTMENTS IN COMPANIES AT EQUITY** | **16 & 2.10 INVESTMENTS IN COMPANIES AT EQUITY** |
| Accounting policies | **2.10** Accounting policies – share in earnings of companies at equity |
| **11.1** Changes in the carrying amount of investments in companies at equity | **16.1** Changes in the carrying amount of investments in companies at equity |
| **11.2** Share in net assets of companies at equity | **16.2** Share in net assets of companies at equity |
| **11.3** Share in net earnings of companies at equity | **16.3** Share in net earnings of companies at equity |
| **11.4** Key financial data of companies at equity | **16.4** Key financial data of companies at equity – attributable to the Group |
| A. Detailled information on the main companies accounted at equity | **16.5** Additionnal information on Dongfeng Peugeot Citroën Automobile |
| B. Overall disclosures regarding non-material equity-accounted investments | *New* |
| **11.5** Related party transactions – Companies at equity | **16.6** Related party transactions – Companies at equity |
| **12 FINANCING AND FINANCIAL INSTRUMENTS – MANUFACTURING AND SALES COMPANIES** | |
| **12.1** Accounting policies – see Note 12.8 | |
| **12.2** Net financial income (loss) | **2.11,10 & 11** Accounting policies, finance costs & other financial income and expenses |
| **12.3** Net financial position (net debt) of manufacturing and sales companies | **31** Net financial position of manufacturing and sales companies |
| **12.4** Liquidity reserves | **31.3 & 31.4** Syndicated lines of credit & liquidity reserves |
| **12.5** Breakdown of financial assets | **17, 24 & 25** Other non-current financial assets, current financial assets & cash and cash equivalents |
| **12.6** Breakdown of financial liabilities | **2.16 & 29** Accounting policies & current and non-current financial liabilities – Manufacturing and sales companies |
| **12.7** Management of financial risks | **2.16.D & 36** Accounting policies & management of financial risks |
| **12.8** Financial instruments | **2.3 & 2.16, 35** Accounting policies & financial instruments |
| **12.9** Off balance-sheet commitments and contingent liabilities | **37.1** Financing-related commitments |
| **13 FINANCING AND FINANCIAL INSTRUMENTS – FINANCE COMPANIES** | |
| **13.1** Accounting policies | **2.16** Accounting policies – Financial assets and liabilities |
| **13.2** IFRS 5 impact on the main income statement and balance sheet items as of 31 December 2014 – See Note 3.3.A. | *New* |
| **13.3** Current financial assets | **19, 20, 25** Loans and receivables – Finance companies, short-term investments – Finance companies, cash and cash equivalents |
| **13.4** Financing liabilities – Finance companies | **32** Financing liabilities – Finance companies |
| **13.5** Management of financial risks | **36.1, 36.3** Management of financial risks |
| **13.6** Financial instruments | **35** Financial instruments |
| **13.7** Off balance-sheet commitments and contingent liabilities | **37** Financing-related commitments |
| **14 INCOME TAXES** | **12 INCOME TAXES** |
| **14.1** Income taxes of fully-consolidated companies | **2.19 & 12.1** Accounting policies/Income taxes of fully-consolidated companies |
| **14.2** Reconciliation between theoretical income tax in France and income tax in the consolidated statement of income | **12.2** Reconciliation between theoretical income tax in France and income tax in the consolidated statement of income |
| **14.3** Change in tax items on the balance sheet | **12.3** Change in tax items on the balance sheet |
| **14.4** Deferred tax assets and liabilities | **12.4** Deferred tax assets and liabilities |
| **15 EQUITY AND EARNINGS PER SHARE** | **13 & 26 EARNINGS PER SHARE AND EQUITY** |
| **15.1** Equity | **26** Equity |
| **15.2** Basic earnings per share | **13** Basic earnings per share |
| **16 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS** | **34 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS** |
| **17 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES** | **37 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES** |
| **17.1** Contingent liabilities | **37.3** Contingent liabilities |
| **17.2** Commitments connected with the Gefco group | **37.4** Commitments connected with the Gefco group |
| **18 RELATED PARTY TRANSACTIONS** | **38 RELATED PARTY TRANSACTIONS** |
| **19 SUBSEQUENT EVENTS** | **40 SUBSEQUENT EVENTS** |
| **20 FEES PAID TO THE AUDITORS** | **41 FEES PAID TO THE AUDITORS** |
| **21 CONSOLIDATED COMPANIES AT 31 DECEMBER 2014** | **42 CONSOLIDATED COMPANIES AT 31 DECEMBER 2013** |

# 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 opinion 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 31 December 2014, 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

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 31 December 2014 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.

Without qualifying our opinion, we draw your attention to Notes 2 "Accounting principles" and 3.4 "Changes To Financial Statements Previously Reported" to the consolidated financial statements which set out the impact of the first application of IFRS 10 and IFRS 11 concerning consolidated financial statements and joint arrangements.

## 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 2.2 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;
- Note 8.3 to the consolidated financial statements "Asset Impairment" describes the accounting methods and assumptions used for impairment tests. We verified that the impairment tests were carried out correctly, we verified the reasonableness of the underlying estimates and assumptions, we reviewed the calculations which led to the recognition of the impairment and we verified that this note to the consolidated financial statements provides relevant information;

- as indicated in Note 14 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 tax-loss carry forwards relating to the French tax consolidation generated over the year have not been recognized in the absence of any reasonable expectation that they will be recovered, 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;
- we reviewed the information on the implementation of a partnership between your group and Santander Consumer Finance referred to in Note 1 to the consolidated financial statements "Significant Events". We verified reclassifications and restatements of comparative periods, valuation of assets and liabilities to be continued in partnership and the presentation of these impacts in accordance with IFRS 5 as described in Note 3.3 to the consolidated financial statements "Assets And Operations Held For Sale Or To Be Continued In Partnership."

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, 18 February 2015

The Statutory Auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Marc Stoessel |

# 6

# PEUGEOT S.A. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

# 6.1 INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| Operating income | 143.2 | 132.0 |
| Operating expenses | (221.6) | (142.4) |
| **Net operating income (expense) (Note 20)** | **(78.4)** | **(10.4)** |
| Investment income | 581.0 | 657.1 |
| Other financial income | 10.8 | 9.0 |
| Financial provision reversals and expense transfers | 155.3 | 109.8 |
| **Financial income** | **747.1** | **775.9** |
| Charges to financial provisions | (201.0) | (82.6) |
| Other financial expenses | (327.0) | (345.4) |
| **Financial expenses** | **(528.0)** | **(428.0)** |
| **Net financial income (expense)** | **219.1** | **347.9** |
| **Recurring income before tax** | **140.7** | **337.5** |
| On management transactions | 0.3 | 1.6 |
| On capital transactions | 22.7 | 0.2 |
| Non-recurring provision reversals and expense transfers | 35.2 | 41.0 |
| **Non-recurring income** | **58.2** | **42.8** |
| On management transactions | (4.7) | (5.0) |
| On capital transactions | (49.8) | (15.2) |
| Non-recurring charges to provisions and expense transfers | (4.2) | (5.5) |
| **Non-recurring expenses** | **(58.7)** | **(25.7)** |
| **Net non-recurring income (expense) (Note 22)** | **(0.5)** | **17.1** |
| **Employee profit-sharing** | **-** | **-** |
| Income tax benefit (Note 23) | 160.0 | 99.0 |
| **NET PROFIT FOR THE YEAR** | **300.2** | **453.6** |

# 6.2 CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

| *(in million euros)* | 2014 | 2013 |
|---|---|---|
| **Net profit for the year** | **300.2** | **453.6** |
| Net change in provisions | 15.4 | (61.6) |
| Net gains (losses) on disposals of fixed assets | (49.4) | 15.0 |
| **Funds from operations** | **266.2** | **407.0** |
| Change in working capital requirement | (13.1) | (79.2) |
| **Net cash from operating activities** | **253.1** | **327.8** |
| (Acquisitions) disposals of intangible assets and property and equipment | – | – |
| Proceeds from disposals of investments in non- consolidated companies | 267.4 | 0.2 |
| Purchases of shares in subsidiaries and affiliates | (113.3) | – |
| **Net cash used in investing activities** | **154.1** | **0.2** |
| Dividends paid | - | – |
| Capital increase | 2,934.3 | – |
| (Purchases) sales of Peugeot S.A. shares | 84.3 | – |
| Increase (decrease) in other long-term debt | (1,041.8) | 525.0 |
| (Increase) decrease in long-term loans and receivables | 1,041.8 | (205.0) |
| Change in other financial assets and liabilities | 94.2 | (75.2) |
| **Net cash from/(used in) financing activities** | **3,112.8** | **244.8** |
| **Net decrease in cash and cash equivalents** | **3,520.0** | **572.8** |
| Cash and cash equivalents at beginning of period | 930.1 | 357.3 |
| **Cash and cash equivalents at end of period** | **4,450.1** | **930.1** |
| **Breakdown of cash and cash equivalents at end of period** | – | – |
| Cash equivalents (Note 12) | 4,450.0 | 935.9 |
| Cash | 0.1 | 0.1 |
| Bank overdrafts | – | (5.9) |
| **TOTAL** | **4,450.1** | **930.1** |

# 6.3 BALANCE SHEETS AT 31 DECEMBER 2014

| ASSETS | 31/12/2014 | | | 31/12/2013 |
|---|---|---|---|---|
| *(in million euros)* | Total | Depreciation, amortization and impairment | Net | 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) | 12,636.9 | (3,936.1) | 8,700.8 | 9,017.2 |
| Advances to subsidiaries and affiliates (Note 6) | 4,076.5 | – | 4,076.5 | 5,116.6 |
| Other investments (Note 7) | 376.0 | (152.6) | 223.4 | 239.5 |
| Long-term loans and receivables (Note 8) | 88.0 | (1.1) | 86.9 | 164.5 |
| | **17,177.4** | **(4,089.8)** | **13,087.6** | **14,537.8** |
| **Total non-current assets (Note 3)** | **17,180.7** | **(4,093.0)** | **13,087.7** | **14,537.9** |
| **Current assets** | | | | |
| Trade receivables | 20.0 | (1.1) | 18.9 | 11.3 |
| Other receivables and prepayments to suppliers (Note 9) | 364.6 | – | 364.6 | 260.8 |
| Marketable securities (Note 10) | 168.3 | (55.1) | 113.2 | 121.6 |
| Cash equivalents (Note 12) | 4,450.0 | – | 4,450.0 | 935.9 |
| Cash | 0.1 | – | 0.1 | 0.1 |
| **Total current assets** | **5,003.0** | **(56.2)** | **4,946.8** | **1,329.7** |
| Prepaid expenses | 1.7 | – | 1.7 | 0.3 |
| Bond redemption premiums | 26.7 | (17.6) | 9.1 | 13.9 |
| **TOTAL ASSETS** | **22,212.1** | **(4,166.8)** | **18,045.3** | **15,881.8** |

## LIABILITIES AND SHAREHOLDER'S EQUITY

| *(in million euros)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| **Shareholders' equity** | | |
| Share capital (Note 14) | 783.1 | 354.8 |
| Additional paid-in capital | 3,362.8 | 856.8 |
| Revaluation reserve | 454.5 | 454.8 |
| **Other reserves** | | |
| Reserves and retained earnings | 8,504.9 | 8,051.2 |
| Net profit for the year | 300.2 | 453.6 |
| Untaxed provisions | 1.2 | 1.2 |
| **Total equity (Note 15)** | **13,406.7** | **10,172.5** |
| Provisions for contingencies and charges (Note 13) | 118.1 | 222.6 |
| **Long- and short-term debt** | | |
| Bonds (Note 16) | 4,059.4 | 5,094.6 |
| Other long and short-term debt (Note 16) | 17.8 | 28.7 |
| | **4,077.2** | **5,123.3** |
| **Trade payables** | | |
| Trade payables | 30.0 | 31.0 |
| Accrued taxes and payroll costs | 57.5 | 75.7 |
| | **87.5** | **106.7** |
| **Due to suppliers of fixed assets (Note 17)** | **78.6** | **81.6** |
| **Other liabilities** | **267.9** | **160.9** |
| **Total liabilities** | **4,511.2** | **5,472.5** |
| Deferred income | **9.3** | **14.2** |
| **TOTAL LIABILITIES & EQUITY** | **18,045.3** | **15,881.8** |

# 6.4 NOTES TO PEUGEOT S.A. FINANCIAL STATEMENTS

## For the year ended 31 December 2014

CONTENTS

# APPENDIX

The following disclosures constitute the notes to the balance sheet at 31 December 2014, before appropriation of net profit for the year, which shows total assets of €18,045.3 million and to the income statement for the year then ended, which shows net profit of €300.2 million.

The financial statements cover the twelve-month period from 1 January to 31 December 2014.

Notes are an integral part of the financial statements. All amounts are in millions of euros unless otherwise specified.

The financial statements for 2014 including explanatory notes were approved for issue by the Managing Board of Peugeot S.A. on 10 February 2015 with the Note 30, taking into account events that occurred in the period up to the Supervisory Board Meeting on 17 February 2015.

These financial statements are included in the consolidated financial statements of PSA Peugeot Citroën.

## 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.

The shares are allocated to separate sub-categories based on an assessment of the probability of the options being exercised.

When it is probable that the options will be exercised, a provision for charges is recorded in liabilities if the exercise price is less than the shares' carrying amount. The probability of options being exercised is assessed separately for each individual plan, taking into account the plan's terms and conditions. Any provisions are recorded on a straight-line basis over the option's vesting period. The charge is recognised in the income statement under "Payroll costs" by recording an expense transfer.

When it is not probable that options will be exercised or performance shares allocated at the end of the vesting period, the Peugeot S.A. shares concerned are measured at the lower of cost and market.

### 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 due to (i) the fact that there are no tangible indicators for measuring the probability of the transferor defaulting and (ii) the nature of the resale agreements, under which a firm commitment is made to repurchase the securities on an agreed date at a set price.

### 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. These obligations are measured by independent actuaries and disclosed in the notes to the financial statements (see Note 25).

### I. INCOME TAXES

On 1 January 2010, Peugeot S.A. and its over 95%-owned subsidiaries in France renewed their election to file a consolidated tax return, in accordance with Article 223A of France's 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 the provision for tax savings to be transferred to loss-making subsidiaries;
- 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

### CAPITAL INCREASE

During the year Peugeot S.A. undertook two capital increases in a total amount of €3 billion, in the following manner:

- a reserved €1,048 million capital increase subscribed by Dongfeng Motor Group (DFG) via Dongfeng Motor (Hong Kong) International Co., Limited ("DMHK") and the French State through SOGEPA, on an equal basis, at a subscription price of €7.50 per share;
- a capital increase with preferential subscription rights of approximately €1,953 million, open to all shareholders of Peugeot S.A.
- An attribution of 342,060,365 free equity warrants (BSA) to existing Peugeot S.A. shareholders, with one equity warrant granted per existing share.

### NEW SYNDICATED CREDIT FACILITY

On 8 April 2014, PSA Peugeot Citroën signed a new syndicated credit facility for the amount of €3.0 billion. It comprises a €2.0 billion five-year tranche and a €1.0 billion three-year tranche with two optional one-year extensions.

### TRANSFER OF ALL ASSETS AND LIABILITIES OF DJ58

On 25 February 2014 Peugeot S.A., the sole owner, decided to dissolve the company DJ58 pursuant to Article 1844-5, par. 3 of the French Commercial Code. This dissolution entailed by operation of law the transfer of all assets and liabilities of the company to Peugeot S.A.

### FAURECIA DIVIDENDS PAID IN SHARES

Following the proposal announced at the Faurecia General Meeting of 27 May 2014, Peugeot S.A. opted for a payment in shares of its 2013 dividends, in the amount of €19.0 million, representing the acquisition of 708,688 shares.

# NOTE 3 FIXED ASSETS AT 31 DECEMBER 2014

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 2014 | 12,786.4 | 5,116.6 | 414.2 | 165.6 |
| › Additions | 113.2 | – | 31.8 | 0.1 |
| › Disposals | (262.7) | (1,040.1) | (70.0) | (77.7) |
| **Cost at 31 December 2014** | **12,636.9** | **4,076.5** | **376.0** | **88.0** |
| *Historical cost excluding revaluations (1)* | *12,166.9* | *4,076.5* | 376.0 | *88.0* |
| Impairment at 1 January 2014 | (3,769.2) | – | (174.7) | (1.1) |
| › Additions | (166.9) | – | (28.7) | – |
| › Reversals | – | – | 50.8 | – |
| › Other changes | – | – | – | – |
| **Provisions for impairment at 31 December 2014** | **(3,936.1)** | **-** | **(152.6)** | **(1.1)** |
| **NET COST AT 31 DECEMBER 2014** | **8,700.8** | **4,076.5** | **223.4** | **86.9** |

*(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 2014.

# NOTE 5 SHARES IN SUBSIDIARIES AND AFFILIATES

## A. GROSS VALUES

At 31 December 2014 the gross value of the equity investment was €12,636.9 million, a reduction of €149.5 million.

The principal transactions conducted were:

A capital increase of Peugeot Motocycles of €94.2 million, making the gross value of shares €448.2 million.

A transfer of all assets and liabilities and dissolution of DJ58, carrying with it a reduction in the gross value of €245.0 million.

## B. CARRYING VALUES

### 1) AUTOMOTIVE DIVISION

Peugeot S.A. owns automotive subsidiaries through four central companies, namely PCA, Automobiles Peugeot, Automobiles CITROËN and Process Conception Ingénierie, which are inseparable. The shares taken altogether had a gross value of €9,783.5 million at 31 December 2014.

At 31 December 2014, the carrying amount of these investments, i.e. €6,625.2 million, was compared with the cumulative economic value of DAU activities outside China and activities in China.

In this comparison no impairment of shares was recognised.

### 2) FAURECIA

At 31 December 2014 the cost value of Peugeot S.A.'s investment in Faurecia was €1,587.2 million. Peugeot S.A. owns 51.1% of the equity in Faurecia.

The stock market value of the Faurecia shares held by Peugeot S.A. at 31 December 2014 was €1,956 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 2014, the value of the investment in this subsidiary was assessed on the basis of its adjusted equity. A provision in the amount of €85.8 million was recorded, bringing the impairment of the investment to €343.0 million, with a dividend of €85.7 million collected from this subsidiary. Total expenses before tax for the year was -€0.1 million.

### 4) PEUGEOT MOTOCYCLES

On 10 December 2014, as part of the equity restructuring of Peugeot Motocycles (PMTC), Peugeot SA decided to reduce share capital, followed by a cash increase of capital of €94.2 million, raising the gross value of all shares to €448.2 million. To speed up the expansion of Peugeot Scooters (PMTC), strengthen the brand and its products, and secure its future, PSA has entered on 19 January 2015 into a long-term strategic partnership with Mahindra & Mahindra Group (M&M). At that date, the latter acquired shares from Peugeot S.A. for €13.1 million. At the end of these transactions M&M owned 51% of the equity in PMTC, the balance being held by Peugeot S.A.

The net carrying amount of the shares owned by Peugeot S.A. at 31 December 2014 of €13.1 million was measured on the amount of cash that would be received upon selling the securities to M&M. This resulted in the recognition of an additional provision of €81.1 million, bringing the impairment of securities to €435.0 million.

### C. PLEDGED SECURITIES

At 31 December 2014, 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:

Reimbursement of €114.8 million of a €460 million loan maturing on 29 June 2015 paying interest at a nominal rate of 5.625%.

Reimbursement of €95.6 million of a €397 million loan maturing on 30 March 2016 paying interest at a nominal rate of 6.875%.

Reimbursement of €79.3 million of loans in a total amount of €650 million maturing on 28 October 2016 paying interest at an initial fixed rate of 5%, which include the loan of €500 million issued on 28 October 2010 and an additional €150 million loan issued on 26 January 2011.

Reimbursement of €84.4 million of a €600 million loan maturing on 11 July 2017 paying interest at a nominal rate of 5.625%.

Transactions in 2013:

5-year loan totalling €1,000 million, which corresponds to a bond issued by Peugeot S.A. on 6 March 2013. This loan carries an initial fixed interest rate of 7.375%.

5-year-and-4-month loan totalling €600 million, which corresponds to a bond issued by Peugeot S.A. on 19 September 2013. This loan carries an initial fixed interest rate of 6.50%.

Reimbursement of €75 million of loans in a total amount of €850 million maturing on 28 October 2013 paying interest at an initial fixed rate of 4%.

Reimbursement of €82.2 million of a €750 million loan maturing on 15 July 2014 paying interest at a nominal rate of 8.375%.

Reimbursement of €40 million of a €500 million loan maturing on 29 June 2015 paying interest at a nominal rate of 5.625%.

Reimbursement of €102.8 million of a €500 million loan maturing on 30 March 2016 paying interest at a nominal rate of 6.875%.

### B. OTHER LOANS

At 31 December 2014, accrued interest recognised on all loans made by Peugeot S.A. amounted to €168.4 million.

## 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.).

| **Other investments** *(in million euros)* | **Treasury shares (Note 7.A.)** | **Other Shares (Note 7.B.)** | **Balance as of 31/12/2014** |
|---|---|---|---|
| Cost at 1 January 2014 | 221.1 | 193.1 | 414.2 |
| › Additions | 31.8 | – | 31.8 |
| › Disposals | (62.5) | (7.5) | (70.0) |
| **Cost at 31 December 2014** | **190.4** | **185.6** | **376.0** |
| Impairment at 1 January 2014 | (122.9) | (51.8) | (174.7) |
| › Additions | (28.7) | – | (28.7) |
| › Reversals | 49.5 | 1.3 | 50.8 |
| **Cost at 31 December 2014** | **(102.1)** | **(50.5)** | **(152.6)** |
| **COST AT 31 DECEMBER 2014** | **88.3** | **135.1** | **223.4** |

## A. PEUGEOT S.A. SHARES

Changes in treasury shares classified as "other long-term investments":

| *(in million euros)* | Hedge of a future liquidity contract | | Hedge of convertible bonds from the 2009 issue | |
|---|---|---|---|---|
| | Number | Gross | Number | Gross |
| **Total at 1 January 2014** | - | - | **9,421,687** | **221.1** |
| › Capital increase: sales of pre-emptive subscription rights (1) | - | - | - | (34.3) |
| › Shares allocated to the Accelerate matching contribution | - | - | (1,200,000) | (16.2) |
| › Shares reclassified: change of category (2) | - | - | 414,782 | 19.8 |
| › Shares covering bond conversions | - | - | (288) | - |
| **Total at 31 December 2014** | **-** | **-** | **8,636,181** | **190.4** |
| **Impairment at 1 January 2014** | | **-** | | **(122.9)** |
| › Provisions | | | | (28.7) |
| › Shares reclassified into other categories: net value reclassification | - | - | - | 3.9 |
| › Reversals (3) | - | - | | 45.6 |
| **PROVISIONS FOR IMPAIRMENT AT 31 DECEMBER 2014** | | **-** | **-** | **(102.1)** |

(1) *On 29 April 2014 Peugeot S.A. undertook a capital increase without preferential subscription rights, enabling it to sell the preferential rights running with its treasury shares.*
(2) *Recategorisation made by the Managing Board. Including 1.2 million OCEANE shares re-allocated to the capital increase reserved for employees.*
(3) *Reversal of an impairment loss recognised on the basis the average share price during the last month of the period, or €10.216 per share.*

## B. UNITS IN FCPR INVESTMENT FUNDS

Peugeot S.A. holds units in France's Fonds de Modernisation des Équipementiers Automobiles (FMEA), 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. The market value reflects the value in use of the investments made by the fund. Value in use is considered as being equal to cost in the first twelve months following acquisition, except for any adjustments that may be necessary due to unfavourable subsequent events. After the first twelve months, value in use is estimated using earnings multiples.

At 31 December 2014 the monies already called and paid into the Fund were valued at €61.0 million. The total provision for FMEA shares amounted to €50.4 million. An impairment reversal of €1.3 million was thus recognised over the period.

FMEA units not yet called at 31 December 2014 amounted to €74.1 million. The liability is carried in the balance sheet under "Due to suppliers of fixed assets" (see Note 1.D).

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 increased to a total of €47.7 million at 31 December 2013.

In 2014, this deposit was increased by a payment on 30 June of €2.6 million and decreased by a repayment at 30 December of €20.3 million, bringing the balance to €30.0 million.

This item is capped at €250 million.

# NOTE 9 OTHER RECEIVABLES AND PREPAYMENTS TO SUPPLIERS

| *(in million euros)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Recoverable taxes (1) | 197.6 | 171.2 |
| Shareholder advances (2) | 166.9 | 88.5 |
| Other | 0.1 | 1.1 |
| **TOTAL** | **364.6** | **260.8** |

(1) *Of which receivables from the State as research Tax Credits in the amount of €84.1 million in 2014, versus €73.6 million in 2013, and Competitiveness and Employment Tax Credit (CICE) in the amount of €93.1 million in 2014 versus €64 million in 2013.*
(2) *Of which receivables related to the December VAT consolidation in the amount of €66.0 million.*

# NOTE 10 MARKETABLE SECURITIES

| *(in million euros)* | Treasury shares (Note 10.A.) | Other marketable securities (Note 10.B.) | Balance as of 31/12/2014 |
|---|---|---|---|
| Cost at 1 January 2014 | 127.2 | 86.5 | 213.7 |
| › Additions | 16.2 | 1.3 | 17.5 |
| › Disposals | (45.9) | (17.0) | (62.9) |
| **Cost at 31 December 2014** | **97.5** | **70.8** | **168.3** |
| Impairment at 1 January 2014 | (92.1) | – | (92.1) |
| › Additions | (7.8) | – | (7.8) |
| › Reversals | 44.8 | – | 44.8 |
| **Provisions for impairment at 31 December 2014** | **(55.1)** | **–** | **(55.1)** |
| **NET COST AT 31 DECEMBER 2014** | **42.4** | **70.8** | **113.2** |

## A. PEUGEOT S.A. SHARES

Changes in treasury shares classified as “marketable securities”:

| | Hedge of stock-option plans | | Other allocations | |
|---|---|---|---|---|
| *(in million euros)* | Number | Gross | Number | Gross |
| **Total at 1 January 2014** | **3,259,035** | **123.2** | **107,905** | **4.0** |
| › Capital increase: sales of pre-emptive subscription rights (1) | - | (20.5) | - | (0.7) |
| › Shares allocated to the Accelerate matching contribution | - | - | 1,200,000 | 16.2 |
| › hares reclassified: change of category (2) | (316,074) | (21.7) | (98,708) | (3.0) |
| **TOTAL AT 31 DECEMBER 2014** | **2,942,961** | **81.0** | **1,209,197** | **16.5** |
| **Impairment at 1 January 2014** | - | **(89.2)** | - | **(2.9)** |
| › Provisions (3) | - | - | - | (3.9) |
| › Reversals | - | 41.9 | - | - |
| › Re-categorisation | - | (3.9) | - | 2.9 |
| **PROVISIONS FOR IMPAIRMENT AT 31 DECEMBER 2014** | **-** | **(51.2)** | **-** | **(3.9)** |

*(1) On 29 April 2014 Peugeot S.A. undertook a capital increase with preferential subscription rights, enabling it to sell the preferential rights running with its treasury shares.*
*(2) Re-categorisations made by the Managing Board.*
*(3) Including €20.5 million from the sale of preferential subscription rights, and €21.4 million represents the provision reversal recognised based on the average share price during the last month of the period, or €10.216 per share.*

## B. OTHER MARKETABLE SECURITIES

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 €70.8 million at 31 December 2014.

# NOTE 11 TREASURY SHARES, PERFORMANCE SHARE PLAN AND STOCK OPTION PLANS

## A. PEUGEOT S.A. SHARES

### AT 31 DECEMBER 2014

At year-end, Peugeot S.A. held 12,788,339 securities, acquired at a total cost of €287.9 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 | 8,636,181 | 190.4 | (102.1) | 88.3 |
| Shares held for the purpose of setting up a future liquidity contract | - | - | - | - |
| **Sub-total – "Other investments"** | **8,636,181** | **190.4** | **(102.1)** | **88.3** |
| **"Other marketable securities" (Note 10)** | | | | |
| Shares held for allocation on exercise of stock options | 2,942,961 | 81.0 | (51.2) | 29.8 |
| Other allocations | 1,209,197 | 16.5 | (3.9) | 12.6 |
| **Sub-total – "Marketable securities"** | **4,152,158** | **97.5** | **(55.1)** | **42.4** |
| **TOTAL AT 31 DECEMBER 2014** | **12,788,339** | **287.9** | **(157.2)** | **130.7** |

The application of valuation methods specific to each category of shares as described in Notes 1.D and 1.F resulted in a reversal of impairment in the amount of €57.7 million for the 2014 year, which was a net reversal of €20.8 million in other investments and a net reversal of €36.9 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 €157.2 million at 31 December 2014 versus €215.0 million at 31 December 2013.

## B. PERFORMANCE SHARE PLAN

No performance share plans are currently in force at Peugeot S.A.

The Peugeot S.A. Managing Board had decided to use the authorisation given at the Extraordinary Shareholders' Meeting of 2 June 2010 to set up a performance share plan on 21 September 2010.

At 31 December 2012 these performance conditions had not been met and so warranted no awards of performance shares to the grantees. The rights attached to them were therefore cancelled.

## C. STOCK OPTION PLANS

No stock option plans were set up during 2014 and no options were exercised.

The characteristics of the Company's stock option plans 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 |
|---|---|---|---|---|---|---|
| 2006 Plan | 23/08/2006 | 23/08/2009 | 22/08/2014 | 92 | 26.84 | 983,500 |
| 2007 Plan | 22/08/2007 | 22/08/2010 | 21/08/2015 | 169 | 39.43 | 1,155,000 |
| 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 these plans (exercisable for €1 par value shares) are shown below:

| *(number of options)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| **Total at 1 January** | **3,259,035** | **4,371,970** |
| Adjusted number of options granted following the capital increase [(1)] | 1,007,080 | - |
| Options granted | - | - |
| Options exercised | - | - |
| Cancelled options | (20,312) | (107,905) |
| Expired options | (1,302,842) | (1,005,030) |
| **TOTAL AT 31 DECEMBER** | **2,942,961** | **3,259,035** |
| o/w exercisable options | 2,942,961 | - |

*(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 2014, advances to GIE PSA Trésorerie totalled €4,450.0 million.

## NOTE 13 PROVISIONS RECOGNISED AT 31 DECEMBER 2014

| **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 [(1)] | 143.2 | 4.2 | - | (32.0) | - | 115.4 |
| Other provisions for contingencies and charges [(2)] | 79.4 | 0.1 | (4.5) | (72.3) | - | 2.7 |
| | **222.6** | **4.3** | **(4.5)** | **(104.3)** | **-** | **118.1** |
| **Provisions for impairment of investments** | | | | | | |
| Shares in subsidiaries and affiliates (Note 5.B) | 3,769.2 | 166.9 | - | - | - | 3936.1 |
| Advances to subsidiaries and affiliates (Note 6) | - | - | - | - | - | - |
| Other investments (Note 7) | 174.7 | 28.7 | - | (50.8) | - | 152.6 |
| Loans | 1.1 | - | - | - | - | 1.1 |
| | **3,945.0** | **195.6** | **-** | **(50.8)** | **-** | **4,089.8** |
| Provisions for impairment of current assets | | | | | | |
| Marketable securities (Note 10.A) | 92.1 | 7.8 | - | (44.8) | - | 55.1 |
| Non-performing loans | - | 1.1 | - | - | - | 1.1 |
| **Bond redemption premiums** | 15.2 | 4.8 | - | (2.4) | - | 17.6 |
| **TOTAL** | **4,274.9** | **213.6** | **(4.5)** | **(202.3)** | **-** | **4,281.7** |
| Movements classified under: | | | | | | |
| › operations | | 13.7 | - | (47.6) | - | |
| › financing | | 195.6 | - | (122.6) | - | |
| › non-recurring | | 4.3 | (4.5) | (0.2) | - | |
| › income tax (Note 23) | | - | - | (31.9) | - | |

*(1) Provision reversals for tax risks relate to foreign tax credit risk for which the statute of limitations applies.*
*(2) Provisions recognised included in the item "Other provisions" mainly relate to the provision for contingencies on the Peugeot Motocycles subsidiary in the amount of €71.7 million.*

# NOTE 14 SHARE CAPITAL

| *(number of shares)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| **At 1 January** | **354,848,992** | **354,848,992** |
| Shares issued during the year | 428,239,683 | - |
| **AT 31 DECEMBER** | **783,088,675** | **354,848,992** |

## CAPITAL INCREASE

In 2014 there was no capital increase consequent to the conversion of OCEANEs (bonds convertible or exhangeable into new or existing shares). The conversion requests were satisfied by the allocation of existing shares.

On 29 April 2014 Peugeot S.A. carried out a reserved cash-based capital increase without preferential subscription rights. The final gross proceeds amounted to €1,047,999,990 million corresponding to the issue of 139,733,332 New Shares at a par value of one euro.

On 23 May 2014 Peugeot S.A. carried out an all-cash capital increase with preferential subscription rights. The final gross proceeds amounted to €1,953,187,996.27 million corresponding to the issue of 288,506,351 New Shares at a par value of one euro.

## SITUATION AT 31 DECEMBER 2014

At 31 December 2014, the Company's share capital comprised 783,088,675 ordinary shares with a par value of one euro each, all fully paid. Owners of fully-paid shares who can substantiate that they have been recorded by name and with the same employer for at least two years without interruption shall have double voting rights.

At 31 December 2014 a total of 102,267,588 shares carried double voting rights.

# NOTE 15 CHANGES IN EQUITY

| *(in million euros)* | 31/12/2013 | Capital increase | Appropriation voted at AGM 25/04/2014 | Other movements for the year | 31/12/2014 |
|---|---|---|---|---|---|
| **Share capital** | **354.8** | 428.3 | - | - | **783.1** |
| **Additional paid-in capital** | 856.8 | 2,506.0 | - | - | **3,362.8** |
| **Revaluation reserve** (1) | | | | | |
| Investments in non-consolidated companies | 454.8 | - | - | (0.3) | 454.5 |
| | **454.8** | **-** | **-** | **(0.3)** | **454.5** |
| **Reserves and retained earnings** | | | | | |
| Legal reserve | 31.0 | - | 4.5 | - | 35.5 |
| Long-term capital gains reserve | 1,068.5 | - | - | - | 1,068.5 |
| Other reserves | 4,751.4 | - | - | - | 4,751.4 |
| Retained earnings | 2,200.4 | - | 449.1 | - | 2,649.5 |
| | **8,051.3** | - | **453.6** | **-** | **8,504.9** |
| **Net profit for the year** | **453.6** | - | (453.6) | 300.2 | **300.2** |
| **Untaxed provisions** | **1.2** | - | - | (0.1) | **1.2** |
| **TOTAL** | **10,172.5** | **2,934.3** | **–** | **299.9** | **13,406.7** |

*(1) 1976 legal revaluation.*

# NOTE 16 LONG-AND SHORT-TERM DEBT

| *(in million euros)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Other bond debt | 4,059.4 | 5,094.6 |
| Other long- and short-term debt | 17.8 | 28.7 |
| **TOTAL** | **4,077.2** | **5,123.3** |

Pursuant to this policy, Peugeot S.A. issues bonds under an EMTN programme, arranges confirmed lines of credit for its financial security and, when called for, undertakes a capital increase and issues convertible bonds.

Peugeot S.A. and GIE PSA Trésorerie have, from April 2014 forward, a confirmed line of credit in the amount of €3 billion. It comprises a €2 billion five-year tranche A and a €1.0 billion three-year tranche B with two optional one-year extensions. This new credit line replaces the €2.4 billion confirmed line of credit maturing in July 2015.

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. The definition of net debt is given in Note 12.3 to the consolidated financial statements.
- A level of net debt of manufacturing and sales companies of less than of €6 billion.

It was undrawn at 31 December 2014.

## PEUGEOT S.A. BOND ISSUES

The main transactions during the year were as follows:

- On 15 July 2014 Peugeot S.A. redeemed the maturing July 2009 bond of €750 million.
- On 17 September 2014 Peugeot S.A. effected a partial buyback of bonds for €374.1 million.

## BREAKDOWN OF BONDS BY MATURITY

| *(in million euros)* | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total at 31/12/2014 |
|---|---|---|---|---|---|---|---|
| Other bonds | 345.0 | 872.0 | 516.0 | 1,000.0 | 600.0 | – | 3,333.0 |
| Convertible bonds | 575.0 | – | – | – | – | – | 575.0 |
| **TOTAL** | **920.0** | **872.0** | **516.0** | **1,000.0** | **600.0** | **–** | **3,908.00** |

## TERMS OF THE OCEANE ISSUE

On 23 June 2009, Peugeot S.A. issued €575 million worth of OCEANE Bonds convertible or exchangeable for new or existing shares. The 22,908,365 bonds are due 1 January 2016 and pay interest at an annual nominal rate of 4.45%.

At 31 December 2014, 1,493 bonds had been converted, 181 was converted during 2014.

At the same date accrued interest recognised on these bonds amounted to €168.4 million.

# NOTE 17 MATURITIES OF RECEIVABLES AND PAYABLES AT 31 DECEMBER 2014

| Receivables *(in million euros)* | Total | Due within one year | Due beyond one year |
|---|---|---|---|
| Advances to subsidiaries and affiliates | 4,076.5 | 355.1 | 3,721.4 |
| Loans (1) | 88.0 | – | 88.0 |
| **Non-current assets** | **4,164.5** | **355.1** | **3,809.4** |
| Trade receivables | 20.0 | 19.1 | 0.9 |
| **Other receivables and prepayments to suppliers** | | | |
| › Income tax prepayments | – | – | – |
| › Subsidiaries | 166.9 | 166.9 | – |
| › Other | 197.7 | 197.7 | – |
| › Total | 364.6 | 364.6 | – |
| Cash equivalents | 4,450.0 | 4,450.0 | – |
| **Current assets** | **4,834.6** | **4,833.7** | **0.9** |
| Prepaid expenses | 1.7 | 1.7 | – |
| **TOTAL** | **9,000.8** | **5,190.5** | **3,810.3** |

*(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** | 4,077.2 | 355.1 | 3,722.1 |
| **Trade payables** | 87.5 | 87.5 | – |
| **Due to suppliers of fixed assets** | 78.6 | 74.1 | 4.5 |
| Shareholder advances | 256.5 | 256.5 | – |
| Other | 11.4 | 11.4 | – |
| **Other liabilities** | 267.9 | 267.9 | – |
| **TOTAL LIABILITIES** | **4,511.2** | **784.6** | **3,726.6** |
| **Deferred income** | 9.3 | – | 9.3 |

At 31 December 2014, the Company had no liabilities due beyond five years.

The amount reported under "Due to suppliers of fixed assets" includes €74.1 million in capital commitments to the FMEA that had not been called at 31 December 2014.

## NOTE 18 ACCRUED INCOME AND EXPENSES

Accrued income and expenses included in other balance sheet items are as follows:

| *(in million euros)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| **Accrued income** | | |
| Advances to subsidiaries and affiliates | 168.4 | 166.7 |
| Trade receivables | 18.5 | 9.3 |
| Other receivables and prepayments to suppliers | – | 1.1 |
| Marketable securities | 0.9 | 0.3 |
| Cash equivalents | – | 0.1 |
| **TOTAL** | **187.8** | **177.5** |

| *(in million euros)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| **Accrued expenses** | | |
| Long- and short-term debt | 168.4 | 166.6 |
| Trade payables | 28.9 | 29.2 |
| Accrued taxes and payroll costs | 14.1 | 13.5 |
| Other liabilities | – | – |
| Cash equivalents | 0.7 | 0.8 |
| **TOTAL** | **212.1** | **210.1** |

## 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) | 12,636.9 |
| Advances to subsidiaries and affiliates (Note 6) | 4,076.5 |
| Trade receivables | 20.0 |
| Other receivables and prepayments to suppliers | 166.9 |
| Cash equivalents (Note 12) | 4,450.0 |
| **Liabilities & Equity** | |
| Long- and short-term debt | – |
| Trade payables | 1.5 |
| Due to suppliers of fixed assets | 4.5 |
| Other liabilities | 256.5 |
| **Income statement items** | |
| Financial expenses | 0.7 |
| Impairment on equity investments: expenses (Note 5) | 166.9 |
| Investment income | 299.5 |
| Impairment of investments and in loans and advances to subsidiaries and affiliates: reversals (Notes 5 & 6) | – |
| Other financial income | 290.7 |

(1) *Companies consolidated in the consolidated financial statements of PSA Peugeot Citroën, including those accounted for by the equity method.*

Transactions with other related parties are not material.

## NOTE 20 BREAKDOWN OF OPERATING INCOME AND EXPENSE FOR THE PERIOD ENDING 31 DECEMBER 2014

| *(in million euros)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Revenue (Note 21) | 139.0 | 130.7 |
| Other income | – | 0.1 |
| Expense transfers | 3.8 | 1.0 |
| Reversals of provisions for contingencies and charges | 0.4 | 0.2 |
| **Operating income** | **143.2** | **132.0** |
| Other purchases and external charges (1) | (155.6) | (84.2) |
| Taxes other than on income | (6.9) | (5.1) |
| Wages and salaries | (40.3) | (35.8) |
| Payroll taxes | (16.2) | (14.4) |
| Other expenses | (1.5) | (1.6) |
| Additions to provisions for contingencies and charges | (1.1) | (1.3) |
| **Operating expenses** | **(221.6)** | **(142.4)** |
| **NET OPERATING INCOME** | **(78.4)** | **(10.4)** |

*(1) Peugeot S.A. signed a lease on the building at 75 avenue de la Grande-Armée in Paris, after seling it in 2011. The yearly rent is €15.6 million. The commissions and brokerage fees on borrowings were €95.1 million, including €29.1 million for transactions on borrowings and €65.8 million as a result of establishing a new syndicated loan.*

## NOTE 21 REVENUE

Revenue breaks down as follows:

### A. BY BUSINESS SEGMENT

| *(in million euros)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Service revenues (1) | 129.4 | 122.2 |
| Rental income | 9.6 | 8.5 |
| **TOTAL** | **139.0** | **130.7** |

*(1) Services consist primarily of participation in study costs, Group management and operational expenses billed by the parent company to its subsidiaries in the amount of €99.3 million, and borrowing costs rebilled to GIE PSA Tresorerie in the amount of €29.1 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 2014

| *(in million euros)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Net gains on property disposals | – | – |
| Net gains on treasury share disposals (Note 14) | – | – |
| Net gains on disposals of shares in subsidiaries and affiliates | 22.4 | 0.2 |
| Reversals of provisions for claims and litigation and tax audits | 30.8 | 41.0 |
| Reversal of revaluation reserve (Note 15) | 0.3 | – |
| Other | 4.7 | 1.6 |
| **Non-recurring income** | **58.2** | **42.8** |
| Fines relating to claims and litigation and tax audits | (4.5) | (4.1) |
| Carrying amount of divested assets | – | – |
| Carrying amount of divested shares in subsidiaries and affiliates | (17.7) | (15.2) |
| Carrying amount of divested treasury shares | – | – |
| Net income from sale of pre-emptive subscription rights | (32.0) | – |
| Other [1] | (4.5) | (6.4) |
| **Non-recurring expenses** | **(58.7)** | **(25.7)** |
| **NET NON-RECURRING INCOME (EXPENSE)** | **(0.5)** | **17.1** |

*(1) Relates primarily to restructing expenses.*

## NOTE 23 INCOME TAXES

In view of the Group's tax regime (see Note 1.J), tax income and expense recognised in profit and loss are as follows:

| *(in million euros)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Tax payable to Peugeot S.A. by profitable members of the tax group [1] | (32.0) | (31.3) |
| Return by profitable members of the tax group of tax savings previously transferred by Peugeot S.A. grantees | 17.3 | 2.0 |
| Group relief | 180.7 | 143.4 |
| Adjustments for tax expense | (7.4) | 61.2 |
| Change in provision for tax savings to be transferred to loss-making subsidiaries | – | – |
| Change in provision for tax risks | 1.4 | (76.3) |
| **NET INCOME TAX BENEFIT** | **160.0** | **99.0** |

*(1) In 2014, the tax due to Peugeot S.A. from consolidated subsidiaries was a negative amount of €32.0 million, in accordance with the rules governing tax consolidation and the allocation of fax credits.*

In 2014, the overall income of the Group as consolidated entity for tax purposes was a loss of €1,191.4 million at the standard tax rate, and a profit of €100.2 million at the reduced rate. As a result of the loss, the surtax did not apply. In 2014 the tax group had unused tax loss carryforwards totalling €11,666.1 million.

# NOTE 24 FINANCIAL COMMITMENTS

| *(in million euros)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| **Commitments received** | | |
| Syndicated line of credit (1) | 3,000.0 | 2,400.0 |
| Bank guarantee | 4.0 | 3.9 |
| Income tax reallocations (2) | 17.3 | 527.2 |
| **TOTAL** | **3,021.3** | **2,931.1** |
| **Commitments given** | | |
| Guarantees for loans obtained by: | | |
| › Peugeot S.A. subsidiaries (3) | 1,443.7 | 1,923.1 |
| › Other companies | - | - |
| Other commitments given on behalf of: | | |
| › Peugeot S.A. subsidiaries (4) | 650.5 | 593.2 |
| **TOTAL** | **2,094.2** | **2,516.3** |
| Commitments received from and given to related parties are as follows: | | |
| › Commitments received | 21.3 | 531.1 |
| › Commitments given | 2,094.2 | 2,516.3 |

*Commitments received include:*

*(1) On 8 April 2014, Peugeot S.A. signed a new syndicated credit facility with 25 banks for the amount of €3.0 billion. It comprises a €2.0 billion five-year tranche A and a €1.0 billion three-year tranche B with two optional one-year extensions.*

*(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 €359.4 million in guarantees given in 2012 by Peugeot S.A. as part of the debt incurred by PCMA Russie.*

*(4) €323.8 million, the equivalent of outstanding loans by Banque PSA Finance to Group subsidiaries at 31 December 2014, that Peugeot S.A. is committed to repaying in the event of default by the subsidiaries concerned.*

*€124.9 million, the letters of intent signed by Peugeot S.A. in 2014 to guarantee the rental payments due under the leases signed by France and UK Retail.*

### €7 billion guarantee from the French State

The final approval of the European Commission on the French State guarantee in favour of Banque PSA Finance was obtained on 30 July 2013. Under the terms of the agreement, The French State has made a certain number of undertakings to the European Commission, which will remain in effect until 15 December 2015. Key aspects of these undertakings include a commitment relative to the Group's return to viability, pursuant to which PSA Peugeot Citroën would be obliged to take appropriate measures to reduce net debt if it were to exceed a given threshold, and a commitment to seek the prior approval of the European Commission to make acquisitions in excess of €100 million per annum.

Following the start of operations in France and the United Kingdom of the first joint ventures owned equally by Banque PSA Finance and Santander Consumer Finance, Banque PSA Finance has announced that it will no longer use the French State guarantee for new bond issues (see Note 1.3 to the consolidated financial statements). The agreement on the French state guarantee concluded between the French government and Banque PSA Finance has been adjusted to include early termination of drawdowns and the state's acquisition of a stake in the Group's capital, by simplifying the monitoring mechanisms and setting out the conditions for the exercise of the state's specific rights.

Following the start of operations in France and the United Kingdom of the first joint ventures owned equally by Banque PSA Finance and Santander Consumer Finance, Banque PSA Finance has announced that it will no longer use the French State guarantee for new bond issues (see Note 1.3 to the consolidated financial statements). The agreement on the French state guarantee concluded between the French government and Banque PSA Finance has been adjusted to include early termination of drawdowns and the state's acquisition of a stake in the Group's capital, by simplifying the monitoring mechanisms and setting out the conditions for the exercise of the state's specific rights.

# NOTE 25 PENSION OBLIGATIONS

For greater detail, please refer to Note 7.1 to the consolidated financial statements.

At 31 December 2014, the projected benefit obligation amounted to €104.8 million, including benefit obligations towards members of the management bodies, which were revised in the amount of €27.0 million starting in December 2013. This amount does not include the additional 45% contribution due above the threshold pursuant to Article L. 137-11 of the French Social Security Code (provisioned in the amount of €6 million). In addition, commitments in respect of retirement benefits for members of managing bodies are provisioned in the amount of €1 million.

The obligation is partly funded by external funds in the amount of €41.0 million.

# NOTE 26 UNRECOGNISED DEFERRED TAXES

Unrecognised deferred taxes arising from timing differences between the recognition of income and expenses for financial reporting and tax purposes represented a net asset of €209.9 million at 31 December 2014.

## NOTE 27 MANAGEMENT COMPENSATION

The Group is managed by the Managing Board.

The Group's management 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 7.3 to the consolidated financial statements.

The following table presents details of Peugeot S.A. performance shares awarded to members of the management bodies in 2010 and outstanding Peugeot S.A. stock options granted to members of the management bodies in the years prior to 2014:

| *(number of options)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Stock options held at 31 December | 309,615 | 272,610 |

Members of the Group's management bodies benefit from a supplementary pension plan described in Note 7.1. A. to the consolidated financial statements.

Members of the Group's management bodies are not entitled to any long-term benefits apart from pension benefits, or any other forms of share-based payments or any compensation for appointment or loss of office.

## NOTE 28 AVERAGE WORKFORCE

| *(number of employees)* | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Managers | 304.0 | 277.0 |
| Other | 55.0 | 47.0 |
| **TOTAL** | **359.0** | **324.0** |

## NOTE 29 INDIVIDUAL ENTITLEMENT TO TRAINING

At 31 December 2014, training credits totalling 44,087 hours were available.

No accrual was booked in this respect at 31 December 2014, in line with opinion No. 2004-F issued on 13 October 2004 by the Conseil National de la Comptabilité urgent issues task force.

## NOTE 30 SUBSEQUENT EVENTS

A capital increase reserved for employees, to involve them in the Group's turnaround, was conducted as of 29 January 2015 and 3,499,973 New Shares were subscribed.

Approximately 1.2 million treasury shares were allocated following this capital increase.

# NOTE 31 SUBSIDIARIES AND EQUITY INVESTMENTS AT 31 DECEMBER 2014

*(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 | | Amount of deposits and endorsements given by the Company | Revenues excluding sales taxes of the past financial year | Profit (loss) for the last reporting period | Dividends received by the Company during the period | Observations |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Gross | Net | | | | | |
| **I – Detailed information regarding securities with a gross value exceeds 1% of share capital:** | | | | | | | | | | |
| **A – Subsidiaries (at least 50% owned)** | | | | | | | | | | |
| Peugeot Citroën Automobiles S.A. route de Gisy, 78 Vélizy | 300,177 | (3,823,206) | 100.00 | 8,506,955 | 5,478,953 | 1,020,469 | 49,152,362 | (80,663) | - | |
| Faurecia 2, rue Hennape, 92 Nanterre | 867,476 | 1,696,620 | 51.14 | 1,587,222 | 1,587,222 | - | 213,601 | 92,537 | 19,014 | |
| Grande Armée participations 75, avenue de la Grande-Armée, Paris 16e | 60,435 | 6,035 | 100.00 | 408,923 | 65,892 | - | 0 | -63 | 85,731 | |
| Banque PSA Finance 75, avenue de la Grande-Armée, Paris 16e | 177,408 | 1,884,296 | 74.93 | 380,084 | 380,084 | | 3,444,214 | 317,789 | 166,991 | |
| Automobiles Citroën 12, rue Fructidor, Paris 17e | 159,000 | 174,531 | 100.00 | 625,654 | 625,654 | 23,304 | 6,797,659 | 424,815 | - | |
| Automobiles Peugeot 75, avenue de la Grande-Armée, Paris 16e | 172,712 | (117,456) | 100.00 | 480,545 | 480,545 | 23,304 | 10,747,220 | (94,142) | - | |
| Process Conception Ingénierie 9, ave du Maréchal Juin, 92 Meudon la Forêt | 22,954 | 23,652 | 84.54 | 170,304 | 40,270 | - | 96,106 | 5,562 | 3,631 | |
| Peugeot Motocycles rue du 17 Novembre – 25 Mandeure | 7,142 | 10,331 | 100.00 | 448,155 | 13,137 | - | 95,615 | (32,702) | - | |
| GEFCO 77 à 81, rue des Lilas d'Espagne, 92 Courbevoie (Hauts-de-Seine) | 8,000 | 225,750 | 24.96 | 8,094 | 8,094 | - | 2,317,021 | 38,699 | - | |
| PSA International S.A. 62, quai Gustave Ador, 1207 Genève (Suisse) | CHF 5,979 | 231,132 | - | - | - | - | 43,464 | 30,827 | | EUR 1 = CHF 1.2024 |
| | EUR 4,973 | 192,226 | 99.93 | 6,844 | 6,844 | - | 36,148 | 25,638 | 19,216 | |
| Société Anonyme de Réassurance Luxembourgeoise 6 B route de Trêves L2633 Senningerberg – Luxembourg | 10,500 | 22 | 100.00 | 11,267 | 11,267 | - | 28,298 | - | - | |
| **B – Affiliates (10 to 50% owned)** | | | | | | | | | | |
| PSA Assurances SAS | 25,740 | 7,815 | 10.00 | 2,574 | 2,574 | | 252 | 2,978 | 4,424 | |
| **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) | - | - | - | 10 | 10 | - | | | 537 | |
| **B – Affiliates not listed in I:** | | | | | | | | | | |
| a) French companies (total) | - | - | - | - | - | - | - | - | - | |
| b) Foreign companies (total) | - | - | - | 250 | 250 | - | - | - | - | |

# 6.5 CORPORATE FINANCIAL RESULTS OVER THE PAST FIVE YEARS

| *(in euros)* | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **I – Financial position at 31 December** | | | | | |
| a – Share capital [1] | 783,088,675 | 354,848,992 | 354,848,992 | 234,049,344 | 234,049,225 |
| b – Shares outstanding | 783,088,675 | 354,848,992 | 354,848,992 | 234,049,344 | 234,049,225 |
| **II – Results of operations** | | | | | |
| a – Net revenues | 730,869,845 | 796,836,770 | 1,555,591,599 | 816,142,657 | 618,615,747 |
| b – Income before tax, employee profit-sharing, depreciation, amortisation and provisions. | 109,199,914 | 293,062,589 | 1,884,037,150 | 663,823,877 | 199,298,390 |
| c – Employee profit-sharing (charge for the year). | - | - | - | - | - |
| d – Income tax [2] | 159,993,931 | 98,941,511 | 1,284,142,729 | 45,029,722 | 180,892,567 |
| e – Income after tax, employee profit-sharing, depreciation, amortisation and provisions | 300,166,206 | 453,603,708 | 61,213,741 | 444,119,935 | 647,883,601 |
| **f – Dividends [4]** | | | | | **249,547,952** |
| **III – Per share data** | | | | | |
| a – Income after tax and employee profit-sharing, before depreciation, amortisation and provisions | 0.34 | 1.10 | 8.93 | 3.03 | 1.62 |
| b – Income after tax, employee profit-sharing, depreciation, amortisation and provisions. | 0.38 | 1.28 | 0.17 | 1.90 | 2.77 |
| c – Dividend per share: | | | | | |
| › Dividend paid | - | - | - | - | 1.07 |
| › Income taxes already paid to Treasury (tax credit) | - | - | - | - | - |
| **Total revenue** | - | - | - | - | - |
| **IV – Employees** | | | | | |
| a – Average number of employees | 359 | 324 | 341 | 344 | 336 |
| b – Total payroll | 38,646,265 | 32,337,988 | 33,613,058 | 40,951,996 | 33,214,427 |
| c – Total benefits (social security, other social benefits, etc.). | 16,192,375 | 14,424,534 | 11,183,125 | 17,307,884 | 16,148,312 |

*(1) 2014: Changes in equity are the result of the 2014 capital increase and OCEANE bonds converted to shares between 2009 and 2014.*
*(2) Since 1 January 1990, in compliance with Article 223-A et seq. of the French 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 31 December 2014, 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 31 December 2014 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 and holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, 20 February 2015

The statutory auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Marc Stoessel |

# 6.7. STATUTORY AUDITORS' SPECIAL 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 and conditions 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.

### 1.1. AGREEMENT BETWEEN ENTITIES WITH COMMON DIRECTORS OR SHAREHOLDER WITH MORE THAN 10% OF YOUR COMPANY

#### 1.1.1. 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 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, were subjected to the approval procedure of related party agreement as the Peugeot family group is involved. Indeed, the Peugeot family group holds more than 10% of the voting rights of the Company and some directors are common between the Company and the companies Etablissements Peugeot Frères ("EPF") and FFP.

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 18 February 2014, with Dongfeng, the French State, companies 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;
- "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 were signed by Peugeot S.A. April 28, 2014:

- "Subscription Agreement" signed with EPF and FFP, whereby EPF and FFP are committed, in the context of the capital increase with preferential subscription rights, to subscribe for new shares so that the number of their combined shares in the capital of Peugeot S.A. are equal to the number of shares of Dongfeng and that of the French State at the end of the operation (approximately 14%). The number of shares subscribed in this commitment appears as follows:
  - EPF: 3,986,287 new shares at a price of € 6.77 for a total subscription amount of €26,987,162.99
  - FFP: 16,950,472 new shares at a price of € 6.77 for a total subscription amount of €114,754,695.44
- "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.

*Shareholders with more than 10% concerned: Etablissements Peugeot Frères and FFP.*

*Directors concerned at the time of approval of the convention: Mrs Marie-Hélène Roncoroni and Mr Thierry Peugeot, Jean-Philippe Peugeot and Robert Peugeot.*

*Directors concerned at the date of this report: Mrs Marie-Hélène Roncoroni and Mr Robert Peugeot.*

#### 1.1.2. 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 in 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.

*Directors concerned at the time of approval of the convention: Mr Bezard.*

*Directors concerned at the date of this report: Mr Bezard.*

## 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.

### 2.1. AGREEMENT BETWEEN PEUGEOT S.A. AND BOARD OF DIRECTORS.

#### 2.1.1. PENSION COMMITMENTS MADE IN FAVOR OF BOARD OF DIRECTORS' MEMBERS

The Supervisory Board approved on January 19, 2014 the commitments of the new supplementary defined benefit pension plan for Board of Directors' members from January 1, 2014. This plan entirely substitutes the regulations previously applied.

Under the new terms of this supplementary defined benefit pension plan, Board of Directors' members may pretend to a supplementary pension reaching 1% of their reference salary for each year working within the Group. This percentage will be increased to 3.5% for each year participating into the pension plan (except for the years when certain performance conditions are not met in respect of which this percentage would be reduced to 2.5%). In any case, the pension supplement generated by the plan cannot exceed 30% of the reference salary, defined as the average of the fixed remuneration of the last three years of activity, increased by a percentage equal to the average ratio of variable / fixed salary earnings in the last eight years of service.

Two cumulative conditions are requested to pretend to this pension plan: to hold for at least eight years an executive director position under the terms of plan (or during the last five years immediately before retire), and to leave the Group claiming the rights to retire.

This agreement was approved by the General Assembly on April 25, 2014 and was mentioned in the Statutory Auditors' Special Report on Related Party Agreements and Commitments dated March 27, 2014.

*Directors concerned at the time of approval of the Convention: Mr. Varin, Tavares, Olivier, Quemard and Chasseloup de Chatillon.*

*Directors concerned at the date of this report: Mr. Tavares, Chasseloup de Chatillon, Olivier and Quemard.*

## 2.2. AGREEMENT BETWEEN ENTITIES WITH COMMON DIRECTORS

### 2.2.1. SURETY AND GUARANTEE GRANTED TO THE EUROPEAN INVESTMENT BANK ("EIB") IN CONNECTION WITH LOANS GRANTED TO PEUGEOT CITROËN AUTOMOBILES SA ("PCA")

- On February 12, 2013, the Supervisory Board authorized a surety agreement with the EIB in connection with €250 million, €200 million and €125 million loans granted to PCA respectively in 2007, 2010 and 2011.

  Under this agreement, your company has set up a collateral account in favor of the EIB, up to an initial amount equal to €132 million (€49 million at December 31, 2014), to guarantee the reimbursement by PCA of the loans to the bank.

  No fee was invoiced by Peugeot S.A. in respect of this agreement in 2014.

*Common directors at the signing date of the agreement: Mr Varin, Faury and Chasseloup de Chatillon.*

*Common director at the date of this report: Mr Tavares*

- On July 30, 2013 and October 22, 2013, the Supervisory Board authorized a surety agreement and an agreement to pledge securities with the EIB in connection with the €300 million loan granted by the EIB to PCA.

  Under these agreements, Peugeot S.A. granted a joint and several guarantee to the EIB on behalf of its subsidiary PCA, covering all amounts including principal, interest and any ancillary sums due by PCA under the EIB loan. It also undertook to pledge securities to the EIB as guarantee for PCA's payment and repayment obligations, covering 20% of 110% of the amount outstanding under the loan.

  In 2014, the fee invoiced by Peugeot S.A. in respect of this agreement amounts to €357,200.

*Common directors at the signing date of the agreement: Mr Varin, Faury and Chasseloup de Chatillon.*

*Common director at the date of this report: Mr Tavares.*

- On July 27, 2010, the Supervisory Board of Peugeot S.A. authorized a surety agreement with the EIB in connection with its €200 million loan granted to PCA for a maximum term of seven years. This loan was partially reimbursed of €40 million on 2013 and €40 million on 2014.

  Under this agreement, Peugeot S.A. granted a joint and several guarantee to the EIB on behalf of its subsidiary PCA, covering all amounts including principal, interest and any ancillary sums due by PCA under the EIB loan.

  In 2014, the fee invoiced by Peugeot S.A. in respect of this agreement amounts to €170,000.

*Common directors at the signing date of the agreement: Mr Varin, Faury and Saint-Geours.*

*Common director at the date of this report: Mr Tavares.*

- On July 25, 2011, the Supervisory Board of Peugeot S.A. authorized a surety agreement to pledge securities with the EIB in connection with the €125 million loan granted by the EIB to PCA. This loan has been partially reimbursed of €25 million on 2013 and €25 million on 2014.

  Under this agreement, Peugeot S.A. granted a joint and several guarantee to the EIB on behalf of its subsidiary PCA, covering all amounts including principal, interest and any ancillary sums due by PCA under the EIB loan.

  In 2014, the fee invoiced by Peugeot S.A. in respect of this agreement amounts to €118,250.

*Common directors at the signing date of the agreement: Mr Varin, Faury and Saint-Geours.*

*Common director at the date of this report: Mr Tavares.*

### 2.2.2. CASH COLLATERAL TO SECURE THE PAYMENT OBLIGATIONS OF AUTOMOBILE PEUGEOT ("AP"), AUTOMOBILE CITROËN ("AC") ET PEUGEOT CITROËN AUTOMOBILES ("PCA")

On December 18, 2012, the Supervisory Board 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.

The cash collateral amounted to €30 million as at December 31, 2014, after a payment of €2.6 million at June 30, 2014 and a refund of €20.3 million at December 30, 2014.

Peugeot S.A. invoices a 0.12% fee of the amount of the cash collateral equally shared between AP, AC and PCA. In 2014, Peugeot S.A. invoiced €16,755 to each of the three entities (AP, AC and PCA).

*Common directors at the signing date of the agreement: Mr Varin, Faury, Chasseloup de Chatillon and Saint-Geours.*

*Common directors at the signing date of this report: Mr Tavares and Chasseloup de Chatillon.*

### 2.2.3. SHARE OF GROUP GENERAL AND ADMINISTRATIVE EXPENSES

In 2014, a total amount of €93,094,607 was received by Peugeot S.A. in respect of subsidiaries' share of Group general and administrative expenses.

*Common directors in 2014:*

- For PCA: Mr Varin and Tavares.
- For AP and AC: Mr Chasseloup de Chatillon.
- For Banque PSA Finance ("BPF"): Mr Varin, Tavares and Chasseloup de Chatillon.

*Common directors at the date of this report:*

- For PCA: Mr Tavares.
- For AP and AC: Mr Chasseloup de Chatillon.
- For BPF: Mr Tavares and Chasseloup de Chatillon.

Courbevoie and Paris-La Défense, March 10, 2014

The statutory auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jérôme de Pastors | Jean-Louis Simon | Christian Mouillon | Marc Stoessel |

# 7 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 Peugeot Citroën 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 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.psa-peugeot-citroen.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 loans, 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 (4) 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 the 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 Annual 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 Bylaws)***

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 Annual 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.

A single mail or proxy voting form will be sent to all holders of registered shares before the meeting. Holders of bearer shares wishing to vote by mail or by proxy may obtain the necessary forms from their bank or broker.

The formalities for attending the Shareholders Meeting to be held on 29 April 2015 are set out in the Notice of meeting published at least 35 days before the date of 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.

It is specified that electronic voting has not been implemented to date.

### 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 Annual Shareholders' Meeting. Apart from exceptions resulting from the law, the Shareholders' Meeting makes the final decision as to its appropriation.

# 7.2. INFORMATION ABOUT SHARE CAPITAL

## 7.2.1. SHARE CAPITAL AND VOTING RIGHTS

The issued capital amounted to €783,088,675 at 31 December 2014. It was divided into 783,088,675 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)* | 2014 | 2013 | 2012 |
|---|---|---|---|
| Share capital at beginning of period | 354,848,992 | 354,848,992 | 234,049,344 |
| Rights issue | 428,239,683 | - | 120,799,648 |
| **SHARE CAPITAL AT END OF PERIOD** | **783,088,675** | **354,848,992** | **354,848,992** |

Two capital increases in a total amount of €3 billion were approved by the Extraordinary Shareholders' Meeting of 25 April 2014:

- on 29 April 2014, the Company conducted a reserved capital increase in the amount of €1,048 million, subscribed in equal parts by Dongfeng Motor Group (DFG) *via* Dongfeng Motor (Hong Kong) International Co., Limited ("DMHK") and the French State through SOGEPA at a price of €7.50 per share, resulting in the issuance of 139,733,332 new shares. The share premium recognised in this regard amounted to €908 million;
- on 23 May 2014, the Company conducted a capital increase with preferential subscription rights in the amount of €1,953 million at a price of €6.77 per share, open to all shareholders of Peugeot S.A. and giving rise to the issuance of 288,506,351 new shares. The share premium recognised in this regard amounted to €1,665 million. On this occasion, the Group sold the subscription rights attached to treasury shares for €24 million.

Since the close of the period, on 29 January 2015, the Company conducted a capital increase for the employees, without pre-emptive subscription rights, in the amount of €28,104,783.19 at €8.03 per share, resulting in the issuance of 3,499,973 new shares.

The share capital as of this Registration Document stands at €786,588,648.

## 7.2.3. SHARES NOT REPRESENTING CAPITAL

Not applicable.

## 7.2.4. CHANGES IN THE SHARE CAPITAL

None.

## 7.2.5. STOCK OPTIONS PLANS & PERFORMANCE SHARES

No stock options were granted since 2009.

For a description of these stock option plans, the number of options outstanding and the average weighted value of the options and underlying shares, please refer to Note 7.2 to the 2014 consolidated financial statements in section 5.6 above.

A total of 1,945,077 options were outstanding at 31 December 2014.

No performance shares were awarded during the financial year ended 31 December 2014. In accordance with the authorisation given by the Extraordinary Shareholders' Meeting of 24 April 2013, performance shares were awarded in February 2015. The formalities are set out in section 3.4, p. 138.

## 7.2.6. POTENTIAL SHARE CAPITAL

Potential share capital consists of convertible bonds or bonds exchangeable for shares (OCEANE) and of equity warrants (BSA):

### BONDS CONVERTIBLE INTO OR EXCHANGEABLE FOR SHARES (OCEANE)

Shares may be issued from time to time when holders of Peugeot S.A. OCEANE bonds issued in 2009 present their bonds for conversion (see Notes 12.6 B and 15.1 A to the 2014 consolidated financial statements).

No capital increase as a result of OCEANE conversions was recognised in 2014 (the conversion of OCEANE bonds into shares was accomplished in 2014 by tendering treasury shares).

Following the capital increase with preferential subscription rights for shareholders undertaken by Peugeot S.A. on 23 May 2014, bearers of Peugeot OCEANE bonds of 2016 were informed that the new conversion rate as of 26 May 2014 would rise from 1.35 shares to 1.57 shares per OCEANE bond (announcement of 23 May 2014).

### EQUITY WARRANTS (BSA)

On 29 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 with a subscription ratio of ten warrants for three new Peugeot S.A. shares at a strike price of €7.50 per share. The warrants mature after three years, and may be exercised from the second year, with a strike price equal to the subscription price of the reserved capital increase in favour of DFG and the French State. This allocation did not have an immediate effect on the Group's equity. On the basis of the new 3.5 exercise ratio pursuant to the rights issues that ocurred during the first half of 2014, the maximum amount of the capital increase liable to arise from this issue is €770 million for 119,721,128 new shares.

For more information, refer to Note 15.1 B accompanying the 2014 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 CURRENTLY IN EFFECT AT 31 DECEMBER 2014 AND USE MADE OF THEM IN FINANCIAL YEAR 2014

| | Authorisation | Validity | Granted | Expires | Used in 2014 |
|---|---|---|---|---|---|
| **1 – Annual Shareholders Meeting** | | | | | |
| Trading in own shares *(15th resolution of the 2014 AGM)* | › Acquisition of up to 22,696,272 shares bid in relation to the Company's share is in progress<br>› Maximum purchase price: €20 | 18 months | 25 April 2014 | 25 October 2015 | none |
| **2 – Extraordinary Shareholders Meeting** | | | | | |
| Reduction of share capital by cancelling shares bought back by the Company, not to exceed 10% of the share capital *(16th resolution of the 2013 AGM)* | › Up to 10% of the Company's share capital in any 24-month period | 24 months | 24 April 2013 | 24 April 2015 | none |
| Awards as performance shares of existing or unissued shares in the Company *(17th resolution of the 2013 AGM)* | › Up to 10% of the Company's share capital in any 24-month period | 26 months | 24 April 2013 | 24 June 2015 | none |
| Issuance without preferential subscription rights of securities directly or indirectly convertible into shares, by a public offering or private placement *(19th and 20th resolution of the 2013 AGM)* | › Aggregate nominal total amount of capital increase not to exceed €70,969,799<br>› Aggregate nominal total amount of debt securities to be issued not to exceed €600 million | 26 months | 24 April 2013 | 24 June 2015 | none |
| Increase in the number of securities offered with or without PSR for issues that are oversubscribed *(21st resolution of the 2013 AGM)* | › Authorisation to increase the number of securities offered under any issues decided pursuant to the 19th and 20th resolutions approved at the Annual Shareholders Meeting of 24 April 2013, provided that the ceilings specified in the resolutions and 15% of the initial issue are not exceeded | 26 months | 24 April 2013 | 24 June 2015 | none |
| Issuance of securities providing access to debt securities, which do not result in capital increase *(22nd Resolution of the 2013 AGM)* | › Aggregate nominal amount of securities entitling the owner to be granted the allotment of debt securities not to exceed €1 billion | 26 months | 24 April 2013 | 24 June 2015 | none |
| Issuance and award of a equity warrants to shareholders in the Company *(16th resolution of the 2014 AGM)* | › Aggregate nominal total amount of capital increase not to exceed €106.454.698 | 9 months | 25 April 2014 | 25 January 2015 | yes |
| Issuance without PSR to DongFeng Motor (Hong-Kong) International Co., Limited of common shares in the Company *(17th resolution of the 2014 AGM)* | › Aggregate nominal total amount of capital increase not to exceed €69,866,666 | 9 months | 25 April 2014 | 25 January 2015 | yes |
| Issuance without PSR to SOGEPA of common shares in the Company *(18th resolution of the 2014 AGM)* | › Aggregate nominal total amount of capital increase not to exceed €69,866,666 | 9 months | 25 April 2014 | 25 January 2015 | yes |
| Issuance with PSR of common shares in the Company *(19th resolution of the 2014 AGM)* | › Aggregate nominal total amount of capital increase not to exceed €2 billion | 9 months | 25 April 2014 | 25 January 2015 | yes |
| Authorisation to carry out an employee share issue without PSR *(21st resolution of the 2014 AGM)* | › Aggregate nominal amount of capital increase not to exceed €3.5 million | 26 months | 24 April 2013 | 24 June 2015 | yes |

*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 Annual Shareholders Meeting of 29 April 2015.

### NUMBER OF TREASURY SHARES AND ALLOCATIONS AS AT 31 DECEMBER 2014

At 31 December 2014 Peugeot S.A. held 12,788,339 treasury shares, representing 1.63% of share capital.

At 31 December 2014, these shares were allocated for the following purposes:

- 8,636,181 for allocation on conversion of OCEANE bonds dated 23 June 2009;
- 2,952,261 to cover outstanding stock option plans;
- 1,200,000 allocated to top up the capital increase reserved for employees;
- 9,197 excess shares to be allocated.

For more details, please refer to Note 15.1 C to the 2014 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 plans;
- 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 a 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 67,070,516 shares with a maximum purchase price of €20 per share and is given for an 18-month period, or until 29 October 2016. No shares were bought back in 2014.

Pursuant to the agreement signed with the French State in connection with the support extended to Banque PSA Finance in the form of guarantees on certain issues of debt securities, the execution, if any, of this buyback authorisation would be subject to the prior approval of the State in the event that Banque PSA Finance failed to meet certain solvency and liquidity ratios.

The draft of the 9th Resolution that will be proposed to the Annual Shareholders Meeting of 29 April 2015 appears in section 8 of this Registration Document, 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 there might be must be made available under the AMF regulated information heading of the www.psa-peugeot-citroen.com website.

# 7.3. OWNERSHIP STRUCTURE

## 7.3.1. DISTRIBUTION OF THE CAPITAL AND VOTING RIGHTS AT 31 DECEMBER 2014

| | 31 December 2014 | | | | 31 December 2013 | | | | 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **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 group (EPF/FFP) [2] | 110,622,220 | 14.13 | 22.96 [3] | 22.62 [3] | 89,685,461 | 25.27 | 37.89 | 36.77 | 89,685,461 | 25.27 | 37.91 | 36.78 |
| Dongfeng Motor (Hong Kong) International Co., Limited (DMHK) | 110,622,220 | 14.13 | 12.68 | 12.49 | - | - | - | - | - | - | - | - |
| French State (SOGEPA) | 110,622,220 | 14.13 | 12.68 | 12.49 | - | - | - | - | - | - | - | - |
| Other individual shareholders [4] | 67,529,442 | 8.62 | 8.00 | 7.88 | 48,453,904 | 13.65 | 11.71 | 11.36 | 60,246,342 | 16.98 | 14.75 | 14.31 |
| Employees [5] | 15,494,610 | 1.98 | 2.91 | 2.87 | 12,664,902 | 3.57 | 4.50 | 4.37 | 11,452,869 | 3.23 | 3.98 | 3.86 |
| Other French institutions | 95,019,246 | 12.13 | 10.89 | 10.73 | 46,048,734 | 12.98 | 11.04 | 10.71 | 52,236,259 | 14.72 | 12.52 | 12.15 |
| Other foreign institutions | 260,390,378 | 33.25 | 29.89 | 29.46 | 145,207,364 | 40.93 | 34.86 | 33.82 | 103,600,004 | 29.20 | 24.88 | 24.14 |
| GM Automotive Holdings SL | - | - | - | - | | - | - | - | 24,839,429 | 7.00 | 5.96 | 5.78 |
| Treasury shares | 12,788,339 | 1.63 | - | 1.44 | 12,788,627 | 3.60 | - | 2.97 | 12,788,628 | 3.60 | - | 2.98 |
| **TOTAL** | **783,088,675** | **100** | **100** | **100** | **354,848,992** | **100** | **100** | **100** | **354,848,992** | **100** | **100** | **100** |

*(1) Source Euroclear TPI 31 December 2014 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 Établissements Peugeot Frères.*

*(3) This table does not reflect the agreement by the declarors to neutralise the impact of their double voting rights 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).*

*(5) This table does not reflect the capital increase reserved for employees undertaken in January 2015. 3,499,973 shares were issued and the Company's share capital is now 786,588,648 shares*

Through the capital increases conducted in April and May 2014, DMHK and SOGEPA each invested approximately €800 million in Peugeot S.A. and became major shareholders alongside FFP and Établissements Peugeot Frères (EPF), which also subscribed for an amount of €142 million under the transaction.

Following these transactions, DMHK, SOGEPA and FFP/EPF each hold a 14.1% stake in the share capital of Peugeot S.A.

To the best of the Company's knowledge, no shareholder other than the ones listed in the table below directly or indirectly own more than 5% of the Company's issued capital or voting rights.

In many host countries, PSA Peugeot Citroën offers a variety of savings schemes. Employee share ownership was 1.98% at 31 December 2014, representing over 37,000 current and former employees of the Group (this percentage fell following the capital increases made in 2014).

In 2014 the Group (excluding Faurecia) set up the "Accelerate" scheme, the first capital increase reserved for employees, which was put into effect on 29 January 2015. For further information please refer to Paragraph 2.4.3.5.

Since 2013 the Supervisory Board includes a representative of employee shareholders. For more information please refer to section 3.2, page 133).

STATUTORY DISCLOSURE THRESHOLDS IN 2014

| Shareholders | Date of declaration | AMF declaration No. | Disclosure threshold |
|---|---|---|---|
| **FFP, EPF and Maillot I (concert)** | 28 May 2014 | 214C0951 | Decrease below the 25% threshold of voting rights and the 15% threshold of share capital in concert.<br>Decrease below the 20% threshold of voting rights.<br>89,685,461 equity warrants held in concert. |
| **Dongfeng Motor (Hong Kong) International Co.** | 30 April 2014 | 214C0698 | Increase over the 5% threshold of share capital and 10% threshold of voting rights.<br>Declaration of intent |
| **SOGEPA** | 30 April 2014 | 214C0683 | Increase over the 5% threshold of share capital and 10% threshold of voting rights.<br>Declaration of intent |
| **FFP, EPF and Maillot I (concert)** | 2 May 2014 | 214C0703 | Decrease below the 1/3 and 30% threshold of voting rights and the 25% and 20% threshold of share capital in concert in concert.<br>89,685,461 equity warrants held in concert |

## 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.

The Extraordinary Shareholders Meeting of 25 April 2014 lowered the holding period from four to two years for all shareholders, so as to align the Company's by-laws with the common law regime emanating from the Law of 24 February 2014.

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 ideas:

- 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 transactions increasing the capital, including securities from the exercise of BSA by EPF/FFP (with the understanding that the number of Company securities held by EPF/FFP for this commitment to a maximum limit does not include the equity warrants allocated to them by PSA Peugeot Citroën). 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 free allocation 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 investment 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 Peugeot-Citroën.

For further information, please refer to section 4.4., page 159.

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 Comapny, have made joint lock-up agreements as part of the "Dutreil" measures. On 11 June 2012 and 19 December 2012 they signed lock-up agreements with regard to the Peugeot S.A. shares held by them and other, related family shareholders. These lock-up agreements hold for two years and were entered into pursuant to Article 787 B and 885 I (ii) 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 de Chatillon and Grégoire Olivier) in the collective lock-up agreements. For developments as to the absence of conflicts of interest, please refer to section 3.1, page 122. These lock-up agreements do not confer any priority selling rights on the parties. Detailed information about the lock-up agreements currently in effect is given on the following page of the Group's website: http://www.psa-peugeot-citroen, 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 instituted to ensure that the shareholders that have proposed the appointment of members on the Managing Board do not abuse their powers when decisions are taken: the presence of independent members on the Board and its committees, the presence of one senior independent ("reference") member and procedures for handling conflicts of interest (see developments in section 3.2 of this Registration Document).

## 7.4. CORPORATE FINANCIAL INSTRUMENT MARKETS

### MARKETS IN WHICH THE PEUGEOT S.A. SHARE IS LISTED

The Peugeot S.A. share is listed on the NYSE Euronext Paris stock exchange, compartment A, where it is eligible for the deferred settlement system.

PEUGEOT S.A. SHARE DATA SHEET

| *ISIN* | **FR0000121501** |
|---|---|
| Markets | Eurolist continuous trading – NYSE Euronext Paris, Compartment A. Ticker UGFP (Bloomberg).<br>Other markets:<br>› Europe: SEAQ International – London. |
| Listed in the major indexes | CAC 40*, SBF 120, 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 2014 | 783,088,675 |
| Price at 31 December 2014 | €10.22 |
| Market capitalisation at 31 December 2014 | €8.003 billion |

* *Following the quarterly review of the Euronext Paris indices on 5 March 2015, the Index Scientific Committee decided to admit Peugeot S.A. in the basket of shares making up the CAC 40. The date of effect is Friday 20 March 2015 after market closing*

### DETAILED STOCK MARKET INFORMATION

*(Source: NYSE Euronext)*

PRICE

| | 2014 | | | 2013 | | | |
|---|---|---|---|---|---|---|---|
| *(in euros)* | **High** | **Low** | **31/12/2014** | **High** | **Low** | **31/12/2013** | **% change on 2014/2013 closing price** |
| Share | 11.750 | 6.904 | 10.220 | 9.546 | 3.773 | 6.888 | +48.4% |
| CAC 40 index | 4,598.65 | 3,789.11 | 4,272.75 | 4,356.28 | 3,575.17 | 4,295.95 | -0.5% |

## TRANSACTIONS

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Total | Daily average | Total | Daily average |
| Number of shares | 1,247,859,439 | 4,893,566 | 1,691,415,630 | 6,633,002 |
| Value *(in million of euros)* | 12,118.98 | 47.53 | 10,085.54 | 39.55 |

## MARKET FOR THE PEUGEOT S.A. SHARE ON THE PARIS STOCK EXCHANGE (DEFERRED SETTLEMENT SERVICE)

| | Share price *(in euros)* | | | Trading volumes | | |
|---|---|---|---|---|---|---|
| | Low | High | Closing | By number of shares per month | Value per month *(in million of euros)* | Daily average *(in million of euros)* |
| **2013** | | | | | | |
| January | 3.974 | 4.983 | 4.192 | 166,922,161 | 754.21 | 34.28 |
| February | 4.027 | 4.777 | 4.232 | 132,832,858 | 582.35 | 29.12 |
| March | 3.986 | 5.014 | 4.124 | 134,126,013 | 604.97 | 30.25 |
| April | 3.773 | 4.610 | 4.438 | 126,422,266 | 530.12 | 25.24 |
| May | 4.233 | 5.605 | 4.983 | 184,576,686 | 923.18 | 41.96 |
| June | 4.124 | 5.104 | 4.616 | 107,350,872 | 504.22 | 25.21 |
| July | 4.213 | 7.258 | 7.007 | 203,311,325 | 1,172.70 | 50.99 |
| August | 6.758 | 8.612 | 7.846 | 124,112,811 | 962.28 | 43.74 |
| September | 7.576 | 9.546 | 8.868 | 106,351,709 | 931.68 | 44.37 |
| October | 6.673 | 9.251 | 7.084 | 171,497,075 | 1,342.14 | 58.35 |
| November | 7.072 | 8.645 | 8.532 | 107,745,348 | 824.89 | 39.28 |
| December | 6.459 | 8.966 | 6.888 | 126,166,508 | 952.79 | 47.64 |
| **2014** | | | | | | |
| January | 6.904 | 8.612 | 8.317 | 131,903,017 | 1,037.84 | 47.17 |
| February | 7.952 | 9.955 | 9.379 | 110,824,446 | 998.92 | 49.95 |
| March | 9.017 | 10.207 | 9.995 | 80,452,566 | 773.38 | 36.83 |
| April | 9.032 | 10.877 | 10.550 | 99,275,055 | 992.03 | 49.60 |
| May | 9.075 | 10.750 | 10.380 | 173,882,627 | 1,695.93 | 84.80 |
| June | 9.868 | 11.390 | 10.795 | 86,760,290 | 915.15 | 43.58 |
| July | 10.435 | 11.750 | 11.210 | 101,737,689 | 1,129.69 | 49.12 |
| August | 9.577 | 11.160 | 10.690 | 75,801,631 | 794.82 | 37.85 |
| September | 9.876 | 11.260 | 10.155 | 78,629,733 | 828.48 | 37.66 |
| October | 8.210 | 10.515 | 9.458 | 153,788,814 | 1,439.33 | 62.58 |
| November | 8.729 | 10.325 | 10.300 | 84,285,977 | 793.48 | 39.67 |
| December | 9.350 | 10.990 | 10.220 | 70,517,594 | 719.93 | 34.28 |
| **2015** | | | | | | |
| January | 9.637 | 13.200 | 12.855 | 108,166,722 | 1,234.40 | 58.78 |
| February | 12.495 | 15.015 | 14.965 | 105,536,741 | 1,461.02 | 73.05 |

*Source: NYSE Euronext Paris – February 2015*

## COUPONS ELIGIBLE FOR PAYMENT

DIVIDENDS

| | | 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 |
|---|---|---|---|---|---|---|---|---|---|
| Equities | 2010 | 234,049,225 | € 1 | 49 | 7 June 2011 | 7 June 2016 | €1.10 | * | * |
| | 2011 | 234,049,344 | € 1 | - | n/a | n/a | - | n/a | n/a |
| | 2012 | 354,848,992 | € 1 | - | n/a | n/a | - | n/a | n/a |
| | 2013 | 354,848,992 | € 1 | - | n/a | n/a | - | n/a | n/a |
| | 2014 | 783,088,675 | € 1 | - | n/a | n/a | - | n/a | n/a |

* *Beginning with dividends received in 2005, the tax credit has been replaced, under certain conditions, with tax relief.*

## DIVIDEND POLICY

The PSA Peugeot Citroën Group pays a dividend, with the Supervisory Board's approval, when this is reasonable considering the Group's performance and the objective of securing an improvement in its underlying profitability.

As the rebuilding of the Group's financial fundamentals has not been completed, the Supervisory Board approved the Managing Board's proposal not to pay a dividend for the financial year 2014. The non-payment of dividend will be proposed to the Shareholders' Meeting of 29 April 2015.

Pursuant to the agreement signed with the French State in connection with the support extended to Banque PSA Finance in the form of guarantees on certain issues of debt securities, the distribution, if any, of a dividend would be subject to the prior approval of the State in the event that Banque PSA Finance failed to meet certain solvency and liquidity ratios.

OTHER RIGHTS

| | Number of shares | Par value | Coupon number | Ex-dividend date | Type of transaction |
|---|---|---|---|---|---|
| Share | 18,479,370 | FRF 70 | 26 | 15 July 1987 | Right to allocation of bonus shares (1 share for 5 existing shares) |

# 8

# COMBINED GENERAL MEETING OF 29 APRIL 2015

# 8.1. REPORT OF THE MANAGING BOARD ON THE RESOLUTIONS SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING ON 29 APRIL 2015

Ladies and Gentlemen, Fellow Shareholders,

We invite you to attend this Ordinary and Extraordinary Annual 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 2014 Registration Document filed with the AMF and made available to shareholders in accordance with legal and regulatory requirements, notably on the Group's website (www.psa-peugeot-citroen.com). To find specific information, please refer to the cross-reference tables included in the 2014 Registration Document, which indicate the sections of the Registration Document that correspond to the information to be provided in the Annual Financial Report and the Management Report.

## ORDINARY RESOLUTIONS

### I. APPROVAL OF THE 2014 FINANCIAL STATEMENTS AND APPROPRIATION OF PROFIT

(**First, second and third resolutions**)

Shareholders will be invited to approve the financial statements of the Group's parent company, Peugeot S.A. ("**the Company**") (**first resolution**) and the consolidated financial statements of PSA Peugeot Citroën ("**the Group**") (**second resolution**) for the year ended 31 December 2014, as presented.

The parent company financial statements for 2014 show a net profit of €300,166,206.28 compared with a net profit of €453,603,708.26 for the previous year.

The consolidated financial statements show an attributable loss for the year of €706 million, versus a loss of €2,317 million for 2013.

Detailed information about the 2014 financial statements and the Group's business performance during the year is provided in the 2014 Registration Document filed with the AMF by Peugeot S.A. and made available to shareholders in accordance with legal and regulatory requirements, notably on the Group's website (www.psa-peugeot-citroen.com).

The **third resolution** concerns the appropriation of the Company's net profit for the year of €300,166,206.28.

In view of (i) the Group's 2014 results, (ii) the requirement to increase the legal reserve to the level provided for in Article L. 232-10 of the French Commercial Code (*Code de Commerce*) following the capital increases carried out in 2012 and 2014, and (iii) the Company's policy of allocating financial resources primarily to supporting business development, the Managing Board recommends that €42,823,968.30 be appropriated to the legal reserve and that the remaining profit be appropriated to "Retained earnings", bringing the balance of the retained earnings account to €2,906,853,537.06.

Shareholders are reminded that no dividend was paid for 2013, 2012 and 2011.

### II. APPROVAL OF RELATED PARTY AGREEMENTS ENTERED INTO IN 2014

(**Fourth and fifth resolutions**)

The fourth and fifth resolutions concern approval of the related party agreements governed by Articles L. 225-86 *et seq.* of the French Commercial Code that were authorised by the Supervisory Board and entered into by the Company in 2014. The agreements concerned are described in the Statutory Auditors' Special Report.

To comply with the standards of good governance, the Managing Board has decided to submit these agreements for shareholder approval in two separate resolutions.

The **fourth resolution** concerns the following agreements entered into by the Company in connection with the acquisition by Dongfeng Motor Group Company Ltd ("Dongfeng") and the French State of minority interests in the Company's capital:

- Memorandum of Understanding signed on 18 February 2014 with Dongfeng and the French State on the one hand and Établissements Peugeot Frères ("EPF") and FFP on the other, describing (i) the principles applicable to the corporate actions planned in connection with the share acquisitions by Dongfeng and the French State, and the governance rules to be adopted once the corporate actions were completed, and (ii) the framework for the discussions and work that preceded implementation of the planned transactions following signature of the final legal documents;
- Master Agreement signed on 26 March 2014 between Dongfeng, the French State, EPF and FFP pursuant to the Memorandum of Understanding which it replaced. The Master Agreement describes the terms and conditions of the corporate actions, as well as the governance rules applicable once they have been completed;
- the following agreements that were signed pursuant to the Master Agreement on 28 April 2014 once the transactions provided for in the Master Agreement have been carried out:
  - Subscription Agreement signed with EPF and FFP, whereby EPF and FFP agreed to participate in the rights issue, such that their combined post-rights issue interest in the capital of Peugeot S.A. was the same as those of Dongfeng and the French State (i.e. approximately 14%),
  - Shareholders Agreement signed with Dongfeng, the French State, EPF and FFP, describing the rules and principles in the

areas of governance and share purchases and sales that would apply between the parties once Dongfeng and the French State became shareholders,

- a two-year agreement signed with EPF and FFP and effective as from the date of the rights issue, whereby they agree to neutralise the effect of any double voting rights to the level of their shares awarded after the right issue.

Signature of these agreements was authorised by the Supervisory Board at its meetings on 18 February 2014 (Memorandum of Understanding) and 18 March 2014 (Master Agreement and the other agreements referred to above).

The **fifth resolution** concerns a related party agreement entered into in connection with the French State's support in the form of guarantees for certain debt issues by Banque PSA Finance.

Signature of this agreement was authorised by the Supervisory Board at its meeting on 16 December 2014.

The related party agreements submitted for your approval in the above-mentioned resolutions are presented in detail in the Statutory Auditors' Special Report on related party agreements and commitments included in the notice of meeting that can be downloaded from the Group's website (www.psa-peugeot-citroen.com).

## III. ADVISORY VOTE ON THE COMPENSATION DUE OR ALLOCATED TO EACH MEMBER OF THE COMPANY'S MANAGING BOARD FOR 2014

(**Sixth, seventh and eighth resolutions**)

The June 2013 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 due or paid to executive directors (paragraph 24.3 of the Code):

- the salary;
- the annual bonus, and if applicable, the long-term incentive bonus, and the performance targets on which such bonuses are based;
- any exceptional compensation;
- stock options, performance shares and any other form of deferred compensation;
- any signing bonus or termination benefit;
- supplementary pension benefits;
- any other benefits.

Three separate resolutions are being put forward for shareholders to issue a positive advisory vote on the components of the compensation due or allocated to the members of the Managing Board for 2014, in accordance with the above recommendation of the AFEP-MEDEF Code:

- one resolution (**the sixth resolution**) concerning the components of the compensation due or allocated to Philippe Varin, Chairman of the Managing Board from 1 January to 30 March 2014;
- one resolution (**the seventh resolution**) concerning the components of the compensation due or allocated to Carlos Tavares, Chairman of the Managing Board as from 31 March 2014 and member of the Managing Board from 1 January to 30 March 2014;
- one resolution (**the eighth resolution**) concerning the components of the compensation due or allocated to the other members of the Managing Board, Jean-Baptiste Chasseloup de Chatillon, Grégoire Olivier and Jean-Christophe Quémard, for 2014.

Details of the compensation due or allocated for 2014 on which shareholders are asked to issue an advisory vote are set out below (refer also to section 3.4 of the 2014 Registration Document which provides comprehensive information about each Managing Board member's compensation).

Note that the defined benefit pension plan is a group plan that guarantees a certain replacement rate to plan participants, including benefits paid under all other plans, provided that certain conditions are met. Beneficiaries must have participated in the plan for at least eight years (or five years if the participation period immediately precedes their retirement) and they must be an employee or officer of the Group when they retire. Benefits are capped at 30% of the reference compensation, which corresponds to the sum of the beneficiary's average salary for the last three years and average bonus for the last eight years.

Benefits are calculated as follows:

- 3.5% of the reference compensation per year of participation in the plan, reduced to 2.5% for each year in which the earnings-based performance conditions are not met;
- 1% per year of non-participatory service;
- capped at 30% of the reference compensation.

This "defined benefit" pension plan complies with the recommendations of the AFEP-MEDEF Code for listed companies in France as revised in June 2013.

## COMPONENTS OF THE 2014 COMPENSATION DUE OR ALLOCATED TO PHILIPPE VARIN, CHAIRMAN OF THE MANAGING BOARD FROM 1 JANUARY TO 30 MARCH 2014

| Type of compensation | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Salary | €323,106 | Gross salary set by the Supervisory Board on 18 December 2012 and reaffirmed at the meeting on 12 March 2013 when the new Managing Board was appointed, based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Variable compensation | Not applicable | Philippe Varin stepped down as Chairman of the Managing Board on 30 March 2014. |
| Deferred compensation | Not applicable | No deferred compensation plan. |
| Long-term incentive bonus | Not applicable | No long-term incentive bonus plan. |
| Exceptional compensation | Not applicable | No exceptional compensation for 2014. |
| Stock options, performance shares and other forms of long-term compensation; | Stock options = N/A | No stock options plan. |
| | Performance shares = N/A<br>Other long-term compensation = N/A | Neither performance shares nor other long-term compensation. |
| Attendance fees | Not applicable | The members of the Managing Board are not allocated with attendance fees. |
| Fringe benefits | €720<br>(accounting value) | Company car |
| | €173<br>Employer contribution | Health insurance |
| Signing bonus | Not applicable | Philippe Varin was not paid any signing bonus. |
| Termination benefit | Not applicable | Philippe Varin was not paid any termination benefit. |
| Non-compete indemnity | Not applicable | Philippe Varin was not eligible for any non-compete indemnity. |
| Supplementary pension benefits | Not applicable | Philippe Varin waived his rights under the original pension plan, which has been replaced by rights under the new plan that came into effect on 1 January 2014. He took retirement in 2014. The commitment given to Mr Varin in respect of the benefits payable under this plan was authorised by the Combined Annual Shareholders' Meeting of 25 April 2014 (fifth resolution). |

COMPONENTS OF THE 2014 COMPENSATION DUE OR ALLOCATED TO CARLOS TAVARES, CHAIRMAN OF THE MANAGING BOARD AS FROM 31 MARCH AND MEMBER OF THE MANAGING BOARD FROM 1 JANUARY TO 30 MARCH 2014.

| Type of compensation | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Salary | €154,500 as member of the Managing Board<br>€976,894 as Chairman of the Managing Board | Gross salary set by the Supervisory Board on 25 November 2013 based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Variable compensation | €153,419 as member of the Managing Board<br>€1,462,500 as Chairman of the Managing Board | Gross bonus set by the Supervisory Board on 17 February 2015 based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Deferred compensation | Not applicable | No deferred compensation plan. |
| Long-term incentive bonus | Not applicable | No long-term incentive bonus plan. |
| Exceptional compensation | Not applicable | No exceptional compensation for 2014. |
| Stock options, performance shares and other forms of long-term compensation; | Stock options = N/A | No stock options plan. |
| | Performance shares = N/A<br>Other long-term compensation = N/A | Neither performance shares nor other long-term compensation. |
| Attendance fees | Not applicable | The members of the Managing Board are not allocated attendance fees. |
| Fringe benefits | €2,840<br>(accounting value) | Company car |
| | €173<br>Employer contribution | Health insurance |
| Signing bonus | Not applicable | Carlos Tavares was not paid any signing bonus. |
| Termination benefit | Not applicable | Carlos Tavares is not eligible for any termination benefit. |
| Non-compete indemnity | Not applicable | Carlos Tavares is not eligible for any non-compete indemnity. |
| Supplementary pension benefits | No benefits due or paid | Carlos Tavares is eligible for pension benefits under the new regulations of the defined benefit pension plan set up by the Group for members of the Managing Board and other senior executives on 1 January 2014 that comply with the AFEP-MEDEF Code.<br>At 31 December 2014, as he had participated in the plan for one year and the performance conditions had been met in 2014, Carlos Tavares was entitled to benefits equal to 3.5% of his reference compensation (average of his projected last three years' salary and last eight years' bonus up to retirement), provided that he is still working for the Group when he retires.<br>In accordance with the procedure concerning related party agreements and commitments, the commitment to pay pension benefits was authorised by the Supervisory Board on 19 January 2014. It was approved at the Combined Annual Shareholders' Meeting of 25 April 2014 (fifth resolution). |

COMPONENTS OF THE 2014 COMPENSATION DUE OR ALLOCATED TO JEAN-BAPTISTE CHASSELOUP DE CHATILLON, MEMBER OF THE MANAGING BOARD

| Type of compensation | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Salary | €618,000 | Gross salary set by the Supervisory Board on 18 December 2012 and reaffirmed at the meeting held on 12 March 2013 when the new Managing Board was appointed, based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Variable compensation | €621,473 | Gross bonus set by the Supervisory Board on 17 February 2015 based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Deferred compensation | Not applicable | No deferred compensation plan. |
| Long-term incentive bonus | Not applicable | No long-term incentive bonus plan. |
| Exceptional compensation | Not applicable | No exceptional compensation for 2014. |
| Stock options, performance shares and other forms of long-term compensation; | Stock options = N/A | No stock options plan. |
| | Performance shares = N/A<br>Other long-term compensation = N/A | Neither performance shares nor other long-term compensation. |
| Attendance fees | Not applicable | The members of the Managing Board are not allocated with attendance fees. |
| Fringe benefits | €2,880<br>(accounting value) | Company car |
| | €173<br>Employer contribution | 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 eligible for any termination benefit. |
| Non-compete indemnity | Not applicable | Jean-Baptiste Chasseloup de Chatillon is not eligible for any non-compete indemnity. |
| Supplementary pension benefits | No benefits due or paid | Jean-Baptiste Chasseloup de Chatillon is eligible for pension benefits under the new regulations of the defined benefit pension plan set up by the Group for members of the Managing Board and other senior executives on 1 January 2014 that comply with the AFEP-MEDEF Code.<br>At 31 December 2014, as he had participated in the plan for three years and completed 25 years' service with the Group, and in view of Group's results, Jean-Baptiste Chasseloup de Chatillon was entitled to benefits equal to 30% (corresponding to the benefit cap) of his reference compensation (average of his projected last three years' salary and last eight years' bonus up to retirement), provided that he is still working for the Group when he retires.<br>In accordance with the procedure concerning related party agreements and commitments, the commitment to pay pension benefits was authorised by the Supervisory Board on 19 January 2014. It was approved at the Combined Annual Shareholders' Meeting of 25 April 2014 (fifth resolution). |

### COMPONENTS OF THE 2014 COMPENSATION DUE OR ALLOCATED TO GRÉGOIRE OLIVIER, MEMBER OF THE MANAGING BOARD

| Type of compensation | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Salary | €618,000 | Gross salary set by the Supervisory Board on 18 December 2012 and reaffirmed at the meeting held on 12 March 2013 when the new Managing Board was appointed, based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Expatriation allowance | €309,000 | Grégoire Olivier is based in China. |
| Variable compensation | €621,473 | Gross bonus set by the Supervisory Board on 17 February 2015 based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Deferred compensation | Not applicable | No compensation plan. |
| Long-term incentive bonus | Not applicable | No long-term incentive bonus plan. |
| Exceptional compensation | Not applicable | No exceptional compensation for 2014. |
| Stock options, performance shares and other forms of long-term compensation; | Stock options = N/A | No stock options plan. |
| | Performance shares = N/A<br>Other long-term compensation = N/A | Neither performance shares nor other long-term compensation. |
| Attendance fees | Not applicable | The members of the Managing Board are not allocated with attendance fees. |
| Fringe benefits | €2,880<br>(accounting value) | Company car |
| | €173<br>Employer contribution | Health insurance |
| Signing bonus | Not applicable | Grégoire Olivier was not paid any signing bonus. |
| Termination benefit | Not applicable | Grégoire Olivier is not eligible for any termination benefit. |
| Non-compete indemnity | Not applicable | Grégoire Olivier is not eligible for any non-compete indemnity. |
| Supplementary pension benefits | No benefits due or paid | Grégoire Olivier is eligible for pension benefits under the new regulations of the defined benefit pension plan set up by the Group for members of the Managing Board and other senior executives on 1 January 2014 that comply with the AFEP-MEDEF Corporate Governance Code. At 31 December 2014, as he had participated in the plan for eight years and in view of Group's results, Grégoire Olivier was entitled to benefits equal to 28% of his reference compensation (average of his projected last three years' salary and last eight years' bonus up to retirement), provided that he is still working for the Group when he retires.<br>In accordance with the procedure concerning related party agreements and commitments, the commitment to pay pension benefits was authorised by the Supervisory Board on 19 January 2014. It was approved at the Combined Annual Shareholders' Meeting of 25 April 2014 (fifth resolution). |

COMPONENTS OF THE 2014 COMPENSATION DUE OR ALLOCATED TO JEAN-CHRISTOPHE QUÉMARD, MEMBER OF THE MANAGING BOARD

| Type of compensation | Amounts or accounting value submitted to the advisory vote | Presentation |
|---|---|---|
| Salary | €618,000 | Gross salary set by the Supervisory Board on 18 December 2012 and reaffirmed at the meeting held on 12 March 2013 when the new Managing Board was appointed, based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Variable compensation | €621,473 | Gross bonus set by the Supervisory Board on 17 February 2015 based on the recommendation of the Appointments, Compensation and Governance Committee. |
| Deferred compensation | Not applicable | No deferred compensation plan. |
| Long-term incentive bonus | Not applicable | No any long-term incentive bonus plan. |
| Exceptional compensation | Not applicable | No exceptional compensation. |
| Stock options, performance shares and other forms of long-term compensation; | Stock options = N/A | No stock options plan. |
| | Performance shares = N/A Other long-term compensation = N/A | Neither performance shares nor other long-term compensation. |
| Attendance fees | Not applicable | The members of the Managing Board are not allocated with attendance fees. |
| Fringe benefits | €2,880 (accounting value) | Company car |
| | €173 Employer contribution | Health insurance |
| Signing bonus | Not applicable | Jean-Christophe Quémard was not paid any signing bonus. |
| Termination benefit | Not applicable | Jean-Christophe Quémard is not eligible for any termination benefit. |
| Non-compete indemnity | Not applicable | Jean-Christophe Quémard is not eligible for any non-compete indemnity. |
| Supplementary pension benefits | No benefits due or paid | Jean-Christophe Quémard is eligible for pension benefits under the new regulations of the defined benefit pension plan set up by the Group for members of the Managing Board and other senior executives on 1 January 2014 that comply with the AFEP-MEDEF Corporate Governance Code.<br>At 31 December 2014, as he had participated in the plan for seven years and completed 28 years' service with the Group, and in view of Group's results, Jean-Christophe Quémard was entitled to benefits equal to 30% (corresponding to the benefit cap) of his reference compensation (average of his projected last three years' salary and last eight years' bonus up to retirement), provided that he is still working for the Group when he retires.<br>In accordance with the procedure concerning related party agreements and commitments, the commitment to pay pension benefits was authorised by the Supervisory Board on 19 January 2014. It was approved at the Combined Annual Shareholders' Meeting of 25 April 2014 (fifth resolution). |

## IV. AUTHORISATION TO CARRY OUT A BUYBACK PROGRAMME CAPPED AT 10% OF THE COMPANY'S OUTSTANDING SHARES

(**Ninth resolution**)

In the **ninth resolution** shareholders are asked to renew the authorisation to carry out a share buyback programme. The previous authorisation was given at the Annual Shareholders' Meeting of 25 April 2014 (fifteenth resolution) and expires this year. It has not been used.

Taking into account the 10% limit on the proportion of capital that may be held in treasury under French company law, the amount of Peugeot S.A.'s capital, and the 11,588,349 treasury shares held by the Company as of 17 February 2015 representing 1.47% of the capital, in practice the Managing Board would be authorised to buy back up to 67,070,516 shares.

The maximum purchase price would be set at €20 per share and the total amount invested in the programme would not exceed €1,341,410,320.

Pursuant to the agreement entered into with the French State concerning its support in the form of guarantees for certain debt issues by Banque PSA Finance, any such share buybacks would be subject to the prior approval of the French State if Banque PSA Finance failed to meet certain capital adequacy and liquidity ratios.

Subject to obtaining this authorisation, the shares could be bought back 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 18 months.

# EXTRAORDINARY RESOLUTIONS

## V. AUTHORISATION FOR THE MANAGING BOARD TO REDUCE THE COMPANY'S CAPITAL BY CANCELLING SHARES ACQUIRED UNDER BUYBACK PROGRAMMES

(**Tenth resolution**)

The **tenth 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 ninth resolution. The total number of shares cancelled in any 24-month period would not exceed 10% of the capital.

Pursuant to the agreement entered into with the French State concerning its support in the form of guarantees for certain debt issues by Banque PSA Finance, any such share cancellations would be subject to the prior approval of the French State if Banque PSA Finance failed to meet certain capital adequacy and liquidity ratios.

The authorisation would be given for a period of 26 months and would supersede the authorisation given for the same purpose in the sixteenth resolution of the 24 April 2013 Annual Shareholders' Meeting, which has not been used by the Managing Board.

## VI. AUTHORISATION FOR THE MANAGING BOARD TO SET UP A PERFORMANCE SHARE PLAN

(**Eleventh resolution**)

In the **eleventh resolution** the Managing Board is asking shareholders to renew, for a period of 26 months, the authorisation to award performance shares given at the Annual Shareholders' Meeting of 24 April 2013 (seventeenth resolution), which expires this year.

The authorisation was used by the Managing Board on 27 February 2015 to launch a performance share plan. The plan will be the subject of a report to shareholders, as required by Article L. 225-197-4 of the French Commercial Code.

The purpose of this authorisation is to more closely associate officers and employees with the Group's financial performance and to retain core talents. The 2015 plan referred to above is the first to be carried out since 2010. As was the case at all recent Annual Shareholders' Meetings, no resolution is being presented at this meeting to authorise the Managing Board to set up a stock option plan. Note that the last stock option plan dates back to 2008.

The resolution would authorise the Managing Board to award, on one or several occasions, performance share rights exercisable for existing or new ordinary shares of the Company to all or selected employees and/or officers of the Company or of any related entity or economic interest grouping as defined in Article L. 225-197-2 of the French Commercial Code.

The total number of shares awarded would not represent more than 0.85% of the Company's capital as of the date of the Managing Board's decision, unchanged from the limit specified in the authorisation to the same effect given at the Annual Shareholders' Meeting of 24 April 2013 (seventeenth resolution). Additionally, the number of shares awarded to members of the Managing Board would not represent more than 0.15% of the Company's capital as of the date of the Managing Board's decision, and would be deducted from the 0.85% ceiling mentioned above.

As stipulated in the Company's bylaws, the Managing Board would be required to obtain the Supervisory Board's prior approval before making any awards using this authorisation.

The performance shares would be subject to a vesting period followed by a lock-up period. These periods would be set by the Managing Board but in each case would not be less than two years. However, the Managing Board could waive the lock-up period for any shares awarded under this authorisation that were subject to a vesting period of at least four years.

If beneficiaries were to leave the Group before the end of the vesting period, the shares would be forfeited except upon the occurrence of certain specific events defined in the plan documentation, such as death or disability, or in the case of any exceptions decided by the Managing Board. In addition, all of the awards would be subject to internal and/or external performance objectives covering several years, to be determined by the Managing Board with the Supervisory Board's agreement. The performance objectives would primarily concern the operating free cash flow and recurring operating income generated by the Automotive Division.

None, some or all of the performance shares would vest, depending on the degree to which the performance objectives were met.

Pursuant to the agreement entered into with the French State concerning its support in the form of guarantees for certain debt issues by Banque PSA Finance, any performance share awards to members of the Managing Board would be subject to the prior approval of the French State if Banque PSA Finance failed to meet certain capital adequacy and liquidity ratios.

In addition, in line with the applicable regulations, for performance shares awarded to members of the Managing Board, the Supervisory Board could decide that the shares may not be sold for as long as the beneficiary remained in office or could stipulate the number of shares that must be held in registered form for as long as he or she remained in office.

The Managing Board will report to shareholders on any use made of this authorisation, in accordance with Article L. 225-197-4 of the French Commercial Code.

## VII. 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

(**Twelfth, thirteenth, fourteenth, fifteenth, sixteenth, seventeenth and eighteenth resolutions**)

At the Annual Shareholders' Meeting of 24 April 2013 (eighteenth to twenty-first resolutions), the Managing Board was authorised to issue 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 were not used by the Managing Board, the issues carried out in 2014 in connection with the acquisitions of minority stakes in the Company by Dongfeng and the French State having been the subject of specific authorisations given at the Annual Shareholders' Meeting of 25 April 2014. These issues were as follows:

- 29 April 2014 issue of 342,060,365 stock warrants allocated to existing shareholders on the basis of one warrant per share. The warrants were exercisable at any time between the first and third anniversaries of their admission to trading on Euronext Paris on the basis of three new shares for ten warrants (or an adjusted ratio, in the event of any corporate actions) at a price of €7.5 per share, representing a total capital increase of up to €106,454,698;
- 29 April 2014 capital increase of €1,047,999,990 reserved on a 50/50 basis for Dongfeng (through Dongfeng Motor (Hong Kong) International Co., Limited – DMHK) and the French State (through SOGEPA), leading to the issuance of 139,733,332 new shares;
- a capital increase of €1,953,187,996.27 with pre-emptive subscription rights, leading to the issuance of 288,506,351 new shares.

In the twelfth to eighteenth resolutions, the Managing Board is asking shareholders to renew the authorisations given at the Annual Shareholders' Meeting of 24 April 2013 and to grant two new authorisations to issue shares and/or securities carrying rights to shares of the Company in payment for shares tendered to a stock-for-stock offer initiated by the Company or acquired in a private transaction, 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 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 authorisations sought in the thirteenth, fourteenth, sixteenth or seventeenth 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 2014 Registration Document describing business operations since the beginning of the year. The Registration Document 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 PSA Peugeot Citroën's website: www.psa-peugeot-citroen.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 stock 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 stock warrants).

  In accordance with French law, as amended by government order no. 2014-863 dated 31 July 2014 on matters of company law, securities issues may be decided by the Managing Board at its sole discretion if they do not result in any immediate or future change in the Company's capital. For this reason, shareholders are not being asked to approve any resolutions authorising the issue of debt securities carrying rights to existing shares of the Company (such as exchangeable bonds) and/or rights to other debt securities (such as bonds with debt warrants or bonds convertible or redeemable for other debt securities).

  Under the twelfth, thirteenth and fourteenth 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 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, in accordance with law.

  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 twelfth resolution;
  - without pre-emptive subscription rights for existing shareholders, under:
    - the thirteenth resolution (*issues of shares or securities carrying rights to shares through a public offer*),
    - the fourteenth resolution (*issues of shares or securities carrying rights to shares through a private placement*),
    - the sixteenth resolution (*issues of shares or securities carrying rights to shares in connection with a stock-for-stock offer initiated by the Company*), and
    - the seventeenth 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 €283,171,914 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 sought at this meeting, representing 36% of the share capital as of 17 February 2015. Within this blanket ceiling:
  - the aggregate par value of shares that may be issued with pre-emptive subscription rights under the twelfth resolution (directly or upon conversion, redemption or exercise of securities with rights to shares), would be capped at €196,647,162, representing 25% of the share capital as of 17 February 2015, including the par value of any securities issued pursuant to the authorisation sought in the fifteenth resolution to increase the amount of any over-subscribed issues by up to 15%;

- the aggregate par value of shares that may be issued without pre-emptive subscription rights under the thirteenth, fourteenth, sixteenth and seventeenth resolutions (directly or upon conversion, redemption or exercise of securities with rights to shares), would be capped at €78,658,865, representing 10% of the share capital as of 17 February 2015 including the par value of any securities issued pursuant to the authorisation sought in the fifteenth resolution to increase the amount of any over-subscribed issues by up to 15%.

The aggregate par value of any employee rights issues carried out pursuant to the nineteenth resolution – which would be limited to €7,865,887, representing around 1% of the share capital as of 17 February 2015 – would also be deducted from the €283,171,914 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 €2,100,000,000 (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 twelfth, thirteenth, fourteenth, sixteenth and seventeenth resolutions.

This ceiling includes the nominal amount of any debt securities that maybe issued pursuant to the authorisation sought in the fifteenth resolution to increase the amount of any over-subscribed 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 shareholders in General 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

**(Twelfth resolution)**

The **twelfth 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 bonus shares and/or increasing the par value of existing shares, to be paid up by capitalising reserves, retained earnings, profits, additional paid-in capital or any other capitalisable items.

This authorisation would be granted for a period of 26 months.

## DELEGATION OF AUTHORITY FOR THE MANAGING BOARD TO ISSUE SHARES AND/OR SECURITIES CARRYING RIGHTS TO SHARES WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS

**(Thirteenth and fourteenth resolutions)**

The **thirteenth and fourteenth 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 (thirteenth resolution) and through private placements (fourteenth 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 authorisation. Under the thirteenth 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 authorisations.

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 Bourse over the three consecutive trading days preceding the date when the issue price was set, less a maximum discount of 5%.

Each of these authorisations would be granted 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

(**Fifteenth resolution**)

Following on from the twelfth, thirteenth and fourteenth resolutions presented above, the purpose of the **fifteenth 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 twelfth, thirteenth or fourteenth 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 twelfth, thirteenth and fourteenth 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 months period as the authorisations granted in the twelfth, thirteenth and fourteenth 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

(**Sixteenth resolution**)

The **sixteenth resolution** authorises the Managing Board to decide to issue 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 would be granted 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

(**Seventeenth resolution**)

The **seventeenth 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 authorisation 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 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 would be granted for a period of 26 months.

### BLANKET CEILING ON SHARE ISSUES CARRIED OUT PURSUANT TO THE TWELFTH TO SEVENTEENTH AND NINETEENTH RESOLUTIONS OF THIS ANNUAL SHAREHOLDERS' MEETING

(**Eighteenth resolution**)

The **eighteenth resolution** sets at €283,171,914 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 given in the twelfth, thirteenth, fourteenth, fifteenth, sixteenth, seventeenth and nineteenth resolutions.

## VIII. DELEGATION OF AUTHORITY FOR THE MANAGING BOARD TO CARRY OUT ONE OR SEVERAL EMPLOYEE SHARE ISSUES

(**Nineteenth resolution**)

At the Annual Shareholders' Meeting of 25 April 2014 (twenty-first resolution), the Managing Board was authorised to issue up to €3,500,000 worth of shares (representing around 1% of the capital at 31 December 2013) to employees through one or several offers.

As explained during that meeting, this authorisation was intended to be used by the Managing Board to give employees a stake in the Group's recovery. An employee share issue launched at the end of 2014 was completed in January 2015, leading to the issuance of 3,499,973 ordinary shares of the Company for a total of €28,104,783.19.

Whenever shareholders are asked to give an authorisation to issue shares or securities carrying rights to shares – as is the case in the twelfth, thirteenth and fourteenth resolutions presented at this 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 nineteenth resolution.

Under this resolution, the Managing Board would be authorised to issue up to €7,865,887 worth of shares to employees through one or several offers, representing approximately 1% of the Company's capital as of 17 February 2015. This is the same percentage as that specified in the authorisation to the same effect given to the Managing Board by the Annual Shareholders' Meeting of 25 April 2014 (**twenty-first 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 authorisation to grant free shares to the above plan participants – corresponding either to new shares paid up by capitalising reserves, profit 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 authorisation 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 authorisation.

In accordance with the applicable laws and regulations, if this authorisation 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.

### IX. DELEGATION OF AUTHORITY FOR THE MANAGING BOARD TO ISSUE STOCK WARRANTS WHILE A TAKEOVER BID FOR THE COMPANY IS IN PROGRESS

(**Twentieth resolution**)

The **twentieth resolution** authorises the Managing Board to issue stock 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 resolution 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 stock warrants on the basis allowed by law if that 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 stock warrants would expire automatically when the takeover bid or any competing bid failed, expired or was withdrawn.

Stock warrants issued under the authorisation would not be exercisable for shares representing more than €393,294,324 (not including premiums), representing 50% of the Company's capital as of 17 February 2015, and the number of warrants would not exceed the number of shares outstanding on the warrant issue date.

This authorisation would cover any takeover bid filed within a period of 18 months of this meeting and would expire at the end of the offer period under any such bid.

## ORDINARY RESOLUTIONS

### X. TRANSFER OF THE COMPANY'S REGISTERED OFFICE TO A NEW ADDRESS

(**Twenty-first resolution**)

In the **twenty-first resolution**, shareholders are asked to ratify the Supervisory Board's decision of 17 February 2015 to transfer the Company's registered office from 75 avenue de la Grande Armée, 75116 Paris to 7-9 rue Henri Sainte-Claire Deville, 92500 Rueil-Malmaison.

This decision is part of a broader rationalisation plan that will bring together under the same roof various Group teams of the tertiary sector that are currently divided among a number of facilities in the Paris region. The plan aims to optimise the Group's management organisation and promote cross-functional cooperation, synergies, efficiency and collaborative working among the teams, in line with the organisational principles and matrix structure adopted in 2014. It should also improve occupancy rates at the various facilities.

The plan will lead to the relocation of all the teams and functions currently based at 75 avenue de la Grande Armée and the Group's other Paris facility, neither of which the Group intends to keep.

All of the teams concerned will join the Group employees currently based at the Poissy office complex ("Pôle tertiaire") in the western suburbs of Paris, except for the members of the corporate departments responsible for the Group's strategic management and the DS, Citroën and Peugeot brands' corporate teams, who will join the Group's executive management and governance teams (the Executive Committee, the Managing Board and the Supervisory Board) at a new management centre that will also be located at Rueil Malmaison, in the western suburbs, in a future building that will be leased off-plan. The lease was signed by the Company on 9 March 2015 and is expected to come into effect in or around the middle of 2017, when the building is delivered.

As the plan will involve transferring the Company's management teams to the new management centre, it is logical to transfer the registered office to this centre on the effective date of the lease referred to above.

For this reason, pursuant to Article L. 225-65 of the French Commercial Code, the Supervisory Board has decided to transfer the Company's registered office to the new management centre building at 7-9, rue Henri Sainte-Claire Deville – 92500 Rueil-Malmaison, provided that the lease comes into effect on 31 December 2017 at the latest.

This decision entails giving the Managing Board the necessary authority to effect the transfer of the registered office, provided that the lease comes into effect no later than 31 December 2017, to carry out all related filing, publication and other formalities and to amend the bylaws to reflect the change of address.

The purpose of the twenty-first resolution is to ask shareholders to ratify the Supervisory Board's decision and approve the corresponding amendment of the bylaws, in accordance with the above provisions of Article L. 225-65 of the French Commercial Code.

## XI. POWERS TO CARRY OUT LEGAL FORMALITIES

(**Twenty-second resolution**)

The **twenty-second 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

- Approval of the parent company financial statements for the year ended 31 December 2014
- Approval of the consolidated financial statements for the year ended 31 December 2014
- Appropriation of profit
- Approval of related party agreements entered into in connection with acquisitions of minority interests in the Company's capital by Dongfeng Motor Group Company Ltd and the French State
- Approval of a related party agreement entered into in connection with the French State's support in the form of guarantees for certain debt issues by Banque PSA Finance
- Advisory vote on the compensation of the Chairman of the Managing Board (Philippe Varin)
- Advisory vote on the compensation of the Chairman of the Managing Board (Carlos Tavares)
- Advisory vote on the compensation of the other members of the Managing Board (Jean-Baptiste Chasseloup de Chatillon, Grégoire Olivier and Jean-Christophe Quémard)
- Authorisation for the Managing Board to buy back up to 10% of the Company's shares

### B/ EXTRAORDINARY RESOLUTIONS

- Authorisation for the Managing Board to reduce the Company's capital by up to 10% by cancelling shares acquired under buyback programmes
- Authorisation for the Managing Board to set up a performance share plan
- Delegation of authority for the Managing Board to issue, with pre-emptive subscription rights, shares and/or securities carrying 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
- 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
- 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
- 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
- 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
- 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
- Blanket ceiling on capital increases carried out pursuant to the twelfth to the seventeenth resolutions and the nineteenth resolution of this meeting
- Delegation of authority for the Managing Board to carry out one or several employee share issues without pre-emptive subscription rights
- Delegation of authority for the Managing Board to issue stock warrants while a takeover bid for the Company is in progress

### C/ ORDINARY RESOLUTIONS

- Ratification of the Supervisory Board's decision to transfer the Company's registered office to a new address
- Powers to carry out 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 2014**

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary General Meetings and having considered the annual financial statements, the Managing Board's Report, the Report of the Supervisory Board and the Statutory Auditors' Report on the annual financial statements for the year ended 31 December 2014, approves the parent company financial statements for the year ended 31 December 2014 as presented, 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 2014**

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority conditions applicable to Ordinary General Meetings and having considered the consolidated financial statements, the Managing Board's Report, the Report of the Supervisory Board and the Statutory Auditors' Report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2014 as presented, as well as the transactions reflected in those consolidated financial statements or disclosed in those reports.

#### THIRD RESOLUTION

**APPROPRIATION OF PROFIT**

Based on the recommendation of the Managing Board, the Annual Shareholders' Meeting resolves to appropriate the profit for the year ended 31 December 2014 as follows:

| | |
|---|---|
| Net profit for the year | €300,166,206.28 |
| Appropriated to the legal reserve | €42,823,968.30 |

The remaining €257,342,238.98 will be appropriated to "Retained earnings", increasing the balance to €2,906,853,537.06.

The Annual Shareholders' Meeting notes that no dividend was paid for 2013, 2012 or 2011.

#### FOURTH RESOLUTION

**APPROVAL OF RELATED PARTY AGREEMENTS ENTERED INTO IN CONNECTION WITH ACQUISITIONS OF MINORITY INTERESTS IN THE COMPANY'S CAPITAL BY DONGFENG MOTOR GROUP COMPANY LTD AND THE FRENCH STATE**

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Ordinary General 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 agreements referred to in point 1.1.1 of the Statutory Auditors' Special Report.

#### FIFTH RESOLUTION

**APPROVAL OF A RELATED PARTY AGREEMENT ENTERED INTO IN CONNECTION WITH THE FRENCH STATE'S SUPPORT IN THE FORM OF GUARANTEES FOR CERTAIN DEBT ISSUES BY BANQUE PSA FINANCE**

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Ordinary General Meetings and having considered the Statutory Auditors' Special Report drawn up in accordance with Article L. 225-88 of the French Commercial Code on related party agreements and commitments governed by Article L. 225-86 *et seq.* of said Code, approves the agreement referred to in point 1.1.2 of the Statutory Auditors' Special Report.

#### SIXTH RESOLUTION

**ADVISORY VOTE ON THE COMPENSATION OF THE CHAIRMAN OF THE MANAGING BOARD**

(PHILIPPE VARIN)

Having been consulted in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies (paragraph 24.3) and voting in accordance with the quorum and majority voting conditions applicable to Ordinary General Meetings, the Annual Shareholders' Meeting issues a positive advisory vote on the compensation due or allocated to Philippe Varin, Chairman of the Managing Board, for 2014 as presented in section III of the Managing Board's Report on the resolutions presented at this meeting.

#### SEVENTH RESOLUTION

**ADVISORY VOTE ON THE COMPENSATION OF THE CHAIRMAN OF THE MANAGING BOARD**

(CARLOS TAVARES)

Having been consulted in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies (paragraph 24.3) and voting in accordance with the quorum and majority voting conditions applicable to Ordinary General Meetings, the Annual Shareholders' Meeting issues a positive advisory vote on the compensation due or allocated to Carlos Tavares, Chairman of the Managing Board, for 2014 as presented in section III of the Managing Board's Report on the resolutions presented at this meeting.

#### EIGHTH RESOLUTION

**ADVISORY VOTE ON THE COMPENSATION OF THE OTHER MEMBERS OF THE MANAGING BOARD**

(JEAN-BAPTISTE CHASSELOUP DE CHATILLON, GRÉGOIRE OLIVIER AND JEAN-CHRISTOPHE QUÉMARD)

Having been consulted in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies (paragraph 24.3) and voting in accordance with the quorum and majority voting conditions applicable to Ordinary General Meetings, the Annual Shareholders' Meeting issues a positive advisory vote on the compensation due or allocated to Jean-Baptiste Chasseloup de Chatillon, Grégoire Olivier and Jean-Christophe Quémard for 2014 as presented in section III of the Managing Board's Report on the resolutions presented at this meeting.

## NINTH RESOLUTION

### AUTHORISATION FOR THE MANAGING BOARD TO BUY BACK UP TO 10% OF THE COMPANY'S SHARES

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Ordinary General Meetings and having considered the Managing Board's Report, resolves, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code:

1. to authorise the Managing Board, with the right of delegation, to buy back – directly or through a representative – up to sixty-seven million seventy thousand five hundred sixteen (67,070,516) shares of the Company, in one or several transactions on dates to be decided by the Managing 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 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 attribution of free shares to employees and/or 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 *Autorité des Marchés Financiers* (AMF),
   (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 twenty euros (€20) per share, subject to any adjustments decided by the Managing Board in the case of any corporate actions, including any rights issue, any bonus 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 one billion three hundred forty-one million four hundred ten thousand three hundred twenty euros (€1,341,410,320);
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 meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

# B/ EXTRAORDINARY RESOLUTIONS

## TENTH RESOLUTION

### AUTHORISATION FOR THE MANAGING BOARD TO REDUCE THE COMPANY'S CAPITAL BY UP TO 10% BY CANCELLING SHARES ACQUIRED UNDER BUYBACK PROGRAMMES

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary General 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 meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

## ELEVENTH RESOLUTION

### AUTHORISATION FOR THE MANAGING BOARD TO SET UP A PERFORMANCE SHARE PLAN

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary General Meetings and having considered the Managing Board's Report and the Statutory Auditors' Special Report, resolves, in compliance with Articles L. 225-197-1 *et seq.* of the French Commercial Code:

1. to authorise the Managing Board to grant, on one or several occasions, performance share rights exercisable for existing or new ordinary shares of the Company to all or selected employees and/or officers of the Company or of any related entity or economic interest grouping as defined in Article L. 225-197-2 of the French Commercial Code;
2. that the total number of shares granted may not represent more than 0.85% of the Company's capital as of the date of the Managing Board's decision, and that:
   (a) the number of shares granted to members of the Managing Board may not represent more than 0.15% of the Company's capital as of the date of the Managing Board's decision, with said shares being deducted from the 0.85% ceiling mentioned above,
   (b) the 0.85% and 0.15% ceilings referred to above shall not take into account any additional shares that may be allocated to grantees in respect of the adjustments to be made to protect their rights in the case of a corporate action that takes place during the vesting period referred to in paragraph 3 of this resolution;
3. that:
   (a) the shares shall be subject to a vesting period of at least two years set by the Managing Board,
   (b) the vested shares shall be subject to a lock-up period of at least two years starting from the vesting date, as set by the Managing Board. However, the Shareholders' Meeting authorises the Managing Board to waive the lock-up period for any shares granted under this authorisation whose vesting period is set at a minimum of four years. The Managing Board may set longer vesting periods and lock-up periods than the minimum periods described above,
   (c) as an exception to the foregoing, in the case of category 2 or 3 disability of the grantee, as defined in Article L. 341-4 of the French Social Security Code (*Code de la Sécurité Sociale*), before the end of the vesting period, the shares will vest and become transferable with immediate effect;
4. that, for performance shares granted to members of the Managing Board by the Supervisory Board, the Supervisory Board may decide that the shares may not be sold for as long as the grantee remains in office or stipulate the number of shares that must be held in registered form for as long as he or she remains in office;
5. that if this authorisation is used to grant new shares, it shall automatically entail the waiver by shareholders in favour of performance share rights holders of (i) their pre-emptive rights to subscribe the ordinary shares to be issued as the performance shares vest, and (ii) any other rights to shares granted without consideration pursuant to this authorisation;
6. to give full powers to the Managing Board – which may be delegated as provided for by the applicable laws and regulations – to use this authorisation and notably:
   - prepare the list of grantees and the number of shares granted to each one,
   - decide whether the performance share rights will be exercisable for existing or new shares and to change this decision before the definitive grant date, where applicable,
   - set the terms and conditions of the grants, including the performance criteria to be met for the shares to vest,
   - set and, if necessary, adjust the dates and terms of the performance share plans to be set up pursuant to this authorisation,
   - allow for the temporary suspension of the performance share rights in accordance with the applicable laws and regulations,
   - allow for any adjustments to be made during the vesting period, on the basis to be determined by the Managing Board, to protect grantees' rights following any corporate action and, in particular, determine the circumstances in which the number of shares granted will be adjusted,
   - when new shares are issued as a result of this authorisation, (i) increase the Company's capital by capitalising reserves, retained earnings or additional paid-in capital, (ii) decide on the amount and types of items to be capitalised for the purpose of paying up the shares, (iii) charge, if it deems appropriate, the share issuance costs against the related premiums, (iv) deduct from the premiums the amount necessary to increase the legal reserve to 10% of the new capital after each issue, (v) place on record the capital increase(s), and (vi) amend the bylaws to reflect the new capital, and
   - more generally, guarantee the successful completion of transactions;
7. that this authorisation is given for a period of twenty-six months from the date of this meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

## TWELFTH RESOLUTION

### DELEGATION OF AUTHORITY FOR THE MANAGING BOARD TO ISSUE, WITH PRE-EMPTIVE SUBSCRIPTION RIGHTS, SHARES AND/OR SECURITIES CARRYING 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 Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary General 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. 225-129-2, 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 authorisation may be used to:
   - (a) issue, in France and/or abroad, with pre-emptive subscription rights:
     - (i) shares of the Company, and/or
     - (ii) securities carrying immediate or deferred rights by any appropriate method to existing or new 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 shares of the Company and/or a Subsidiary, or to existing 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 bonus 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 authorisation;
3. that securities issued under paragraph 1 (a) of this resolution 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 authorisation – immediately and/or on exercise of rights to shares – may not exceed one hundred ninety-six million six hundred forty-seven thousand one hundred sixty-two euros (€196,647,162). The meeting further resolves:
   - (a) this amount will be deducted from the ceiling set in the eighteenth resolution provided that said resolution is adopted at this 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 authorisation may not exceed two billion one hundred million euros (€2,100,000,000) (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 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 authorisation and the authorisations given in the thirteenth, fourteenth, fifteenth, sixteenth, and seventeenth resolutions of this meeting, such that the aggregate amount of debt issues carried out pursuant to said resolutions 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 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 resolution, must be authorised in advance by the Subsidiary's Extraordinary General Meeting;
7. that, for issues of shares of the Company or other securities decided pursuant to paragraph 1(a) of this resolution:
   - (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, 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 authorisation 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 authorisation 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 authorisation and notably:

(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 stock 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 authorisation. 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, 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 authorisation and for the exercise of any related rights;

10. that this authorisation is given for a period of twenty-six months from the date of this meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

## THIRTEENTH 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 Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary General 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. 225-129-2, L. 225-129-4, L. 225-135, L. 225-136, L. 225-148, L. 228-91 to L. 228-94 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 authorisation may be used to issue:

(a) shares of the Company, and/or

(b) other equity securities carrying immediate or deferred rights by any appropriate method to existing or new 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 shares of the Company and/or a Subsidiary, or to existing 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 authorisation;
3. that securities issued pursuant to this authorisation 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 public offer(s) undertaken pursuant to this authorisation 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 fourteenth resolution of this meeting;
5. that the aggregate nominal amount of any capital increases carried out pursuant to this authorisation – immediately and/or on exercise of rights to shares – may not exceed seventy-eight million six hundred fifty-eight thousand eight hundred sixty-five euros (€78,658,865). The meeting further resolves:
   (a) that this amount will be deducted from the blanket ceiling set in the eighteenth resolution provided that this resolution is adopted by this 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 authorisation and the authorisations given in the fourteenth, fifteenth, sixteenth and seventeenth resolutions provided that they are adopted by this 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 authorisation may not exceed and will be deducted from the blanket ceiling on debt securities issues set in paragraph 5 of the twelfth resolution of this 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 General Meeting;
8. to waive shareholders' pre-emptive rights to subscribe the shares or other securities to be issued under this authorisation. 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, if an issue of shares or securities is not taken up in full by shareholders exercising their priority 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 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 authorisation 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 authorisation 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, 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 authorisation 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 stock 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 authorisation. 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, 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 authorisation and for the exercise of any related rights;

**13.** that this authorisation is given for a period of twenty-six months from the date of this meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

## FOURTEENTH 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 Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary General 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. 225-129-2, 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 and Article L. 411-2 II of the French Monetary and Financial 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 an offer governed by Article L. 411-2 II of the French Monetary and Financial Code, without pre-emptive subscription rights. This authorisation may be used to issue:

(a) shares of the Company, and/or

(b) other equity securities carrying immediate or deferred rights by any appropriate method to existing or new 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 shares of the Company and/or a Subsidiary, or to existing shares 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 authorisation;

**3.** that securities issued pursuant to this authorisation 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 offer(s) governed by Article L. 411-2 II of the French Monetary and Financial Code undertaken pursuant to this authorisation may be carried out jointly or simultaneously with one or more public offers provided for in the thirteenth resolution of this meeting;

**5.** that the aggregate nominal amount of any capital increases carried out pursuant to this authorisation – immediately and/or on exercise of rights to shares – may not exceed seventy-eight million six hundred fifty-eight thousand eight hundred sixty-five euros (€78,658,865). The meeting further resolves:

(a) that this amount will be deducted from the ceiling set in paragraph 5 of the thirteenth resolution above, and from the blanket ceiling set in the eighteenth resolution provided that the thirteenth and eighteenth resolutions are adopted by this meeting,

(b) that, in all cases, share issues carried out pursuant to this authorisation 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 authorisation, 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 authorisation may not exceed and will be deducted from the blanket ceiling on debt securities issues set in paragraph 5 of the twelfth resolution of this 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 General Meeting;

**8.** to waive shareholders' pre-emptive rights to subscribe the shares or other securities to be issued under this authorisation;

9. that, in accordance with Article L. 225-134 of the French Commercial Code, 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 authorisation 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 authorisation 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, 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 authorisation 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 stock 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 authorisation. 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, 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 authorisation and for the exercise of any related rights;
13. that this authorisation is given for a period of twenty-six months from the date of this meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

## FIFTEENTH 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 Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary General 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:

1. to authorise the Managing Board to increase the number of securities included in any issue carried out pursuant to the twelfth, thirteenth or fourteenth resolutions of this 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 meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

## SIXTEENTH 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 Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary General 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, 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 authorisation may be used to issue:
   - (a) shares of the Company, and/or
   - (b) other equity securities carrying immediate or deferred rights by any appropriate method to existing or new 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 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 authorisation;
3. that securities issued pursuant to this authorisation 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 shareholders shall waive their pre-emptive right to subscribe the securities issued pursuant to this authorisation 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 authorisation – immediately and/or on exercise of rights to shares – may not exceed seventy-eight million six hundred fifty-eight thousand eight hundred sixty-five euros (€78,658,865). The meeting further resolves:
   - (a) that this amount will be deducted from the ceiling set in paragraph 5 of the thirteenth resolution above, and from the blanket ceiling set in the eighteenth resolution provided that the thirteenth and eighteenth resolutions are adopted by this 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 authorisation may not exceed and will be deducted from the blanket ceiling on debt securities issues set in paragraph 5 of the twelfth resolution of this 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 authorisation 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 authorisation and for the exercise of any related rights;
8. that this authorisation is given for a period of twenty-six months from the date of this meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

## SEVENTEENTH 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 Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary General 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, 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 authorisation may be used to issue:
   (a) shares of the Company, and/or
   (b) other equity securities carrying immediate or deferred rights by any appropriate method to existing or new 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 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;
2. that no preference shares or securities carrying immediate or deferred rights in any form to preference shares may be issued under this authorisation;
3. that securities issued pursuant to this authorisation 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 shareholders shall waive their pre-emptive right to subscribe the securities issued pursuant to this authorisation 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 meeting, and:
   (a) that this amount will be deducted from the ceiling set in paragraph 5 of the thirteenth resolution above, and from the blanket ceiling set in the eighteenth resolution provided that the thirteenth and eighteenth resolutions are adopted by this 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 authorisation may not exceed and will be deducted from the blanket ceiling on debt securities issues set in paragraph 5 of the twelfth resolution of this 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 authorisation 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 authorisation and for the exercise of any related rights;

8. that this authorisation is given for a period of twenty-six months from the date of this meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

## EIGHTEENTH RESOLUTION

### BLANKET CEILING ON CAPITAL INCREASES CARRIED OUT PURSUANT TO THE TWELFTH TO THE SEVENTEENTH RESOLUTIONS AND THE NINETEENTH RESOLUTION OF THIS MEETING

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary General Meetings and having considered the Managing Board's Report, and in compliance with Article L. 225-129-2 of the French Commercial Code, resolves that the aggregate nominal amount of any capital increases carried out pursuant to the authorisations granted by the twelfth, thirteenth, fourteenth, fifteenth, sixteenth, seventeenth and nineteenth resolutions of this meeting – immediately and/or on exercise of rights to shares – may not exceed the blanket ceiling of two hundred eighty-three million one hundred seventy-one thousand nine hundred fourteen euros (€283,171,914), 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.

## NINETEENTH RESOLUTION

### DELEGATION OF AUTHORITY FOR THE MANAGING BOARD TO CARRY OUT ONE OR SEVERAL EMPLOYEE SHARE ISSUES WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Extraordinary General 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. 225-138 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-1 *et seq.* of the French Labour Code:

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, 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 and L. 3344-1 of the French Labour Code;
2. that no preference shares may be issued under this authorisation;
3. that the aggregate par value of shares issued under this authorisation may not exceed seven million eight hundred sixty-five thousand eight hundred eighty-seven euros (€7,865,887) and will be deducted from the blanket ceiling on capital increases set in the eighteenth resolution above provided that said resolution is adopted by this meeting;
4. that shareholders shall not have pre-emptive rights to subscribe the shares issued under this authorisation, 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 and L. 3344-1 of the French Labour Code;
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 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, the Managing Board may grant free shares to the above plan participants – corresponding either to new shares paid up by capitalising reserves, profit 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 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 authorisation and notably:
   (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, 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 free 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. that this authorisation is given for a period of twenty-six months from the date of this meeting and supersedes, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

## TWENTIETH RESOLUTION

### DELEGATION OF AUTHORITY FOR THE MANAGING BOARD TO ISSUE STOCK WARRANTS WHILE A TAKEOVER BID FOR THE COMPANY IS IN PROGRESS

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Ordinary General 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, 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, stock warrants exercisable on preferred terms for one or several shares of the Company and to allocate these warrants without consideration to all shareholders of 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 three hundred ninety-three million two hundred ninety-four thousand three hundred twenty-four euros (€393,294,324), 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 authorisation may not exceed the number of shares outstanding on the warrant issue date;
3. that (i) the warrants issued under this authorisation 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 authorisation 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 point 2 above that may be issued at a future date pursuant to this authorisation;
4. that this authorisation shall automatically entail the waiver by shareholders of their pre-emptive right to subscribe any shares to be issued on exercise of the stock warrants;
5. that the Managing Board shall have full powers to implement this authorisation and to:
   (a) set the terms of issue and allocation, without consideration, of the stock warrants and the number of warrants to be issued; decide to postpone or cancel the issue,
   (b) set the terms of exercise of the stock 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 authorisation shall be valid until the expiry of any takeover bid for the Company filed within eighteen months of the date of this meeting and shall supersede, for the unused portion and remaining period, the authorisation for the same purpose given at an earlier Annual Shareholders' Meeting.

# C/ ORDINARY RESOLUTIONS

## TWENTY-FIRST RESOLUTION

### RATIFICATION OF THE SUPERVISORY BOARD'S DECISION TO TRANSFER THE COMPANY'S REGISTERED OFFICE TO A NEW ADDRESS

The Annual Shareholders' Meeting, voting in accordance with the quorum and majority voting conditions applicable to Ordinary General Meetings and having considered the Managing Board's Report:

1. ratifies the Supervisory Board's decision of 17 February 2015, made in accordance with Article L. 225-65 of the French Commercial Code, (i) to transfer the Company's registered office from 75, avenue de la Grande Armée – 75116 Paris, to 7-9, rue Henri Sainte-Claire Deville, 92500 Rueil-Malmaison, provided that the lease comes into effect no later than 31 December 2017, and (ii) to amend Article 4 (Registered Office) of the Company's bylaws to reflect the new address;
2. issues that pursuant to aforementioned decision of the Supervisory Board, the Managing Board will have full powers to transfer the Company's registered office, provided that the lease comes into effect no later than 31 December 2017, the deposit, publication and any formalities for the transfer of the registered office are completed and the bylaws are amended to reflect the new address.

## TWENTY-SECOND RESOLUTION

### POWERS TO CARRY OUT LEGAL FORMALITIES

The Annual Shareholders' Meeting gives full powers to the bearer of an original, extract or copy of the minutes of this meeting to carry out any and all filing and other formalities required by law.

# 8.3. AUDITORS' REPORTS

## STATUTORY AUDITORS' REPORT ON THE REDUCTION IN CAPITAL

(Tenth 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 of 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 authorised 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 as to the terms and conditions of the proposed reduction in capital.

Courbevoie and Paris-La Défense, 20 February 2015

The Statutory Auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Marc Stoessel |

## STATUTORY AUDITORS' REPORT ON THE FREE ALLOCATION OF EXISTING SHARES OR SHARES TO BE ISSUED

### (Eleventh resolution)

To the Shareholders,

In our capacity as Statutory Auditors of your company and in compliance with Article L. 225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed free allocation of existing shares or shares to be issued, reserved for employees or some employees and directors or some directors of the company Peugeot S.A. and group or economic interest companies in the meaning of Article L. 225-197-2 of the French Commercial Code (*Code de commerce*), an operation upon which you are called to vote.

The number of shares allocated cannot exceed 0.85% of the share capital as at the date of the Managing Board's decision, as specified:

- the number of shares that may be allocated to members of Managing Board may not exceed more than 0.15% of the share capital, as assessed the day of the allocation decision by the member of managing. This ceiling will be deducted from the ceiling mentioned above of 0.85% of the share capital;
- the ceiling and sub-ceiling mentioned above don't take into account the number of shares that might be allocated to beneficiaries in addition to the shares originally allocated by the way of adjustments made to protect the right of beneficiaries in the event of a capital transaction during the acquisition period determined by members of managing.

Your Managing Board proposes that on the basis of its report, it be authorised, for a period of twenty-six months to allocate, for free, existing shares or shares to be issued subject to performance conditions.

It is the responsibility of the Managing Board to prepare a report on the proposed operation. Our role is to report, if necessary, on any matters relating to the information regarding the proposed operation.

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 mainly in verifying that the proposed methods described in the Managing Board's Report comply with the legal provisions governing such operations.

We have no matters to report as to the information provided in the Managing Board's Report relating to the proposed free allocation of shares.

Courbevoie and Paris-La Défense, 20 February 2015

The Statutory Auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Marc Stoessel |

## STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND MARKETABLE SECURITIES WITH AND/OR WITHOUT CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS

(Twelfth, thirteenth, fourteenth, fifteenth, sixteenth and seventeenth 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 report on the proposal to authorise your Managing Board to decide whether to proceed with various issues of shares and/or marketable securities, operations upon which you are called to vote.

Your Managing Board proposes that, on the basis of its report:

- it be authorised for a period of twenty-six months to decide on whether to proceed with the following operations and determine the final conditions of these issues, and proposes, where applicable, to cancel your preferential subscription rights:
  - issue, without cancellation of preferential subscription rights (twelfth resolution), of ordinary shares and/or securities that are equity securities giving rights to other equity securities or giving entitlement to the allotment of debt securities, and/or marketable securities giving access to equity securities to be issued:
    - it being specified that, in accordance with Article L. 228-93 paragraph 1 of the French Commercial Code (*Code de commerce*), securities to be issued may give access to equity securities to be issued of any company in which the Company directly or indirectly owns more than half of the share capital,
    - it being specified that, in accordance with Article L. 228-93 paragraph 3 of the French Commercial Code (*Code de commerce*), securities that are equity securities of the Company may give access to other existing equity securities or give entitlement to the allotment of debt securities of any company in which the Company directly or indirectly owns more than half of the share capital,
    - it being specified that, in accordance with Article L. 228-94 of the French Commercial Code (*Code de commerce*), securities that are equity securities of the Company may give access to other existing equity securities or give entitlement to the allotment of debt securities of any company in which the Company does not directly or indirectly own more than half of the share capital,
  - issue, with cancellation of preferential subscription rights (thirteenth resolution), by way of public offering, of ordinary shares and/or marketable securities that are equity securities giving access to other equity securities or giving entitlement to the allotment of debt securities, and/or marketable securities giving access to equity securities to be issued:
    - it being specified that, in accordance with Article L. 228-93 paragraph 1 of the French Commercial Code (*Code de commerce*), securities to be issued may give access to equity securities to be issued of any company in which the Company directly or indirectly owns more than half of the share capital,
    - it being specified that, in accordance with Article L. 228-93 paragraph 3 of the French Commercial Code (*Code de commerce*), securities that are equity securities of the Company may give access to other existing equity securities or give entitlement to the allotment of debt securities of any company in which the Company directly or indirectly owns more than half of the share capital,
    - it being specified that, in accordance with Article L. 228-94 of the French Commercial Code (*Code de commerce*), securities that are equity securities of the Company may give access to other existing equity securities or give entitlement to the allotment of debt securities of any company in which the Company does not directly or indirectly own more than half of the share capital,
  - issue, with cancellation of preferential subscription rights (fourteenth resolution), of ordinary shares and/or marketable securities that are equity securities giving rights to other equity securities or giving entitlement to the allotment of debt securities, and/or marketable securities giving access to equity securities to be issued, by way of offerings pursuant to Article L. 411-2 II of the French Monetary and Financial Code (*Code Monétaire et Financier*) and within the limit of 20% of the share capital per year;
    - it being specified that, in accordance with Article L. 228-93 paragraph 1 of the French Commercial Code (*Code de commerce*), securities to be issued may give access to equity securities to be issued of any company in which the Company directly or indirectly owns more than half of the share capital,
    - it being specified that, in accordance with Article L. 228-93 paragraph 3 of the French Commercial Code (*Code de commerce*), securities that are equity securities of the Company may give access to other existing equity securities or give entitlement to the allotment of debt securities of any company in which the Company directly or indirectly owns more than half of the share capital,
    - it being specified that, in accordance with Article L. 228-94 of the French Commercial Code (*Code de commerce*), securities that are equity securities of the Company may give access to other existing equity securities or give entitlement to the allotment of debt securities of any company in which the Company does not directly or indirectly own more than half of the share capital,
  - issue, within the context of a public exchange offer initiated by your company (sixteenth resolution), of ordinary shares and/or marketable securities that are equity securities giving access to other equity securities or giving entitlement to the allotment of debt securities, and/or marketable securities giving access to equity securities to be issued;
- it be delegated, for a period of twenty-six months, the powers necessary to issue ordinary shares and/or marketable securities that are equity securities giving access to other equity securities or giving entitlement to the allotment of debt securities and/or marketable securities giving access to equity securities to be issued, in consideration for the contributions in kind made to the Company and consisting of equity securities or marketable securities giving access to the capital (seventeenth resolution), within the limit of 10% of the share capital.

The overall nominal amount of capital increases that may be carried out immediately or in the future may not, in accordance with the eighteenth resolution, exceed € 283,171,914 in respect of the twelfth, thirteenth, fourteenth, sixteenth, seventeenth and nineteenth resolutions, it being specified that the overall nominal amount of capital increases that may be carried out may not exceed € 196,647,162 in respect of the twelfth resolution and € 78,658,865 in respect of the thirteenth, fourteenth, sixteenth and seventeenth resolutions.

The overall nominal amount of debt securities that may be issued may not, according to the twelfth resolution, exceed € 2,100,000,000 in respect of the twelfth, thirteenth, fourteenth, sixteenth and seventeenth resolutions.

These ceilings reflect the additional number of securities to be created as part of the implementation of the delegations referred to in the twelfth, thirteenth and fourteenth resolutions, in accordance with Article L. 225-135-1 of the French Commercial Code (*Code de commerce*), if you adopt the fifteenth resolution.

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 these operations provided in this 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 these 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 issues that may 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 Managing Board's Report in respect of the thirteenth and fourteenth resolutions.

Moreover, as the methods used to determine the issue price of the equity securities to be issued in accordance with the twelfth, sixteenth and seventeenth 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 for the issue have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights for the thirteenth and fourteenth resolutions.

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 these authorizations in case of the issue of marketable securities that are equity securities giving access to other equity securities or giving entitlement to the allotment of debt securities, in case of the issue of marketable securities giving access to equity securities to be issued and in case of the issue of shares with cancellation of preferential subscription rights.

Courbevoie and Paris-La Défense, 20 February 2015

The Statutory Auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Marc Stoessel |

## STATUTORY AUDITORS' REPORT ON THE INCREASE IN CAPITAL RESERVED FOR EMPLOYEES WHO ARE MEMBERS OF A COMPANY SAVINGS SCHEME

### (Nineteenth 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 of maximum 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 Article 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 amounted to € 7,865,887, 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 authorised 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, 20 February 2015

The Statutory Auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Marc Stoessel |

## STATUTORY AUDITORS' REPORT ON THE ISSUE OF BONUS SHARE WARRANTS IN THE EVENT OF TAKEOVER BIDS TARGETING THE COMPANY'S SHARES

(Twentieth resolution)

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 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, 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 € 393.294.324 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*) and in view of the Shareholders' Meeting assurance in compliance with Article L. 233-32 III of the French Commercial Code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Managing Board has exercised this authorisation.

Courbevoie and Paris-La Défense, 20 February 2015

The Statutory Auditors

*French original signed by*

| MAZARS | | ERNST & YOUNG et Autres | |
|---|---|---|---|
| Jean-Louis Simon | Jérôme de Pastors | Christian Mouillon | Marc Stoessel |

# 9 ADDITIONAL INFORMATION

# 9.1. PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

## PERSON RESPONSIBLE FOR THE 2014 REGISTRATION DOCUMENT

Carlos Tavares

Chairman of the Peugeot S.A. Managing Board

## STATEMENT BY THE PERSON RESPONSIBLE FOR THE 2014 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 page 345, 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.

The Statutory Auditors' Reports on the consolidated financial statements and the separate financial statements of Peugeot S.A. for the year ended 31 December 2014 may be found in sections 5.7 and 6.6 and include an emphasis of matter. In the report on the consolidated financial statements, the emphasis of matter is the following:

"Without qualifying our opinion, we draw your attention to Notes 2 "Accounting principles" and 3.4 "Changes To Financial Statements Previously Reported" to the consolidated financial statements which set out the impact of the first application of IFRS 10 and IFRS 11 concerning consolidated financial statements and joint arrangements."

The consolidated financial statements for the year ended 31 December 2013 includes an emphasis of matter. The report may be found on pages 280 and 281 of the Registration Document filed with the French securities regulator (*Autorité des Marchés Financiers*) on 2 April 2014 under No. D.14-0269. In the report on the consolidated financial statements, the emphasis of matter is the following:

"Without qualifying our opinion, given the context of the Group's economic and financial environment as described in the Group's Management Report, we draw your attention to the following notes to the consolidated financial statements:

- Note 2.4 which specifies the accounting items for which estimates and assumptions used are particularly sensitive;
- Note 9.1 on the impairment testing of Automotive Division assets, which led to a €1,009 million impairment. This note indicates that the tests have been performed based on a medium-term plan for which the funding arrangements had not been finalised as at 31 December 2013. It further indicates that the Group is confident in its ability to implement the corresponding funding;
- Note 40 on subsequent events. It indicates, in particular, that the Managing Board and the Supervisory Board decided, on 18 February 2014, to submit a capital increase of €3 billion to the next Shareholders' Meeting. It specifies that this capital increase is aimed at financing among others the current medium-term plan of the Group and revitalising its development;
- Note 36 which sets out the Group's and Banque PSA Finance's liquidity position;
- Note 3 which sets out the impact of the first application of IAS 19 (revised) concerning employee benefits."

The consolidated financial statements for the year ended 31 December 2012 includes an emphasis of matter. The report may be found on pages 274 and 275 of the Registration Document filed with the French securities regulator (*Autorité des Marchés Financiers*) on 28 March 2013 under No. D.13-0239. In the report on the consolidated financial statements, the emphasis of matter is the following:

"Without qualifying our opinion, given the context of the Group's economic and financial environment as described in the Group's Management Report, we draw your attention to the following notes to the financial statements:

- Note 1.4 on significant estimates and assumptions which specifies the accounts for which estimates and assumptions used are particularly sensitive;
- Note 8.1 on impairment testing of Automotive Division assets, which led to a €3,009 million impairment;
- Note 12.1.C on valuation tests of deferred taxes, which led to a €879 million net impairment;
- Note 37 which sets out the Group's and Banque PSA Finance's liquidity position."

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 2013

Required disclosures in the Report of the Managing Board appearing on page 484, the consolidated financial statements are presented on pages 282 to 386 and the corresponding Auditors' Report is presented on pages 280 and 281 of the 2013 Registration Document filed with the *Autorité des Marchés Financiers* on 2 April 2014 under No. D. 14-0269.

## FOR FINANCIAL YEAR 2012

Required disclosures in the Report of the Managing Board appearing on page 480, the consolidated financial statements are presented on pages 276 to 386 and the corresponding Auditors' Report is presented on pages 274 and 275 of the 2012 Registration Document filed with the *Autorité des Marchés Financiers* on 28 March 2013 under No. D. 13-0239.

## DATE OF LATEST FINANCIAL INFORMATION

31 December 2014

# 9.3. DOCUMENTS AVAILABLE TO THE PUBLIC

The following documents are available on the website of the Company (www.psa-peugeot-citroen.com):

- the present 2014 Registration Document filed with the *Autorité des Marchés Financiers* as an Annual Report;
- financial press releases;
- Articles of association of Peugeot S.A.;
- historical financial information for Peugeot S.A. and its subsidiaries;
- full year results 2014 presentation.

Documents and information concerning the Company can be also requested at PSA Peugeot Citroën'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 & Marc Stoessel

1-2, place des Saisons
92400 Courbevoie – Paris-la Défense 1

Date of first appointment: Annual Shareholder's Meeting of 31 May 2011.

End date of current appointment: at the close of the Annual 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

Date of first appointment: Annual Shareholder's Meeting of 25 May 2005.

End date of current appointment: at the close of the Annual 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: Annual Shareholder's Meeting of 31 May 2011.

End date of current appointment: at the close of the Annual Shareholders' Meeting called to approve the 2016 financial statements.

### PATRICK DE CAMBOURG

61, rue Henri Regnault
92400 Courbevoie

Date of first appointment: Annual Shareholder's Meeting of 25 May 2005.

End date of current appointment: at the close of the Annual Shareholders' Meeting called to approve the 2016 financial statements.

## 9.4.3. FEES PAID TO THE STATUTORY AUDITORS

The Statutory Auditors' fees and those of their network are shown in Note 20 to the consolidated financial statements for 2014, section 5.6, page 254.

# 9.5. CROSS-REFERENCE TABLES

## 9.5.1. CROSS-REFERENCE TABLE ON THE REPORT OF THE MANAGING BOARD

The Registration Document includes all of the information in the Report of the Managing Board of the PSA Peugeot Citroën 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 Report of the Managing Board of the PSA Peugeot Citroën Group or the the parent company 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 | 4 and 5 |
| | 1.4 Activities and strategy | 11 to 22 |
| | 4.1 Analysis of consolidated operating results | 150 to 153 |
| | 4.2 Financial position and cash | 154 to 156 |
| | 4.3 Executive management statement | 157 and 158 |
| | 5. Consolidated financial statements for 2014 | 170 to 262 |
| | 6. Financial statements of Peugeot S.A. for 2014 | 265 to 288 |
| 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 2014 (Notes 12 and 13) | 215 to 247 |
| Description of the main risks and uncertainties | 1.5 Risk factors | 22 to 31 |
| Material acquisitions of equity interests in companies with their head office in France | N/A | |
| Subsequent events/Outlook | 1.2 History and highlights of the Company's business<br>4.6 Recent events and outlook<br>5. Consolidated financial statements for 2014 (Note 19 – Subsequent events).<br>6.4 Notes to Peugeot S.A. financial statements (Note 30) | 6; 168; 253 and 286 |
| Dividends paid over the past three years | 7.4 Corporate financial instrument markets – Dividends | 306 |
| Exposure to interest-rate, currency and equity risks | 1.5.2 Risk factors – Financial market risks<br>5. Consolidated financial statements for 2014 (Note 13.5) | 26 and 27;<br>239 to 243 |
| Purchases and sales of Company shares | 5. Consolidated financial statements for 2014 (Notes 15.1 C Treasury shares)<br>7.2.8 Description of buyback programme | 248 and 249;<br>301 |
| Compensation of corporate officers | 3.4 Compensation of corporate officers<br>5. Consolidated financial statements for 2014<br>(Note 7.3 Management compensation) | 138 to 147;<br>201 |
| Trading in the Company's shares by management | 3.1.3 Trading in the Company's shares by management and those related to them | 123 |
| Main functions and directorships held by corporate officers | 3.1 Management and supervisory bodies | 112 to 122 |
| 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 | 298 to 301<br>302 to 306 |
| Ownership structure | 7.3 Ownership structure | 302 to 306 |
| Adjustments to the rights of holders of share equivalents | 5. Consolidated financial statements for 2014 (Note 7.2 Share-based payment, Note 12.6 B Characteristics of convertible bond issues (OCEANES)<br>7.2 Information about the Company's share capital<br>7.3 Ownership structure | 200;<br>298 to 301;<br>302 to 304 |
| Social responsibility and environmental information | 2. Corporate responsibility: sustainable development initiatives | 33 to 110 |
| Research and development activities | 4.5 Capital expenditure and Research & Development | 160 to 167 |
| Agreements signed between a subsidiary and a shareholder owning over 10% of its voting rights | 4.3. Executive management statement | 157 and 158 |
| Information on supplier payment terms | 4.3 Executive management statement | 158 |
| **Appendices** | | |
| Table of authorisations to issue new shares and share equivalents | 7.2.7 Authorisations in effect | 300 |
| Peugeot S.A. five-year financial summary | 6. Financial statements of Peugeot S.A. for 2014 | 288 |
| 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 | 124 to 136 |

## 9.5.2. CROSS-REFERENCE TABLE ON INFORMATION REQUIRED IN THE ANNUAL FINANCIAL REPORT

| Information required in the Annual Financial Report | Pages |
|---|---|
| **Statement by the person responsible for the Annual Financial Report** | **342** |
| **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) | 22 to 31; 150 to 168 |
| 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) | 132; 298 to 304 |
| Information on buyback of shares (Article L. 225-211 paragraph 2 of the French Commercial Code) | 248 and 249; 301 |
| **Financial statements and reports** | |
| Parent company financial statements | 265 to 289 |
| Statutory Auditors' Report on the parent company financial statements | 289 |
| Consolidated financial statements | 169 to 264 |
| Statutory Auditors' Report on the consolidated financial statements | 263 to 264 |

## 9.5.3. CROSS-REFERENCE TABLE WITH THE SECTIONS OF ANNEX 1 OF EUROPEAN COMMISSION REGULATION NO. 809/2004

This document is printed in compliance with ISO14001.2004 for an environment management system.
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